Getting the edge with managed funds

# Give your super a helping hand



Take advantage of the new "co-contribution" scheme and the Government will pay up to $1,500 TAX FREE directly into your super account.

To receive this 'free' Government super contribution you must be an eligible low income earner (as described on the next page) with assessable income (and reportable fringe benefits) of less than $58,000 and you must be prepared to make a personal contribution of up to $1,000 a year to your superannuation fund.

From 2004/05 the maximum co-contribution has increased from $1,000 to $1,500 for a $1,000 personal contribution. This means the Government pays $1.50 for every $1 of personal contribution up to the co-contribution maximum. People with assessable income and reportable fringe benefits of up to $28,000 are entitled to the maximum co-contribution.

For incomes above $28,000, the maximum co-contribution will reduce by 5 cents for each dollar of income, and phase out completely at an income of $58,000. The table shows how much eligable people need to contribute to receive the maximum co-contribution for their income.

For more information on working out the amount of co-contribution you may be entitled to, use the co-contribution calculator on the Australian Taxation Office website - visit www.ato.gov.au

The Australian Taxation Office determines the amount of the co-contribution to apply after they receive your annual tax return and will automatically credit the amount to the superannuation fund of your choice.

## Other benefits

Your personal contributions and the Government's matching co-contribution are treated as 'undeducted contributions' which means these contributions:

> are not taxed when deposited into your super fund;
> are not taxed when they are withdrawn from your super fund, and
> don't count towards your Reasonable Benefit Limit.

## Government co-contribution payable to your super account

| Your annual assessable income* | Your contribution | Government co-contribution |
|---|---|---|
| $28,000 or less | $1,000 | $1,500 |
| $30,000 | $934 | $1,400 |
| $32,000 | $867 | $1,300 |
| $34,000 | $800 | $1,200 |
| $36,000 | $734 | $1,100 |
| $38,000 | $667 | $1,000 |
| $40,000 | $600 | $900 |
| $42,000 | $534 | $800 |
| $44,000 | $467 | $700 |
| $46,000 | $400 | $600 |
| $48,000 | $334 | $500 |
| $50,000 | $267 | $400 |
| $52,000 | $200 | $300 |
| $54,000 | $134 | $200 |
| $56,000 | $67 | $100 |
| $58,000 | $0 | $0 |

* and reportable fringe benefits; Source: Financial & Technical Solutions Pty Ltd

**Investment and Financial Services Association Ltd ABN 82 080 744 163** represents the retail and wholesale funds management and life insurance industries. IFSA has over 100 members who are responsible for investing more than $790 billion on behalf of over nine million Australians.

## Who is eligible for the co-contribution?

You may be entitled to a Government co-contribution if you:

> **made personal contributions** to a complying superannuation fund or Retirement Savings Account (RSA) on or after 1st July 2003;

> have **lodged an income tax return** for the financial year;

> are a **low income earner** (your assessable income and reportable fringe benefits are less than the higher income threshold for the financial year - $58,000 for 2004/2005);

> 10% or more of your total income for the income year is attributable to eligible employment (i.e. at least 10% of your total income is received as an employee);

> are **not a temporary resident;** and

> are **less than 71 years old** at the end of the financial year the contribution was made.

## To take advantage of the co-contribution

1. **Asses your eligibility**

   If you are not sure if you are eligible, contact your super fund or talk to a financial adviser. If you do not have a financial adviser, IFSA's *Six Easy Steps* can help you find one you feel comfortable with.

   Also consider your spouse, if you are not eligible perhaps your spouse meets the requirements. If they do not have a super fund, current rules now allow them to set up a super account and receive the co-contribution.

2. **Make a personal contribution to your super fund**

   Your contribution needs to be made from after-tax money. That means salary sacrifice contributions are not counted and you are not able to claim a tax deduction for the contribution.

   You don't have to make a one-off payment. You may be able to make a series of smaller payments throughout the financial year, or set up a regular savings plan. Your super fund will be able to tell you your options.

3. **The ATO will calculate your co-contribution and pay it to your account**

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