

QUPDATE

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Is extra salary sacrifice still worth it?

Salary sacrifice to superannuation has been a powerful savings tool for retirement. This situation is set to continue, but as always there are things to consider. Let's look at a couple of the recent influences.

Financial returns: Financial returns have been poor over the last year. Many people have considered a flight to more conservative investment options inside and outside superannuation. Some clients have asked the question - "Is it still worthwhile when markets have been in decline?"

The huge benefit with salary sacrifice, up to certain limits, is the tax advantage. While investment returns have been uncertain, the tax savings of salary sacrifice are guaranteed for anyone earning more than \$35,000 a year. For example, individuals earning between \$35,001 and \$80,000 and salary sacrificing will pay half the tax on those contributions compared with taking the money as fully tax-paid income.

Regular contributions through salary sacrifice results in funds being invested over a period of time and not all at once. This process helps smooth out the purchase price of investments and can be effective for moderating risk in volatile markets.

Budget tax changes: In the last edition of QUpdate, we discussed the implications of budget changes to superannuation. The upshot of these changes is that people should make

sure that they optimise their tax-advantaged superannuation contributions and not over or under utilise salary sacrifice.

A special message for over 50's: The new rules on tax-advantaged contributions still provide an opportunity for those over 50 to add up to \$50,000 per year including what their employer contributes over the next three years. After three years that amount will be halved. If your intention was to increase your savings in the time leading up to retirement, you may want to look at how you take advantage of these additional tax savings before it is too late.

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