

Fact Sheet for individuals

Russell SuperSolution Master Trust

Superannuation basics for members new to Australia

This fact sheet answers some common questions people new to Australia may have about the superannuation system.

What is Superannuation?

Superannuation is a compulsory scheme that helps Australian workers save for retirement. Your employer must contribute 9% of your salary to superannuation if you earn more than \$450 in a month and are between 18 and 70 years old.

If you are working temporarily in Australia and your employer is already providing you with benefits in an overseas retirement scheme, they may not be required to also make contributions for you here. Australia has agreements with several other nations including the USA, Greece, Germany and Ireland which allow you employer to continue participating in the overseas scheme rather than make contributions for you here.

What kind of benefit will I get from a superannuation fund?

Superannuation generally provides a lump sum benefit on retirement. This lump sum may be cashed and reinvested outside the superannuation system, or transferred into a pension account which provides a regular income. It is also possible to take a combination of these options.

The income from a pension account is not guaranteed for life or restricted to a set amount. You choose how much to withdraw each year subject to a minimum withdrawal, and choose how the account is invested. It is possible for the funds to run out.

Some insurance companies offer annuity products which may be purchased after retirement that do provide a guaranteed income for life.

The Australian Government also provides social security benefits in the form of an age pension. The age pension is means tested, but most Australian retirees over age pension age (generally 65) are eligible for at least a small amount.

How is the final benefit determined?

Generally, you choose how your superannuation account is invested and how much you would like to contribute to it in addition to your employer's contribution. The final benefit is determined by how your investment has performed over the years, and how

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much has been contributed, just like an investment in the share market or a managed fund.

Some funds have a benefit determined by a multiple of final salary, depending on your years of service. This is uncommon, and usually these accounts are not available to new employees.

How is superannuation taxed?

Superannuation is one of the most tax effective ways to save for retirement. Even so, taxation laws are complex and subject to change. To make the most of your super you might like to consult a financial adviser or tax adviser for specific details about how you will be taxed.

Superannuation is taxed at concessional rates. The tax paid on employer contributions to super is generally lower than the tax you pay on your salary. Note that there are contribution limits that apply to superannuation.

Generally, there is a 15% contribution tax applied to amounts your employer contributes for you, and amounts you elect to sacrifice to superannuation from your salary. If you make personal contributions after paying income tax, no contribution tax is applied.

The investment earnings made within superannuation are also taxed at a maximum rate of 15%. This concessional rate makes saving in super attractive when compared with other investments which can be taxed at higher rates while they grow. Russell SuperSolution deducts the appropriate tax before calculating your investment returns.

There is no tax on payments from superannuation after you reach your 60th birthday. Withdrawals prior to age 60 are taxed at concessional rates.

Insurance benefits

It is common for insurance to be automatically provided with your superannuation plan. The cover may come at a cost to you, which is deducted from your account balance, or may be paid for by your employer.

Insurance commonly provides lump sum benefits for death and total and permanent disability, and income replacement for temporary disability. Check your statement or the Product Disclosure Statement for your category to find out more about your insurance benefits.