

WHY MAKE EXTRA CONTRIBUTIONS TO YOUR SUPERANNUATION

Introduction

Your superannuation fund is a defined accumulation scheme where a portion of your salary is compulsorily deposited into an account and invested for the sole purpose of your retirement. Making extra contributions to your superannuation account is beneficial as time invested 'in the market' will create a large sum of capital available for retirement while also reducing your taxable income in the current financial year.

Financial Snapshot

Gerrard (30) is working as an Engineer in Melbourne and is starting to take an interest in his superannuation account. He currently has 3 superannuation accounts from various jobs and looking to amalgamate his investments into one will exploring ways to reduce his taxable income.

Income	Assets	Super Contributions
Gerrard Salary: \$120,000	Cash Savings: \$50,000	FY 2024/25: SG = \$13,800
Estimated Tax Payable: \$29,188	Super A: \$5,000	
Expenses: \$60,000	Super B: \$15,000	
Saving: \$25,000	Super C: \$20,000	

Understanding Gerrard's Financial Needs

Gerrard wanted to simplify his superannuation accounts as he noticed that he was paying for insurances inside all of his accounts and that there were layers of additional fees for every superannuation account. He was also motivated to make proactive steps to his retirement in the present as he understood by making additional contributions to his superannuation account, these funds would be compounded over the course of his working lifetime for his retirement.

Financial Objectives

- ◆ To amalgamate his superannuation accounts and invest for a retirement of 65 on an income of \$70,000 per annum.

Strategy Consideration: The Concessional Contributions Cap.

- ◆ The Concessional Contribution cap is the annual limit on pre-tax contributions to superannuation, including employer contributions, salary sacrifice, and personal deductible contributions, currently set at \$30,000 in Australia for the 2024-25 financial year. All contributions are taxed at 15% upon entry.
- ◆ Superannuation Guarantee Contributions are mandatory payments made by employers into their employees' superannuation accounts, calculated as a percentage of the employees' ordinary time earnings, currently set at 11.50 % in Australia for the 2024-25 financial year
- ◆ Personal deductible contributions are voluntary contributions made to your superannuation from your after-tax income, which you can claim as a tax deduction to reduce your taxable income.
- ◆ Salary sacrifice is an arrangement between an employee and their employer where the employee agrees to forego a portion of their pre-tax salary in exchange for certain benefits provided by the employer.

Understanding The Benefits & Trade Offs

Superannuation contributions and earnings are taxed at 15% which can provide financial advantages by making additional contributions to a superannuation account. Once funds are contributed to superannuation funds are 'preserved' for an individual's retirement benefit and remained invested for the long term.

WHY MAKE EXTRA CONTRIBUTIONS TO YOUR SUPERANNUATION

Outcomes

There are several factors to consider with such a strategy, including:

- Gerrard decided to contribute an extra \$6,200 per annum (\$120/w) as a salary sacrifice. This reduced his personal tax liability to \$27,204. He had to pay \$930 inside his superannuation account, which overall saved him \$1,054 in total tax for the financial year.
- The table below shows the before and after outcomes of making extra contributions to his superannuation account over time. The assumed real rate of return of 5.2% and accounted for tax paid to the fund.

Year	Before	Yearly Contributions	After	Yearly Contributions
1	\$40,000	\$13,800	\$40,000	\$20,000
2	\$53,810		\$59,080	
3	\$68,338		\$79,152	
4	\$83,622		\$100,268	
5	\$99,700		\$122,482	
10	\$193,537		\$252,128	
20	\$470,231		\$634,410	
30	\$929,595		\$1,269,072	
35	\$1,262,843		\$1,729,489	

Further Considerations

As part of the advice provide to Gerrard he also considered the other areas of financial advice which were:

- Personal Insurances: Life, Total Permanent Disablement Insurance, Income Protection & Critical Illness. When superannuation funds are amalgamated and closed, the individual will lose their personal insurances.

Learning More

Want to talk about your personal situation with one of our advisors?

Call, email or visit our website using the details below for a **free no-obligation 30-min catch-up** with one of our experts.

Contact Us

- ☎ +61 2 8302 3620
- ✉ wealthadvisors@rivkin.com.au
- 🌐 www.rivkinwealthadvisors.com.au
- 📍 Suite 8 "The Elan", 1 Kings Cross Road, Rushcutters Bay, NSW 2011, Australia

Disclaimer

Rivkin Wealth Advisors Pty Ltd, ABN 56 612 316 202, AFSL 551201 makes no representation and takes no responsibility as to the soundness of any opinion or the accuracy or completeness of any information contained within this document. The information contained within this document is general advice only and does not consider your personal circumstances. There may be a product disclosure statement or other offer document for the securities and financial products written about in this. You should obtain a copy of the product disclosure statement or offer document before deciding whether to acquire the security or product. For all of our relevant disclosure documents, call +61 2 8302 3620 or visit our website at <https://about.rivkin.com.au/legal-documents/>. Directors and employees of Rivkin Wealth Advisors may, from time to time, hold securities in companies mentioned in this email. Directors and employees may also earn fees, commissions, rebates and/or interest from products and services offered to clients of Rivkin Wealth Advisors.