

Things you need to be aware of:

In return for these generous incentives the government has imposed restrictions on access and the amount which may be contributed to superannuation.

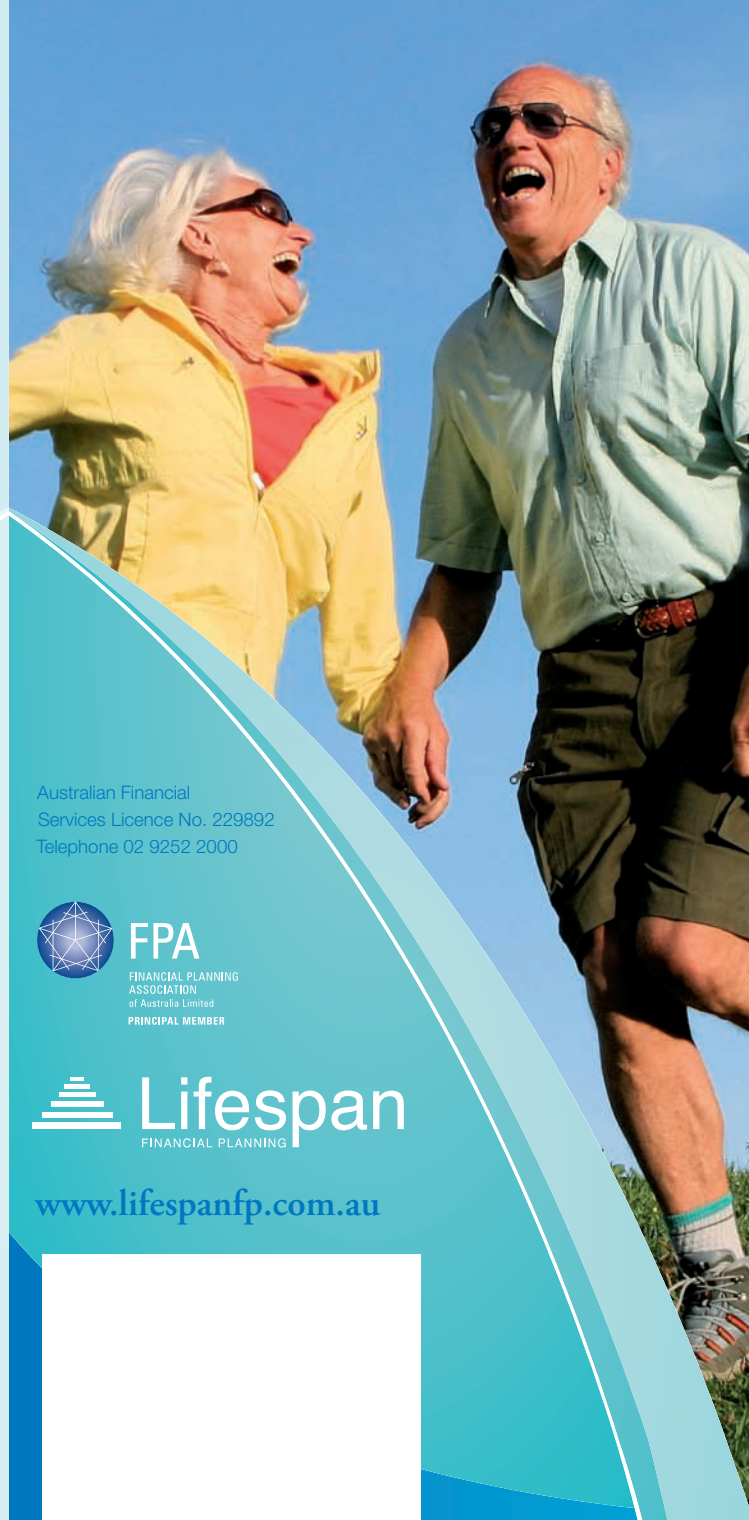
- Lump sum access is restricted until age 65 or the earlier of an individual satisfying a condition of release such as permanent retirement from the work force when reaching their preservation age, or resigning from a position between 60 and 65 years of age.
- The following contributions restrictions also apply for the 2007/08 financial year:

Age at 30 June	Non-concessional cap (non-taxable)	Concessional cap (taxable, indexed to AWOTE in \$5,000 increments)
Less than 50	\$150,000 per year OR \$450,000 over 3 years	\$50,000
Age 50–64	\$150,000 per year OR \$450,000 over 3 years	\$100,000*
Age 65–74	\$150,000 per year (subject to satisfying work test)	\$100,000* (subject to satisfying work test)

* A transitional cap of \$100,000 for those aged over 50 applies until 30/6/2012. From 01/07/2012 the cap will revert to the indexed up \$50,000 cap.

The hardest thing to do is to work out how much you should contribute to superannuation to optimise your retirement savings. Your Lifespan Financial Adviser will be able to assist in formulating a retirement planning strategy which is tailored to your personal need taking into account lifestyles issues, your cash flow requirements, taxation issues and your existing asset base.

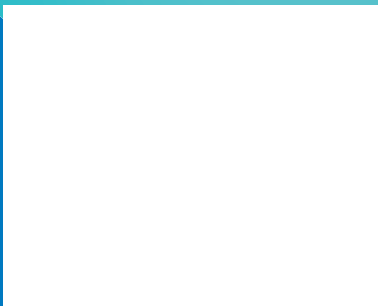
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Are you building a
Superannuation
Nest Egg?



Are you building a superannuation nest egg?

Australians are now living longer and are beginning to realise that they have insufficient savings to fund the kind of retirement they'd planned for. To avoid this happening to you, it is crucial that you start planning for your retirement as soon as possible.

The government has introduced generous incentives to encourage you to contribute before or after tax dollars (or a combination of both) to the tax effective superannuation environment.

These incentives are summarised as follows:-

- For those with a higher marginal tax rate the opportunity to contribute a portion of your pre-tax salary to superannuation by way of a salary sacrifice agreement with your employer. This has the effect of reducing your assessable income and hence the amount of personal income tax you pay.
- If your assessable income plus reportable fringe benefits is less than \$58,981 (2007/08 financial year) and you make an after tax contribution to superannuation, you may be eligible to receive government co-contributions of up to \$1.50 for each \$1.00 after tax contribution made up to a maximum of \$1,500 per annum.
- Investments held in the superannuation environment are taxed a maximum rate of 15% which represents a significant saving for most people.
- Monies maybe withdrawn tax-free from age 60 subject to certain conditions.

Case Study:

Colin is aged 51 and earns \$60,000 per annum. He requires an after tax income of \$36,500 to meet his regular expenditure needs.

Colin intends to retire at age 60 and wishes to save his surplus income of \$10,000 per annum to build up his retirement nest egg. Colin has confirmed that he will not require access to his capital until he retires. Let's compare the outcomes of Colin investing in the superannuation environment compared to investing in non superannuation investments:

- As demonstrated in the following table, by making a pre-tax contribution to superannuation of \$14,000 via salary sacrifice, Colin is able to reduce his personal taxation liability and make an after tax contribution of \$410 to superannuation without impacting upon his cash flow.

Cash flow comparison	Superannuation	Non-superannuation
Gross salary	\$60,000	\$60,000
Less salary sacrifice (pre-tax)	\$14,000	\$0
Assessable Income	\$46,000	\$60,000
Less:		
Tax payable	\$8,400	\$12,600
Medicare Levy	\$690	\$900
Net Income	\$36,910	\$46,500
Less after tax contribution	\$410	\$0
Less non super investment	\$0	\$10,000
Net income	\$36,500	\$36,500

- The following taxation comparison shows that Colin's personal taxation liability will reduce by \$4,410 and his overall tax payable will reduce by \$2,310 taking into account the 15% contributions tax. Colin's superannuation investment earnings will also be taxed internally at a maximum rate of 15% compared to a rate of 31.5% in Colin's hands if the monies were invested outside of the superannuation environment.

Taxation comparison	Superannuation	Non-superannuation
Personal tax payable	\$9,090	\$13,500
15% contributions tax	\$2,100	\$0
Overall tax payable	\$11,190	\$13,500
Tax rate on investment earnings	15%	30.00%
Medicare levy	0%	1.50%

- As Colin's assessable income will be below \$58,981 he will also receive a government co-contribution of \$615. Taking into account taxation savings, Colin's personal contribution and the co-contribution, this strategy will provide an additional \$2,925 for investment in year 1:

Amount invested	Superannuation	Non-superannuation
Non-superannuation	\$0	\$10,000
Salary sacrifice	\$14,000	\$0
After tax contribution	\$410	\$0
Government co-contribution	\$615	\$0
Less tax paid		
15% contributions tax	\$2,100	\$0
Net Amount Invested	\$12,925	\$10,000

Outcomes

Based on a before tax investment return of 7.9% (assuming Colin is a balanced investor) this strategy will increase Colin's retirement nest egg by approximately \$31,813 when he retires at age 60.