

Strategy Brief

Strategy	Government Co-Contribution
What is involved?	<p>You contribute up to \$1,000 to your superannuation account.</p> <p>The Australian Government will contribute \$1.50 for every dollar that you contribute to superannuation, up to a maximum of \$1,500.</p> <p>Salary sacrifice and tax deductible contributions to super do not count.</p>
Why it works	<p>✓ It's a 150% return on your money. No one can beat that.</p>
Who can benefit from implementing this strategy?	<p>Anyone that is employed or self-employed and earns less than \$58,910.</p> <p>Those that earn less than \$28,980 can qualify for the full co-contribution of \$1,500, whilst anyone that earns less than \$58,910 can qualify for a reduced amount.</p> <p>The calculation is based on your assessable income so implementing strategies such as salary sacrificing to superannuation can lead to you qualifying for the co-contribution and/or increase the amount you are eligible for.</p>
Issues to be aware of	<ul style="list-style-type: none"> ■ You lose access to the money until you are aged between 55 and 60 (depends on your date of birth) and you may also need to be retired. ■ The Australian Government can change the rules that govern super. ■ This contribution counts towards the non-concessional contribution caps.
Related strategies	<p>If implementing this strategy, also refer to the following strategy briefs:</p> <ul style="list-style-type: none"> ■ Salary sacrifice to superannuation
Our advice will ensure that:	<ul style="list-style-type: none"> ■ You never forget to make the contribution! ■ You know exactly how much to contribute each year to maximise benefits. ■ You benefit from other related strategies. ■ The money in your superannuation account is invested in a strategic manner. ■ Investment returns are not reduced by unnecessary fees, tax or commissions.

Case study 1

Jack and Jill are starting a family and decide that Jill will cease full-time work for the next few years (although she will still earn around \$5,000pa doing some admin work for the family business).

If Jill contributes \$1,000 to superannuation from their bank account, the Australian Government will contribute \$1,500 to her superannuation account.

Case study 2

Suppose Jill decides to return to part-time work and earns \$40,000pa. Her assessable income is lower than \$58,910 so she can still qualify for some co-contribution, but since her assessable income is greater than \$28,910 she cannot qualify for the maximum amount of \$1,500.

In this scenario, if Jill contributes \$1,000 to superannuation, the Australian Government will contribute only \$900 to her superannuation account. In fact, to qualify for the \$900 co-contribution, Jill only needed to contribute \$600 from their bank account.

We aren't suggesting that Jill will have 'wasted' \$400 by contributing \$1,000 rather than just \$600, but perhaps the \$400 could have been utilised in a more beneficial manner, such as reducing some non-deductible debt.

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Let's assume that over the next 10 years, Jill ceases work for the first 4 years (besides doing a small amount of work for the family business), returns to part-time work for 4 years (earning \$40,000pa) and then resumes full-time work (earning \$80,000pa).

In scenario 1, Jack and Jill have a financial adviser working with them to maximise their wealth.

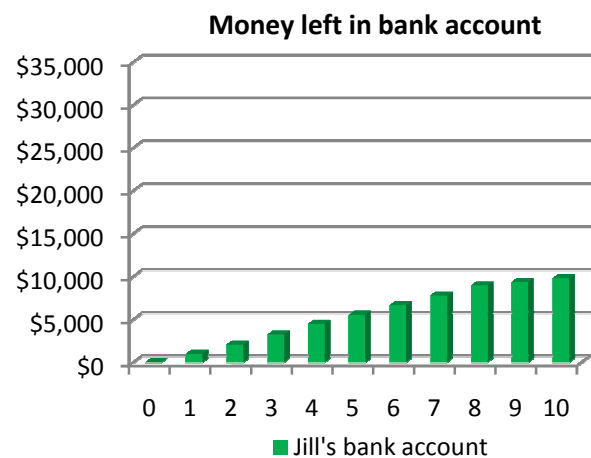
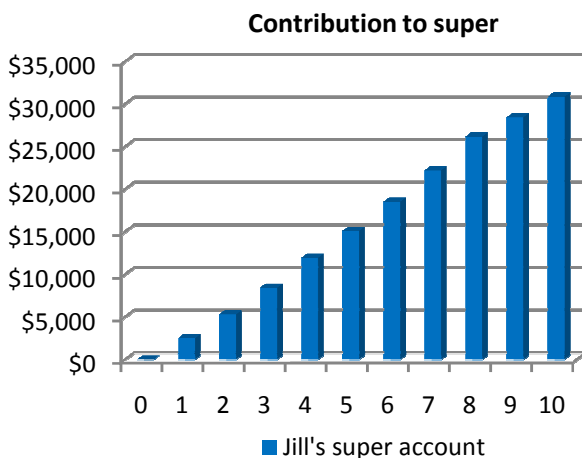
In scenario 2, Jack and Jill are too busy to think about these things and unfortunately their money remains in their bank account.

Scenario 1:

Year	1	2	3	4	5	6	7	8	9	10
Super contribution	\$1,000	\$1,035	\$1,071	\$1,109	\$858	\$847	\$833	\$818	\$0	\$0
Aus Government co-contribution	\$1,500	\$1,553	\$1,607	\$1,663	\$1,288	\$1,270	\$1,250	\$1,227	\$0	\$0

Scenario 2:

Year	1	2	3	4	5	6	7	8	9	10
Money left in bank account	\$1,000	\$1,035	\$1,071	\$1,109	\$858	\$847	\$833	\$818	\$0	\$0



This material is not rocket science. Nor is it new. Here's the vital key:

It's not whether you know these things or whether you don't **it's whether you're doing them, consistently and thoroughly.**

Information left in the bottom draw, ultimately, is worthless, in terms of what it can do for you. However financial strategies that are successfully applied are priceless.

For more information call Matthew Ross on (03) 8862 6415 or email enquiries@aifa.com.au

Assumptions:

Total return of 9.0%pa in both scenarios (income return of 3.5%pa; growth return of 5.5%pa)
 Jill also receives 9%pa superannuation guarantee from her employer; this has not been included in this projection.
 Income is 25% franked
 20% of the growth return is taxed due to rebalancing of asset allocation.

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Maximum contribution required table

Assessable income	Maximum co-contribution available	Amount to contribute to super to be eligible for the maximum
\$20,000	\$1,500	\$1,000
\$25,000	\$1,500	\$1,000
\$30,000	\$1,400	\$933
\$35,000	\$1,150	\$767
\$40,000	\$900	\$600
\$45,000	\$650	\$433
\$50,000	\$400	\$267
\$55,000	\$150	\$100
\$60,000	\$0	\$0