

Super versus non-super investments



Invest in super, pay less tax and enjoy more money when you retire.

Why should you invest in super?

If you invest in super, you could end up with a lot more money than if you invest the same amount outside of super.

This is because super is one of the most tax effective ways to invest your money. Super's low tax rate of 15% on contributions and earnings means it can deliver a higher return.

Less tax on before tax contributions

Salary sacrifice contributions, made from your salary before income tax is deducted, reduce your gross taxable income, which can lower the overall amount of income tax you must pay.

Before tax contributions to super are taxed at just 15%, compared to your normal income tax rate, which is usually higher. If you invest the same amount of money in a non-super investment, you must pay your usual income tax rate on this amount.

Less tax on your investment earnings

Investment earnings from super are taxed at 15%, whereas non-super investment earnings are taxed at your normal tax rate (which can be as high as 46.5%)*.

Also, because super contributions and accrued interest are taxed at a lower rate, compound interest will make the dollar difference even greater. This is because compound interest builds not only on the principle amount, but also on the interest you accumulate.

* The taxation of investment returns both inside and outside of super may be reduced by concessions such as concessional capital gains tax and franking credits.

Check out this case study to see how investing in super compares to investing outside of super

John, Angela and David would each like to invest \$5,000 each year. John and Angela have an income tax rate of 31.5%, while David's income tax rate is 46.5%. John decides to invest his \$5,000 in super, while Angela and David decide to invest their \$5,000 outside of super. See how well they do after 20 years.

	Outside super		Inside super
	Angela (31.5% income tax rate)	David (46.5% income tax rate)	John (15% tax)
Before tax investment amount	\$5,000	\$5,000	\$5,000
After tax investment amount	\$3,425	\$2,675	\$4,250
Plus 7% return	\$240	\$187	\$298
Less tax on returns*	\$19	\$44	-\$24
Financial position in 1st year	\$3,646	\$2,818	\$4,572
Financial position after 20 years^	\$85,837	\$59,082	\$121,567

+ includes franking credits

^ financial position is shown in today's dollars and adjusted for an annual inflation rate of 2.5%

Assumptions: \$5,000 investment cash flow occurs at the start of each year; Before tax returns of 7% pa (4% income, 3% capital gains); Inside super, two-thirds of capital gains are taxed at 15%; Outside super, half of capital gains are taxed at the marginal tax rates of 31.5% and 46.5%; Investment earnings from the previous year are re-invested at the start of the next year; Assets re-valued annually; Excludes fees; Company tax is 30% for franking purposes; Inside super, franking credits are passed directly to the member.

After 20 years of investing outside super, Angela's returns will lag \$35,730 behind John's super returns, while David will trail John by \$62,485. Super's low tax rate of 15% on contributions and earnings, compared to the income tax rate on investments outside of super, will result in a significantly better return. As you can see, putting your money into super makes sense!

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FACT SHEET - Super versus non-super investments

Your super is preserved

Another benefit of investing in super rather than outside super is that you can't access your super savings until you meet a condition of release, such as reaching your preservation age. This means that even if you're tempted to use your money for other things, it stays safe until you retire!

Financial advice is only a phone call away

If you have any questions about investing more money into super, we recommend you seek financial advice. As a member, you are entitled to one free consultation over the phone on a single superannuation issue with a qualified adviser.

If you have already used up your free consultation, further advice is available at an affordable rate and you can pay for it from your super account. Call **1800 222 071** and ask to speak to a financial adviser.

TAKE ACTION

How can you boost your super savings?

Make a salary sacrifice contribution

Check with your employer to see if salary sacrifice is available to you and that it will not reduce your other employment entitlements, such as annual leave and long service leave, or the level of Superannuation Guarantee contributions your employer makes on your behalf. Make sure you have written confirmation from your employer that salary sacrifice and any other entitlements will be calculated on your before tax income.

We have developed a helpful *Superannuation Salary Sacrifice Agreement* form to assist you in setting up a salary sacrifice arrangement with your employer. You can download the form from www.twusuper.com.au

FURTHER INFORMATION

If you would like more information, call **1800 222 071** or visit www.twusuper.com.au

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