

Finance facts: Superannuation

What is superannuation?

Superannuation (Super) is money that is locked away for you to spend in your retirement.

During your working life, your employer deposits money into your Super account. Your employer must make Super contributions if you are 18 years old or older. If you are under 18 years old, they must pay it if you work more than 30 hours in a week. The Australian Taxation Office will issue your employer a fine if they do not.

A Trustee looks after the Super fund on your behalf. Accessing money in your Super account before you are 60 is difficult. The Super scheme is deliberately designed this way to help us have more money in retirement.

You can add extra money to your fund to grow your Super further but seek advice before doing this as there are limits.

How much Super must my employer pay me?

The minimum amount your employer must pay into your Super fund is 12% of your gross salary or wages. This is called the Super Guarantee rate (SG rate).

Your employer must apply the 12% SG rate to:

- money you earned for the normal hours you worked
- commission you earned
- annual leave
- sick leave.

Your employer does not have to include overtime as part of your wages when calculating your Super entitlement.



Case study: Superannuation

Tristan worked for 30 hours. He earned \$420 for normal hours worked. He also earned \$20 worth of commission.

Tristan's employer will have to pay \$52.80 to his Super fund for that week.

$$(\$420 + \$20) \times 12\% = \$52.80$$

The super contribution should be listed on the payslip.

How do I select a Super fund?

When you start a job, you can either choose a Super fund or let your employer choose one for you. You must indicate your choice on the 'Superannuation standard choice form' your employer will give you when you start working.

If you don't choose a fund, and you don't already have one, your employer will likely invest your Super contributions into a simple, low-fee option, called a MySuper product where the Trustee chooses where your Super contributions are invested.

Information about your Super fund is provided in a booklet called a Product Disclosure Statement that you should be given when you join the fund.

When choosing your own fund, start by comparing the fees charged and the fund performance with other funds. High fees will reduce the amount of your Super balance just like bank fees reduce the balance of in a savings account. Then, compare the fund performance. The fund performance tells you how well the Super fund is investing your money and growing your balance. Usually, the higher the return, the riskier the underlying investments. This means that some years may result in a very low return, as well as some years enjoying higher returns than less risky investments. The risk you are willing to take can come down to personal preference and you should do some research if considering a higher risk investment type.



Example: Choosing a Super fund

Hannah needs to choose a Super account and is using the ATO's Super Comparison Tool to help her choose between Fund A and Fund B.

	Fund A	Fund B
Investment performance	0.45-2.92% (past 3-year net return)	1.06-4.29%
Total annual fee	\$220-245	\$235-405
Investment strategy	Life cycle Investment approach changes as you get older	Life cycle
Restricted fund	No, anyone can access	

Hannah can see that Fund A has lower fees than Fund B overall. However, Fund A also has lower investment performance (over the past 3 years) meaning her balance is likely to not grow as much in Fund A as it would in Fund B.

At this time, she prefers to play it safe. She decides to prioritise lower fees and chooses Fund A.

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Is my Super taxed?

Yes. Your Super account balance is taxed in the following situations:

1. **When your employer makes Super contributions to your Super fund.** The contribution is taxed at 15% unless you earn less than \$37,000 per year (in which case you receive a low-income tax offset).

If you make voluntary contributions from your pay (that has already been taxed) your Super contribution is generally not taxable. You may even receive a tax refund when you submit your tax return. It is worth seeking advice from an accountant if considering voluntary contributions, as there are many rules around Super and tax.

2. **When you earn money on your Super account balance.** Earnings on investments within your Super fund are taxed at 15%.

You pay extra tax on your Super if you don't give your Tax File Number (TFN) to your Super fund.



Case study: Super contribution tax

Tristan earned \$41,000 this financial year from work. His employer made \$4,920 worth of Super contributions to Tristan's Super fund ($\$41,000 \times 12\%$ Super Guarantee rate).

His Super contribution will be taxed \$738 when it is deposited in the Super fund by his employer ($\$4,920 \times 15\%$ Super tax rate). The amount deposited is \$4,182.

Key Super facts

- Withdrawals can be subject to tax, depending on age and the type of withdrawal being made. You may be able to withdraw money from your Super early if you have serious medical condition or financial issues.
- Some Super funds offer insurance that provides a payment if you become sick, disabled, or die. Fees will be deducted for the insurance, reducing your Super balance.
- The Trustee must notify you of your Super balance and the amount of fees charged.
- You can check your Super account balance online. You'll find all the transactions such as contributions, deductions and, whether you have insurance.
- Your Super fund can travel with you when you change jobs.

Glossary

Commission	is extra money you get paid for meeting sales targets if you work in a sales role.
MySuper	are default accounts for people who don't choose their own Super fund when they start a new job.
Product Disclosure Statement	is a booklet explaining the features of your Super fund and how it works. You should get a PDS when you start working.
Retire	is when you stop working. Currently you can access your Super when you stop working and you are 65 years old.
Superannuation Guarantee rate	The current rate is 12% of your wages.
Superannuation contributions	are monies paid to your Super fund on your behalf.
Superannuation Account Balance	is the amount of money in your Super account in the Super fund.
Trustee	is a person or company responsible for administering your Super fund.

Related Talk Money fact sheets

- Saving
- Tax
- Financial wellbeing

Links

[ATO Information on Superannuation](#)

[ASIC MoneySmart on Superannuation](#)

[ATO YourSuper comparison tool to help choose a Super fund](#)

[ATO Tax, Super + You](#)

[Current and future Super guarantee rates](#)

[ATO Super estimator calculator](#)

[Report your employer if they do not pay you the right amount of Super](#)

About Talk Money with Ecstra Foundation:

Talk Money with Ecstra Foundation is designed to help Australian students learn money lessons for life, to be confident talking about money and to make informed financial decisions. We offer facilitator led workshops for Years 5-10 students and additional resources to reinforce learnings. The program is provided at no cost to schools, enabling more students across Australia to access financial education at key life stages.

About Ecstra: Ecstra Foundation is an independent charitable foundation committed to building the financial wellbeing of Australians within a fair financial system. Ecstra launched Talk Money in February 2022.

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