

FACT SHEET

SALARY SACRIFICE  
Teachers

## What is Salary Sacrifice?

Salary sacrifice is an arrangement with your employer that allows you to receive part of your salary package in the form of pre-tax contributions to your super fund. Your employer may also allow you to salary sacrifice other items, however the most common form of salary sacrifice is super contributions.



THE MAIN BENEFITS OF SALARY SACRIFICING INTO SUPERANNUATION ARE REDUCING TAX AND INCREASING YOUR RETIREMENT ASSETS

## Why Salary Sacrifice?

The main benefits of salary sacrificing into superannuation are reducing tax and increasing your retirement assets.

Your salary sacrificed super contribution attracts a 15% contributions tax. Your tax saving is the difference between 15% and your marginal tax rate e.g. if you earn \$60,000 and salary sacrifice \$10,000 p.a. your marginal tax rate is 31.5% including the medicare levy. That is a saving of \$1,650 in tax annually.

Through salary sacrifice arrangements, you reduce your assessable income and boost your savings for your future.

The following two examples show how salary sacrificing into superannuation can save thousands of dollars and boost your retirement savings.

## 1st Year Teacher sample scenario

In the first example below, salary sacrificing \$7,000 from a \$42,000 income can save \$1,155 in tax.

2009 / 2010 Financial Year	No Salary Sacrifice	Salary Sacrifice
Gross Salary (before income tax)	\$42,000	\$42,000
Salary Sacrifice to Super	\$0	\$7,000.00
Taxable Income	\$42,000	\$35,000
Income tax (including medicare levy)*	-\$6,990	-\$4,785
Total Cash Salary received	\$35,010	\$30,215
Reduced take home pay		\$4,795
Contributions tax	\$0	\$1,050
Net Super Contributions (after tax & including a 9% super guarantee)	\$3,780	\$9,730
<b>Net Result (Cash Salary plus Net Super)</b>	<b>\$38,790</b>	<b>\$39,945</b>
<b>Total savings on tax</b>		<b>\$1,155</b>

## Senior Teacher sample scenario

This scenario assumes the teacher is over 50 years of age. In this second example below, a Senior teacher is salary sacrificing \$25,000 of a \$76,000 income and saves \$4,125 in tax.

2009 / 2010 Financial Year	No Salary Sacrifice	Salary Sacrifice
Gross Salary (before income tax)	\$76,000	\$76,000
Salary Sacrifice to Super	\$0	\$25,000
Taxable Income	\$76,000	\$51,000
Income tax (including medicare levy)*	-\$17,700	- \$9,825
Total Cash Salary received	\$58,300	\$41,175
Reduced take home pay		\$17,125
Super Contributions tax	\$0	\$3,750.
Net Super Contributions (after tax & including 9% super guarantee)	\$6,840	\$28,090
<b>Net Result (Cash Salary plus Net Super)</b>	<b>\$65,140</b>	<b>\$69,265</b>
<b>Total savings on tax</b>		<b>\$4,125</b>

\*Actual figures may vary depending on an individual's circumstances.

## Less take home pay

It is important that you consider how much of your salary you can afford to direct to superannuation because the amount of money you take home reduces under the arrangement. In Example 1, the take home pay reduced by \$4,795 and in Example 2 it reduced by \$17,125.

It is important to consider how much you can afford long term because superannuation rules limit you from accessing money in your superannuation account until you are between 55 and 60 years of age, depending on when you were born.

## How much should you contribute?

Once you have determined the amount of surplus income you can direct to your savings, you should consider the best use of your surplus money prior to diving into a salary sacrifice arrangement. There are a range of issues you should consider, including:

- Whether you should direct the money to paying off debt, particularly if you have consumer debt or other non-deductible debt such as a home mortgage;
- Other schemes like the government co-contribution; and
- The limitation on the amount you can contribute to superannuation. There is an annual concessional contribution limit of \$25,000 annually or \$50,000 annually until 2012 if you are aged over 50 years of age. Concessional Contributions include all employer and salary sacrificed contributions.

It is strongly recommended that you seek professional financial planning advice from a licensed financial advisor. Christian Super can connect you with a Financial Planner for financial advice consistent with Christian principles. Please call Christian Super on 1300 360 907.

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