fact sheet

# What is superannuation?

Superannuation is a way of saving for your future. It is run by super fund trustees for the benefit of members, such as you, at retirement.

The types of investments that you can invest in via super are generally no different to the investments available to you outside of super. Super is merely a trust structure that surrounds your investment and affects the accessibility of your money and the tax that is paid on it.

For more information about the tax concessions of super, see the tax-related fact sheets on our website.

## Why is superannuation so important?

Australia's retirement income system is described as a 'three pillar structure': made up of the age pension; compulsory saving through superannuation in the form of Superannuation Guarantee (SG) contributions; and also additional savings from voluntary superannuation contributions.

While the age pension and the Superannuation Guarantee contributions will provide for a certain level of income in retirement, this alone may not provide enough income to meet the standard of living you wish to have.

With better health and longer life expectancies, people expect to enjoy their retirement not only more, but for longer than their grandparents did. People do not only want to be able to pay for the basic necessities but also to be able to take holidays, maintain hobbies, treat the grandchildren, help their children and even leave an inheritance.

This level of financial security usually comes from having saved for your own retirement – and superannuation can be a very effective savings vehicle to do this.

## Superannuation benefit design

There are two main types of super fund benefit structures.

### 1 Accumulation funds

Accumulation funds are the most common type of super fund. They operate like a bank account in that your account balance is dependent on contributions made, fees and costs paid, and investment returns received (which can be positive or negative depending on how investment markets are performing).

### 2 Defined Benefit funds

Defined benefit funds generally pay a retirement benefit that is linked to salary and period of employment. If you're in a defined benefit account, different rules apply. Refer to the disclosure material relevant to your division.

## Making the most of an accumulation superannuation account

You can take an active role in helping to grow your super by considering making voluntary personal contributions and/or consolidating all of your super in the one fund.

However, in deciding whether this is appropriate for you, you need to consider whether you will need money before retirement that you might contribute to super. Voluntary personal contributions are essentially "locked away" (or preserved) until retirement.

Should you wish to consider these options you should contact your payroll team to see what options are available.

You may have the option to contribute on either a 'before-tax' or 'after tax' basis into super, depending upon what your employer will allow. We are often asked which is the best way to contribute –this depends upon your personal circumstances.

For some people after-tax contributions are better as they are able to access the Government co-contribution, whereas others are better off making pre-tax contributions, which is known as salary sacrifice.

You should seek licensed financial advice to help determine what is most appropriate for you in your circumstances.

The other way to assist growing your super is by looking at consolidating your super accounts. You may have other accounts from previous employers which you do not actively contribute to. You should check the cost of exiting the old fund. Some funds have large exit fees that apply. Also, it can be a good idea to check the insurance cover which you receive under each fund. The cover provided by one fund may be more favourable than that provided by another.

## How can you maximise your super at retirement

### Select an appropriate investment strategy

One of the most important decisions accumulation fund members can make with their super is how much, or what percentage, of their super they want invested in defensive investments, and what percentage in growth investments.

This decision, known as your investment mix (or asset allocation) is the one that will generally have the greatest influence over your long-term super investment returns.

**Defensive investments** include cash and fixed interest. These are the types of investments used when trying to protect your super investment from the chance of a negative return. They tend to generally produce lower long-term, but more stable, returns than growth investments

**Growth investments** include property and shares. These are the types of investments that are likely to experience volatility in performance from year-to-year, but generally have greater potential for higher long-term returns.

However, remember there are no guarantees and investment returns can be positive or negative depending on market conditions.

## Are you or your spouse eligible for a "free" super contribution

The co-contribution scheme requires the Government to pay a maximum co-contribution of 50 cents for each $1 of personal **after-tax** super contributions up to a maximum of $500, if you make a $1,000 personal after-tax contribution.

To be eligible for the Government co-contribution, you need to:

- have made an after-tax contribution to a super fund in the income year,
- receive at least 10% of income as an employee, even if no super contributions are paid on your behalf,
- have income of less than $49,488, where income includes assessable income, reportable fringe benefits and reportable employer super contributions,
- be under age 71 at the end of the year in which you make the contribution,
- lodge your tax return for the year in which you make the contribution, and
- not be the holder of a temporary visa at any time during the income year, unless you are a New Zealand citizen or holder of a prescribed visa.

If you're self-employed, you may be eligible to receive the co-contribution if you make a personal contribution to super (for which you do not claim a tax deduction). In addition to meeting the above criteria, you will need to earn at least 10% of your total income from carrying on a business.

Your total income (assessable income plus reportable fringe benefits plus voluntary salary sacrifice) and contribution amount will determine how much of a co-contribution you receive.

Like many Australians, you may have more than one super fund. There are a number of resources available to help you find 'lost' super, including conducting an online search on 'Superseeker' (**ato.gov.au/superseeker**), or contacting the ATO's Superannuation Infoline on **13 10 20**.

## Summary

So, just to recap the key points:

- Super is a critical part of retirement planning.
- There are several ways to help grow your super – through voluntary contributions and consolidating your super accounts.
- Consider the impact of your investment strategy on your long-term investment returns.
- You may be eligible for a top-up to your super through the Government co-contribution scheme.
- We recommend that you seek personal financial advice from a licensed, or appropriately authorised financial adviser before making any investment decisions.

## Need advice?

To speak directly with a licensed financial adviser who understands Qantas Super, call us on **1300 362 967**, 8am to 7pm AEST/AEDT, Monday to Friday.

Source: Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533, Australian Financial Services Licence #235906.

Any advice contained in this document is of a general nature only, and does not take into account the personal needs and circumstances of any particular individual. Prior to acting on any information contained in this document, you need to take into account your own financial circumstances, consider the Product Disclosure Statement for any product you are considering, and seek professional advice from a licensed, or appropriately authorised financial adviser if you are unsure of what action to take.



## Contact us

**Phone**
1300 362 967 (within Australia)
+61 3 8687 1866 (outside Australia)

**Fax**
+61 3 9245 5827

**Postal address**
Qantas Superannuation Plan
GPO Box 4303, Melbourne VIC 3001

**www.qantassuper.com.au**



Issued by Qantas Superannuation Limited ABN 47 003 806 960 AFSL 288330 (Trustee, we, our, us) as trustee for the Qantas Superannuation Plan ABN 41 272 198 829 (Qantas Super). March 2017