

THE CO-CONTRIBUTION Client Education



How to receive up to a 100% return on a super contribution

In July 2003 the Government Co-contribution scheme was introduced to encourage individuals to personally contribute to their super with the aim of increasing their savings for retirement. The scheme is most attractive for low to middle income earners.

If you are self employed you may also be eligible to receive the co-contribution.

What is the co-contribution?

The Government co-contribution is a payment made by the Federal Government to the super account of eligible people who make personal non-concessional (after-tax) contributions. Generally, for every \$1 you personally contribute to super the Government will pay up to \$1 to your super fund, up to a maximum of \$1,000 per year. This means that if you are entitled to the co-contribution, you may receive \$1,000 for simply personally contributing \$1,000 to super.

Why is the co-contribution a great way to save for retirement?

Basically, to receive an amount equivalent to the co-contribution, you would need to gain a return of 100% on a \$1,000 investment, which is extremely difficult to achieve. Put another way, you would need to invest a \$1,000 contribution for approximately 9 years to derive an additional \$1,000[^]. However, if you are entitled to the co-contribution, you may receive \$1,000 for simply personally contributing \$1,000 to super.

[^] Assumes an account balance of \$1,000 and a compound return of 8% each year for 9 years.

Who is eligible for the co-contribution?

To be eligible for the co-contribution, you must satisfy all of the following criteria:

- You make personal non-concessional contributions (where a tax deduction is not being claimed);
- Your total income (assessable income, reportable fringe benefits and reportable superannuation contributions) is less than \$61,920¹;
- You lodge an income tax return for the year of income;
- You are not a temporary resident;
- You are less than 71 years old at the end of the year of income; and
- 10% or more of your total income is from eligible employment, carrying on a business or a combination of both.

To receive the maximum co-contribution, your assessable income and reportable fringe benefits must not exceed \$31,920¹ per annum. The maximum amount of the co-contribution (ie \$1,000) reduces by 3.33 cents for every dollar of assessable income and reportable fringe benefits that exceed the \$31,920¹ limit, until it cuts out completely when an individual's assessable income and reportable fringe benefits reaches \$61,920¹.

When determining the actual co-contribution that you can receive, it is based on the lesser of:

- a. the maximum super co-contribution amount; or
- b. the amount of the personal super contribution.



Customer Case Study

Sandra aged 27, is a fulltime teacher who has assessable income and reportable fringe benefits of \$46,920. If she makes a personal contribution to super of \$1,000 she will be eligible to receive a co-contribution valued at:

$$\$1,000 - (0.0333 \times (\$46,920 - \$31,920^1)) = \$500.50$$

Therefore, Sandra is entitled to a \$500.50 co-contribution.

Can I access my co-contributions?

No, personal contributions and co-contributions contributed towards super are preserved and must stay within the super system until you meet a condition of release or retirement from the workforce at a certain age.

What happens if my super fund does not have my Tax File Number (TFN)?

Your super fund will not be able to accept personal super contributions that you make unless they hold your TFN. This may result in you missing out on the co-contribution.

¹ These figures are for the 2009/2010 financial year.



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Issue Date: August 2009

