



Superannuation

Overview of super

Aon Hewitt Financial Education Series

Super is an investment structure that enjoys special tax treatment to encourage you to provide for your retirement. Most investments that you can hold in your own name, whether they are Cash, Fixed Interest, Property or Shares, can also be held within super.

What can I invest in?

Most super funds offer a wide range of investment options, but there are five main asset classes you can invest your super into:

- Cash
- Fixed Interest (Domestic and International)
- Shares (Domestic and International)
- Property
- Alternative assets

You can invest into one of the above asset classes or a mixture, and your financial adviser can discuss this with you.

What are the advantages of investing in super?

The advantage of super is that investment earnings are taxed at a maximum of 15%, compared to investments held in your personal name which can be taxed at up to the highest marginal tax rate of 45% (plus the Medicare levy). In addition, if you convert your super into an account based pension (also known as a retirement income stream) this tax reduces to 0%.

What are the disadvantages of investing in super?

The main disadvantage of investing into super is that the Australian Government has strict rules about when you can access your money, as it is designed to fund your retirement. In most cases, the earliest you can access your super is when you reach your preservation age (between ages 55 and 60).

How is super taxed?

Initial investment

15% contributions tax applies to compulsory Super Guarantee Contributions (SGC) which is 9.5% in the current financial year, salary sacrifice, and personal deductible contributions (contributions of which a tax deduction is claimed). If you invest after tax money, such as money in your bank account, there is no contributions tax payable.

You may also be eligible for a tax rebate, tax deduction, Low Income Superannuation Tax Offset or the Government co-contribution.

If your income, using the adjusted definition set by the Australian Taxation Office, is above \$250,000 you will be required to pay 30% contributions tax on concessional contributions, as opposed to the standard 15%.

Investment earnings

Investment earnings are taxed at a maximum of 15% with the tax being paid from your account balance.

Once your super funds are converted into a tax free income stream, earnings are tax free.

Capital growth

Capital gains are taxed at a maximum of 15% with the tax being paid from your account balance. Capital Gains Tax within super may be eligible for a one-third discount, reducing the tax to 10% if the investment is held for longer than 12 months.

Once your super funds are converted into a tax free income stream, capital gains are tax free.

General Transfer Balance Cap

You are able to invest up to the general transfer balance cap (which is \$1.6 million for the 2018/2019 financial year) in tax free retirement income streams. Amounts up to this limit will pay no tax on earnings or capital gains within the pension.

However any amounts over the cap cannot be used to start a tax free retirement income stream and will need to either be withdrawn, or kept in super where earnings and capital gains will be taxed at up to 15%.

On withdrawal

Most people will be able to access their super as either a lump sum or pension tax free after age 60.

Tax may be payable if your super is taken before age 60. Please refer to the 'Withdrawing from Super' fact sheet under the Superannuation Financial Education Series for more information.

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This document, including all tax and super calculations, has been prepared using legislation in place as at 1 July 2018.