

5.2. IMMEDIATE RECOMMENDATIONS AND WHY THEY ARE APPROPRIATE TO YOU

5.2.1. Salary sacrifice into superannuation

John, as you will be drawing a tax free pension payment; you will have an increase in your surplus income. This creates an opportunity to increase the amount of your salary that is sacrificed to superannuation. To assist you in saving for retirement in a tax effective manner, we recommend you immediately commence salary sacrificing the following amounts to superannuation.

Superannuation	Monthly	Annually (Equivalent)
Colonial First State Employer Super	\$8,484	\$76,356*
Total	\$8,484	\$76,356

* Pro-rated calculation from October 2007 to June 2008.

Presently you pay tax of 41.5% (including Medicare Levy) for every dollar you earn over \$75,000 up to \$150,000. For every dollar over \$150,000 you pay tax of 46.5% (including Medicare Levy). This creates an opportunity for you to salary sacrifice your income into superannuation, where the contribution will be taxed at the superannuation contributions tax rate of 15%; however limitations of how much you can contribute do apply.

Based on your current employer contributions of \$23,639 (15% of your income), you are able to make further salary sacrifice contributions of \$76,356. This amount will bring you to just below the \$100,000 deductible contribution threshold (any amounts in excess of this will be subject to penalty tax rates, please see appendix E.6 on page 52 for further information).

	Current	Recommended
Employment Income	\$157,595	\$157,595
Estimated Investment Income	\$2,332	\$2,332
Increased Salary Sacrifice (October – June)	-	(\$76,356)
Taxable Income	\$159,927	\$83,571
Personal Tax Payable (Including Medicare Levy)	\$53,966	\$21,779
Plus Contributions Tax Payable (Superannuation)	-	\$11,453
Total Tax Payable	\$53,966	\$33,232

By implementing this salary sacrifice strategy you may be able to save an estimated \$20,734 in tax this financial year. Please note that these are only estimates of your tax situation and have been based on the information provided. It is advisable to seek further advice from your accountant prior to proceeding with these transactions.

For further information regarding benefits and disadvantages regarding salary sacrifice please refer to page 19.