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Sacrifice too big to make

Diverting too much of your salary into super may leave you with a nasty tax slug, writes **Anthony Keane**

PRE-RETIREES who use salary sacrifice to beef up their superannuation need to look at their strategy in the next few weeks or risk hefty tax penalties.

Changes announced in this month's Budget could see many older Australians paying excess contributions tax (ECT) of 46.5¢ in the dollar if they don't change their salary sacrifice for the new financial year.

For over-50s, the Government is cutting the cap for concessional contributions – such as salary sacrifice and employer payments – from $50,000 to $25,000 on July 1, but says it will lift it back to $50,000 (or $55,000 after indexation) from 2014-15.

MLC head of technical services Gemma Dale says the ECT has raised more than $400 million from super fund members in recent years.

"As a sum that's quite terrifying," she says.

Dale says super savers need to know exactly how much concessional contributions are going into their super.

"It's particularly important if you have multiple employers," she says.

Marinis Financial Group managing director Theo Marinis says everybody should review their salary sacrifice.

"People often forget that the cap includes their employer amount, and the two combined can tip them over the cap," Marinis says.

He says the reduction from $50,000 to $25,000 is "extremely short-sighted. Even $50,000 is too low."

Most Australians are only able to build their super quickly once they are over 50.

"The danger with this tampering of rules is that people get put off, but don't throw the baby out with the bath water and say it's too hard," Marinis says. "The fact they are clamping down demonstrates this is the best place to be."

He says pre-retirees can still get money into super through non-concessional (after-tax) contributions of up to $150,000 a year.

These do not offer the tax benefits of salary sacrifice but still put your money into a structure where earnings are taxed at 15 per cent rather than your marginal tax rate.

MLC's Dale says the 15 per cent tax in super is "fantastic", and it's tax-free for retirees and people with transition to retirement pensions.

"If you're paying tax on a term deposit, making a non-concessional contribution from that makes perfect sense if you're close to retirement," she says.

SUPER CAPS: IT'S NO WONDER YOU'RE CONFUSED

Concessional contribution limits

Age	Under 50	Over 50
2008-09	$50,000	$100,000
2009-10	$25,000	$50,000
2010-11	$25,000	$50,000
2011-12	$25,000	$50,000
2012-13	$25,000	$25,000
2013-14	$25,000	$25,000
2014-15	$30,000	$55,000

Source: MLC, Budget papers

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
67 Kensington Road, Norwood SA 5067 T 08 8130 5130 F 08 8331 9161 E admin@marinisgroup.com.au
Financial Strategies (SA) Pty Ltd ABN 54 083 005 930, Australian Financial Services Licence No: 326403