

Fact Sheet for individuals

Russell SuperSolution Master Trust

Concessional contribution limits for defined benefit members

Concessional contribution limits set the amount you may contribute to superannuation before incurring additional tax. As a defined benefit member, you should check if you will exceed this limit, especially if you are salary sacrificing additional amounts to your super.

What are concessional contributions?

Concessional contributions (also referred to as before-tax contributions) include both employer and salary sacrifice contributions.

As a defined benefit member you will be allocated "notional concessional

contributions" which will count towards your concessional contribution limit.

The table below outlines the specific limits for concessional and non-concessional contributions. It's important to remember that these limits are flat, so if you're contributing to more than one super fund you still have the one overall limit to adhere to.

What is my contribution limit?	
Concessional (or before-tax) contributions	Non-concessional (or after-tax) contributions
Limited to \$25,000 a year¹	Limited to \$150,000 a year²
<p>Concessional contributions include both employer and salary sacrifice contributions. If you're 50 or over, transitional rules allow you to make concessional contributions of \$50,000 a year, from 1 July 2011. (This amount will not be indexed).</p> <p>Any contributions made over this limit will be taxed at 31.5% on top of the 15% contribution tax paid on entry to the Fund, bringing the total tax to 46.5%. Excess contributions will also be counted towards your non-concessional contribution limit.</p>	<p>If you're aged under 65 you can bring forward two years of contributions. For example, a person under age 65 will be able to make up to \$450,000 of contributions in 2011/12 financial year but will then be unable to make further non-concessional contributions until 2014/15 financial year without exceeding the limit.</p> <p>Any contributions made over this limit will be taxed at 46.5%.</p>

¹ This limit will be indexed to Average Weekly Ordinary Time Earnings (AWOTE). The limit will be increased in increments of \$5,000 once the increase is greater than \$5,000.

² The limit for non-concessional contributions will always be six times the limit for concessional contributions.

» Track your contributions online

You are able to monitor your concessional contributions via the website. Please log in at www.russell.com.au/super and go to 'Concessional contributions' under the 'Quotations' menu.

» Need more information?

If you have any questions regarding how the limits could affect you, please call our Helpline on **1800 555 667**.

How can I calculate my concessional contribution?

As a defined benefit member, your concessional contribution will be calculated as the sum of:

1. Notional concessional contributions; plus
2. any employer contributions to an accumulation account (if any); plus
3. any additional salary sacrifice contributions you make to an accumulation account (if any).

Example 1 – John’s fund requires him to make 5% compulsory contributions

John’s salary at 1 July is \$60,000, his New Entrant Rate is 10% and John makes 5% compulsory after-tax contributions (which is equal to \$3,000). In addition, because of a long standing arrangement, John’s employer pays 3% of his salary into an accumulation account. John has also been paying \$100 a month on a voluntary basis into his super through a salary sacrifice arrangement.

1. John’s estimated notional concessional contributions for the full financial year will be:

$$1.2 \times (10\% \times \$60,000 - \$3,000) = \$3,600$$

2. John’s employer also pays

$$3\% \times \$60,000 = \$1,800$$

3. John salary sacrifices

$$\$100 \times 12 \text{ (months)} = \$1,200$$

Therefore, John’s estimated concessional contributions for this financial year will be \$6,600. As it stands, John has scope to make additional before-tax contributions of \$18,400, i.e. \$25,000 (the limit) - \$6,600.

Examples are for illustrative purposes only

Your notional concessional contributions will be an amount calculated in accordance with a formula and assumptions prescribed by the Government. It is not the actual amount that your employer pays to the Plan on your behalf.

At the end of each financial year (to 30 June), Russell will notify the Australian Taxation Office (ATO) of the total concessional contributions received for the year in respect of your membership with Russell SuperSolution.

Example 2 – Jane makes 5% compulsory contributions on a before-tax basis

Jane is in the same fund as John, is paid the same salary but makes her compulsory contributions through salary sacrifice. Like John, she also pays an additional \$100 each month to top up her super.

1. Jane’s estimated notional concessional contributions for the full financial year will be:

$$1.2 \times (10\% \times \$60,000 - \$0) = \$7,200$$

Please note that as Jane’s contributions are before tax, they are not included in her notional concessional contribution calculation.

2. Jane’s employer also pays

$$3\% \times \$60,000 = \$1,800$$

3. Jane salary sacrifices

$$\$100 \times 12 \text{ (months)} = \$1,200$$

Therefore, Jane’s estimated concessional contributions for this financial year will be \$10,200. As it stands, Jane has scope to make additional before-tax contributions of \$14,800, i.e. \$25,000 (the limit) - \$10,200.

Your notional concessional contributions are calculated using the formula below:

$$1.2 \times (\text{New Entrant Rate} \times S \times D/365 - M)$$

Where

- » New Entrant Rate is the rate given in our letter to you detailing the Concessional Contributions Limit sent in January 2008. You can also contact our Helpline for your rate.
- » S is equal to your superannuation salary at 1 July each year.
- » D is equal to the number of days during the financial year that you were a member of the benefit category.
- » M is the amount of compulsory member contributions paid from after-tax salary that relates to your defined benefit.

The examples set out are not specific to your Fund and are to be used as a guide only.

Will I need to monitor my concessional contributions against my limit?

Yes, it will be your responsibility to monitor your concessional contributions against your limit each financial year. Should you exceed your limit, you will need to pay the additional tax. Therefore, it will be up to you to implement any contribution strategy and/or payroll changes to ensure you do not pay any excess tax. Of course, if you are happy to pay the additional tax, choosing to exceed the limit is up to you.

You can keep track of your concessional contributions online. Simply log in at www.russell.com.au/super, select ‘Quotations’ and then ‘Concessional contributions’ to view your contributions to Russell SuperSolution for the financial year so far.

Were you a Defined Benefit member on 12 May 2009?

If you were a Defined Benefit member on 12 May 2009, special conditions may apply. If certain criteria are not breached, your notional concessional contributions will be capped at the concessional contribution limit applicable to your age (even if the calculated formula produces a higher amount) and you will not have to pay excess tax on these contributions.

The notional concessional contribution will be less than the limit for the majority of members. However, if for example, your notional concessional contribution is equal to \$30,000 and your limit is only \$25,000 the notional concessional contribution will be deemed to be equal to \$25,000 (and no additional tax will be payable on the extra \$5,000). However, in this example, if you also had a salary sacrifice strategy in place, you would exceed your limit and subsequently pay tax on those salary sacrifice contributions.

Staying within your limit

If you are considering, or are already salary sacrificing additional contributions you will need to monitor your strategy. If you are at risk of exceeding your limit, you may need to reduce your nominated additional salary sacrifice contributions. Remember, salary sacrifice contributions that you are required to make to Fund your defined benefit are considered part of the notional concessional contribution amount.

What if I exceed my concessional contribution limit?

If the total concessional contributions reported on your behalf to the ATO exceed the relevant contribution limit (i.e. \$25,000 or \$50,000 as per previous table), then 31.5% tax will apply (in addition to the usual 15% contributions tax) on the excess contributions. This means that contributions above this limit will be taxed 46.5% in total. The excess contributions will also count towards your non-concessional contribution limit.

Note that the ATO will combine the reported concessional contributions for you from all superannuation funds. If you are liable, the ATO will send the assessment for the additional tax to you. You may pay the assessment yourself or forward it to us to have the tax deducted from your super account.

» *Thinking about salary sacrificing?*

Before commencing a salary sacrifice strategy, you may wish to seek financial advice.

We have handpicked a small number of qualified financial advisers through our Adviser Referral Program, who we believe are best placed to provide personalised financial advice to you.

To find out more, **call us on 1800 555 667.**