Boosting your super for ESSSuper defined benefit members

ESSSuper
Emergency Services & State Super

One of the questions we're most often asked is '*How can I boost my super to enjoy a more comfortable retirement?*'. This fact sheet is designed to provide you with strategies to do that.

As everyone is different, you need to assess which strategies suit your circumstances. Before making any decisions, you should also seek professional financial advice.

Maximising your defined benefit

Revised Scheme or SERB Scheme

Although you can't adjust your contribution rate, you may be able to boost your defined benefit by increasing your time fraction or by having any prior service recognised. This will increase your years of service.

Promotions, pay rises and increasing years of service* also help to increase your retirement benefit.

Note: your final average salary (FAS) is averaged over your final two years of service and full-time equivalent (FTE) salary is used even if you are part time.

New Scheme, Transport Scheme or ESSS Defined Benefit Fund

You have a choice of contribution rates in your fund. As your contribution rate is linked to your benefit calculation, increasing this rate can help to boost your final benefit. Contributions can be made from your before-tax or after-tax salary.

Increases in salary, time fraction and years of service* can also help to maximise your defined benefit.

Note: any increase in your contribution rate will negate any grandfathering of contribution caps. Refer to the relevant handbook or PDS for further information.

Salary sacrificing

For some members, making additional salary sacrifice contributions to another superannuation account like the ESSSuper Accumulation Plan account can be a tax-effective way to boost retirement savings, however this all depends on your personal circumstances.**

Salary sacrifice contributions are deducted from your salary before income tax is deducted. This could potentially reduce the amount of tax you pay (i.e. you pay 15% contributions tax but don't pay your marginal rate on the income you salary sacrifice to super) and puts extra funds aside for retirement.

* Subject to reaching your maximum benefit multiple.

** Salary sacrifice may only be effective for incomes greater than $50,000 p.a. Before entering a salary sacrifice arrangement we recommend you speak to a qualified financial adviser.

Consolidating your super

Most super can be consolidated (rolled over) into another super fund. Consolidating can help you save on fees and grow your super faster. We can help you consolidate your super into an ESSSuper Accumulation Plan account. We can even find and consolidate super in other super funds that you may have forgotten (or don't know) about. Log onto Members Online and follow the prompts, or call our Member Service Centre.

Before making a move, you should:

- check if any exit or termination fees apply to the super fund that you're leaving
- consider any insurance arrangements that may be lost in the fund you are leaving (you may be able to transfer your insurance to ESSSuper)
- check that the other benefits in the fund you're leaving are available in your new fund.

Working longer

Working longer impacts your final retirement benefit in several ways.

Firstly, because your defined benefit is directly related to your years of service, generally, the longer you work the higher your end benefit. Also, in those extra years of service you may get a pay increase which will further increase your retirement benefit.*

Even if you continue working (but at a reduced time fraction) your defined benefit will be calculated using your full time equivalent salary. So your previous years as a full time employee will not be impacted by your now reduced working hours - your benefit continues to grow (though at a slower, part-time rate). Working at a reduced time fraction may however reduce your death and disability benefit entitlement.

If you're a Revised Scheme member with 30 years of prospective service to age 60, you may even be able to work part time with no reduction in your benefit!

Working longer also means you don't need to access your super until later. So if you're not receiving a lifetime pension, instead of depleting your balance by retiring and drawing on it sooner, you could continue to work and generally your benefit will continue to grow.

Transitioning to retirement

An ESSSuper Working Income Stream enables you to work part-time past your preservation age whilst accessing your preserved super.

You draw income from a non-commutable (i.e. one you can't convert to a lump sum) income stream (of up to 10% of the account balance per year) to supplement your salary.

If you're an active defined benefit member (i.e. still working with a state super or emergency services employer) you will not be able to move your defined benefit into a Working Income Stream until you leave your employer or become exempt.

Alternatively, you can start a Working Income Stream with superannuation funds outside your defined benefit.

You generally need to be at least the preservation age to use a transition to retirement strategy.

Contributions splitting

You may be able to split your employer and salary sacrifice concessional contributions to your spouse (including same sex and de facto). Contribution splitting is not available for concessional contributions made to ESSSuper defined benefit schemes (including any salary sacrifice contributions to defined benefit schemes). The maximum amount you can split is the lesser of:

- 85% of your total concessional contributions, and
- the concessional contributions cap.

The principal benefit is that you are balancing the assets that both you and your spouse have.

Concessional contributions are made to your superannuation account and split according to your instructions. They are then transferred to your spouse's superannuation account. Any concessional contributions you transfer from your super account to your spouse's will affect your concessional contribution cap rather than your spouse's.

We recommend you speak to a qualified financial adviser before considering a contribution splitting arrangement.

Contribution splitting is typically done at the end of each financial year. You will need to complete the relevant form to do this.

Spouse contributions

Contributing to your spouse's super may earn you a tax offset which will reduce your tax.

The offset applies to after-tax contributions of up to $3,000 per year on behalf of an eligible spouse.

To receive the full 18% offset of $540, your spouse must earn less than $40,000. The full offset is payable on incomes of up to $37,000. Once their income exceeds $37,000, the offset reduces by $1 for every $1 above $37,000 and stops at $40,000.

To qualify for the offset some of the key considerations and requirements are:

- you must contribute directly to your spouse's super
- your spouse's assessable income (plus reportable fringe benefits) must be less than $40,000 for the financial year
- you must both be Australian residents for tax purposes when you contribute
- if you contribute to your spouse's super, it counts towards your spouse's non-concessional contributions cap
- the spouse tax offset cannot be claimed if the spouse receiving the contribution has a total super balance of $1.6 million or more before the start of the financial year in which the contribution is made. The receiving spouse has to be under the age of 65, or if they are between 65 and 69 they must meet work test requirements.

Long service and annual leave

If you resign or retire having accrued unused long service or annual leave, you have two options.

You can take your leave as a cash lump sum and pay tax. This will depend on other income and the timing of your payment. You could then use your lump sum to support yourself before drawing on your superannuation monies.

Alternatively, you can defer leaving and take your long service leave at full or half pay (subject to employer approval). Your defined benefit will then continue to grow at the normal rate, however you must maintain full contributions while on leave, even if you take it at half pay.

While on leave:

- your super grows as if you're still working but you can't draw down from it
- your final average salary determines your final defined benefit so any pay rises you get while on leave may increase your super.

Learn more

If you have questions or would like help with any of these strategies:

- call our Member Service Centre on 1300 650 161 (emergency services members) or 1300 655 476 (state super members).
- download ESSSuper's *Accumulation Plan Product Disclosure Statement* at **esssuper.com.au/pds**, or
- refer to *Salary sacrifice for Defined Benefit* members or *Salary sacrifice for Accumulation Plan* fact sheets.

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