What is Superannuation?

Superannuation, sometimes called ‘super’, is a special way of saving to provide yourself with an income when you retire.

While there are other ways of saving for retirement, superannuation saving is different because it is linked with your employment.

Your employer may be required to make superannuation contributions on your behalf to a special fund called a superannuation fund. These funds are special because if they meet certain Government rules, they may pay less tax than if you were to put the money in a bank account.

There are more tax benefits for you when you retire and take the money out of the superannuation fund.

Superannuation savings is important for everyone because it will mean that you can look after yourself better when you retire. Many people rely on the Government’s Age Pension but it is only one quarter (25%) of the male average weekly earnings, about $9,000 per year. You can be better off than if you only get the Government’s Age Pension by having superannuation savings as part of your income when you retire.

Superannuation is also important because as the number of aged people in Australia grows so does the Government’s cost of providing the age pension. Having your own superannuation will help reduce the cost of the age pension for the Government and that will help reduce taxes for everyone.

Superannuation also helps the Government to achieve another goal - increasing national savings. National savings can be used by Australian businesses to create jobs.
Why do I need to know about it?

Superannuation is important to you NOW because it takes a long time to save up enough money to retire on. It takes a long time because you will only save a little bit of money at regular periods.

Superannuation funds have expert people working for them called investment managers. The investment manager’s job is to make sure your money grows by earning the best rate of interest. The interest earned by the superannuation fund is also taxed at a lower rate than if you were to have the money in your bank account.

Over a long period of time your super contributions build into a larger sum that earns interest and grows until you retire. When you retire this money is paid to you.

The importance of earning interest over time

The amount you receive usually depends on how much has been contributed, how long it has been in the account and the rate of interest earned by the account. The table above shows how much $1,000 will grow to over a period of years if it was earning different rates of interest.

<table>
<thead>
<tr>
<th>Interest rate</th>
<th>2%</th>
<th>4%</th>
<th>6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>After:</td>
<td></td>
<td></td>
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<tr>
<td>1 Year</td>
<td>1,020</td>
<td>1,040</td>
<td>1,060</td>
</tr>
<tr>
<td>5 Years</td>
<td>1,104</td>
<td>1,217</td>
<td>1,338</td>
</tr>
<tr>
<td>15 Years</td>
<td>1,346</td>
<td>1,801</td>
<td>2,397</td>
</tr>
<tr>
<td>30 Years</td>
<td>1,811</td>
<td>3,243</td>
<td>5,743</td>
</tr>
<tr>
<td>40 Years</td>
<td>2,208</td>
<td>4,801</td>
<td>10,286</td>
</tr>
</tbody>
</table>

More benefits of superannuation!

Another good thing about having superannuation is that many superannuation funds provide insurance in case you are seriously injured, become unfit to work or die. This insurance cover is called Death and Disability cover. The insurance may pay a regular income to you or your family in the above cases. It is important that you make sure your employer keeps their contributions up to date because if they don’t it might mean that you or your family would not get any payment if any of these things happen to you.

Injured worker – no super

PPA. A worker with a disability claims his boss did not pay super contributions and caused his death and disability insurance cover provided by the superannuation fund to lapse.

The worker has not worked since having an accident three years ago. But he has not yet received any money from his disability insurance because his employer failed to pay the required superannuation contributions.

The worker has taken legal action against his boss for failing to follow the superannuation laws and an industrial award by not making timely contributions.

The death and disability insurance cover lapsed when payments fell behind by several months leaving the worker without insurance cover at the time of his accident.

by Roving Red Rover
Industrial Reporter
Who contributes to your superannuation?

Super can be paid by:

- Your employer who may be required to contribute under:
  - the Superannuation Guarantee (Administration) Act 1992;
  - an award

- You.

The Superannuation Guarantee (Administration) Act 1992

In 1992 the Government made a law called the Superannuation Guarantee (Administration) Act 1992 to make sure that most employees receive employer superannuation support. It requires your employer to pay a minimum percentage of your normal pay (eg not overtime pay) to a superannuation fund for you.

Your employer MUST pay the required superannuation contributions directly to the fund at least once a year - by 28 July following the end of the financial year. For example, the 1999/2000 financial year which starts on 1 July 1999 and ends on 30 June 2000, employers have until 28 July 2000 to pay the superannuation contribution to a fund. You cannot choose to be paid the amount in cash.

You should check that your employer is making the right amount of superannuation payments on your behalf. If you don’t check, it could cost you money that is rightfully yours and could also cause problems with your insurance cover if you are injured, become unfit to work or die.

What percentage of my wage should my employer pay towards my superannuation?

The percentage is increasing over several years until 2002. By the year 2002 all employers will pay a minimum 9%.

- 1998-99 7%
- 1999-00 7%
- 2000-01 8%
- 2001-02 8%
- 2002-03 9%

Super IS part of your rightful claim for working. Superannuation Guarantee should NOT be deducted from your wages like your tax is.

The amount your employer should contribute is calculated on your ‘before tax’ amount of pay. When your pay goes up, the contribution your employer makes to your fund should also go up.

As a courtesy your employer may show the required amount as a separate item on your pay slip. Example: In the 2000-01 financial year, beginning on 1 July 2000, your employer is required to contribute 8%.

<table>
<thead>
<tr>
<th>Pay slip</th>
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<tbody>
<tr>
<td>Salary Payment</td>
</tr>
<tr>
<td>Deductions:</td>
</tr>
<tr>
<td>Pay this payday</td>
</tr>
<tr>
<td>Employer Contributions to your Super Fund</td>
</tr>
</tbody>
</table>
Who gets super guarantee?

Most employees in Australia are covered by Superannuation Guarantee, including full-time, part-time and casual workers, and should receive the required superannuation contributions from their employer.

An employee, for the purposes of Superannuation Guarantee, is a person who receives payment of wages in return for the work that they do. Some contractors who are paid mainly for their labour may also be employees for Superannuation Guarantee purposes.

For more information about who is an employee for Superannuation Guarantee purposes ring the ATO’s Superannuation Helpline on 13 10 20.

Who doesn’t?

The Superannuation Guarantee (Administration) Act 1992 does not cover all workers. Some employees who are not covered are those who are:

- paid less than $450 (before tax) within any calendar month;
- under 18 years old and work 30 hours or less per week;
- 70 years old or more;
- paid to do work of a domestic or private nature for 30 hours or less per week.

There are also other groups of employees who are not covered.

You may not be covered by Superannuation Guarantee now, but you may be in the future or at different times while working at any one job. For example, if you are employed part-time or as a casual worker you may find that your monthly wage changes from one month to the next – above and below the $450 level. You should have superannuation payments made for you by your employer for those months that you earned $450 or more.
**Award Superannuation**

Your employer may also have an award obligation to make super contributions for you. An award sets out minimum conditions of work for workers who are covered by it. To find out if you are covered by an award contact the Department of Employment Workplace Relations and Small Business (DEWRSB) on 1300 363 264.

If you are covered by an award, your employer must satisfy both the Superannuation Guarantee and the award superannuation requirements. The Superannuation Guarantee amount is the minimum amount that can be paid by your employer towards your superannuation. Any award contribution will count towards meeting the minimum Superannuation Guarantee amount.

For example:

<table>
<thead>
<tr>
<th>3% Award super required</th>
<th>+ 5% more to satisfy</th>
<th>8% Super Guarantee required</th>
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</table>

Some awards may state that employers must:

- contribute more than required by the Superannuation Guarantee (Administration) Act 1992;
- make contributions for workers who are not covered by the Superannuation Guarantee (Administration) Act 1992. For example, some awards may require employers to make contributions for workers who earn less than $450 per calendar month;
- pay contributions more often than required by the Superannuation Guarantee (Administration) Act 1992;
- pay contributions to a specified fund.

**Voluntary contributions**

You or your employer may make additional superannuation contributions over and above the amount that is required, these are called voluntary superannuation contributions. You may decide to make your own contribution in addition to what your employer contributes, these are called personal contributions. These are usually made from your ‘after-tax wage’. Your own personal superannuation contributions do not count towards the required Superannuation Guarantee contributions your employer has to make. If you have asked your employer to take personal contributions from your salary, your employer must pay the personal contributions to the fund you choose within 28 days after the deduction was made. It is in your best interest to check with the fund that your personal contribution is being received.

Example: In the 2000-01 financial year

**Pay slip**

| Salary Payment | Gross: 1000.00 |
| Deductions: Tax | 200.00 |
| Personal super contribution | 30.00 |
| Pay this payday Net: | 770.00 |
| Employer Contributions to your Super Fund | 80.00 |
Superannuation savings can be held in many different types of superannuation funds. Some are set up by individual businesses, some by industries and others by major financial institutions such as life insurance companies. The fund may have private entry or it may be open to anyone qualified to contribute to superannuation. They may have fancy names and shortened names but they all hold superannuation money. Some different types of funds include:

- Industry funds, e.g. Building or printing industry fund;
- Corporate funds, e.g. The ABC Company fund;
- Public Sector funds - for government employees;
- Master trusts for individuals, e.g. The Big Life Superfund for Joe Bloggs;
- Self managed funds, e.g. The Des and Mary Jones’ Superfund.

Some special accounts can hold superannuation money but are not really superannuation funds, these include: Retirement Savings Account (RSA) and the Superannuation Holding Account Reserve (SHAR). These are used when an employer cannot find a superannuation fund that will accept small sums of money.

Most superannuation funds are ‘complying superannuation funds’. These are funds that get special tax treatment because they follow the Government’s rules. Your employer must make contributions to a complying superannuation fund to satisfy the Superannuation Guarantee (Administration) Act 1992.

Some employees can choose their own superannuation fund while others are required to join the fund that their employer regularly contributes to. Your employer may be required to contribute to a particular fund because of an industrial award or your employer may already have a private fund set up. If you already have a fund when you begin a new job, you should inform your employer of the superannuation fund you already have. It may be possible to have your new employer pay your contributions to the account you already have or you could transfer your current superannuation account to your new employer’s fund – then you won’t end up with lots of little accounts, each being charged fees.
Small Super accounts

When Superannuation Guarantee become law in 1992 many people found they had super accounts for the first time, especially part-time, casual and seasonal workers. These accounts start out with small amounts and may stay that way because they are not being used regularly. It costs the superannuation fund money to run a superannuation account and the fund collects fees and charges from the account. If an account has $1000 or less in it, it will be ‘protected’ by law from being reduced by fees. The law does this by not allowing the fees to be greater than the interest earned by the account. Funds that do not wish to ‘protect’ the account must transfer the account to another fund that will. The account holder or member should be told that this has been done. If the fund is unable to contact the member, the member will have to be listed with the ATO’s Lost Members Register.
Lost Members Register (LMR)

The ATO keeps a list of people who have been reported by their superannuation funds as lost. A member is lost if a fund no longer has a member’s current address and is not able to contact the member. This can happen quite easily if the member is not aware of or has forgotten about an account and then forgotten to change their address with the fund when they move. **Currently, there are about 2.5 million lost member accounts worth around $1.8b.**

Unclaimed money

If a fund cannot contact the member when the member reaches 65 years old the fund must pay the money that is in the superannuation account to the government, this is called unclaimed money. The member may claim the money back from the government if they later become aware of it.

If you think you may be a lost member or have unclaimed money contact the ATO’s Superannuation Helpline on 13 10 20.

Combining small accounts

If you find that you have many small accounts because you have changed jobs often you can combine these small accounts. You will find it easier to keep track of your super savings and you will be less likely to become a ‘lost member’ because your super fund will find it easier to stay in touch with you. Also, because you will only have one account, the fees and charges you pay for your superannuation savings will be reduced. Combining accounts or transferring accounts from one superannuation fund to another is called a ‘rollover’. You should ask the super fund if there are any fees or charges to roll your money over to another fund. When you rollover superannuation accounts you do not need to report this on your income tax return.
Other superannuation products

Many superannuation funds will not accept small amounts from employers because it may cost the fund more money to run the account than the account will earn in interest. Retirement Savings Accounts (RSA) and the Superannuation Holding Accounts Reserve (SHAR) are useful ways to hold and build up these small amounts until you have enough to deposit with a superannuation fund.

Retirement Savings Accounts (RSAs)

RSAs are accounts offered by banks, building societies, credit unions and life insurance companies to be used for superannuation savings. You can make deposits to the account by asking your employer to make their required superannuation contributions to it or you can make your personal contributions to it. If you have any Superannuation Guarantee vouchers or a SHAR account these can be rolled over to your RSA.

RSAs are very useful for people who change jobs a lot. Each new employer does not need to start a new account for you, they simply use the RSA you already have and you don’t end up with a lot of small accounts.

Superannuation Holding Accounts Reserve (SHAR)

The ATO runs the Superannuation Holding Accounts Reserve (SHAR). Employers who cannot find a superannuation fund that will accept small amounts can make their superannuation contributions to SHAR. However, if an employer is required to pay the contributions to a specified fund under an award, they may not be able to use SHAR to meet their award obligations.

The employee may not be working for the employer any more and may not know that the employer has made a contribution. Once the employee knows about the account the balance can be paid to a superannuation fund or RSA chosen by the employee.

SHAR is not a superannuation fund but simply a holding account. It does not provide death or disability insurance in the same way a superannuation fund might. If you think you may have a SHAR account contact the ATO’s Superannuation Helpline on 13 10 20.

Talk to the people where you are considering opening a RSA about fees and charges. Ask about the interest rates earned by the account. Compare the RSA costs and interest rates to a superannuation fund account. The amount in your RSA can be rolled over to a superannuation fund whenever you want.
What to do if you do not get super?

If you think something is wrong with your superannuation you should check it out. Sooner rather than later. Superannuation Guarantee IS part of your rightful claim for working. You may not have received a statement from your superannuation fund, or you may think your employer is not making contributions to your fund, or that some of your money is disappearing.

Watch for Super on your pay slip

Your employer’s required superannuation contribution may appear as a separate amount on your pay slip. If it does not appear on your pay slip, it is possible your employer is not paying superannuation contributions for you. If it does appear on your pay slip it is in your best interest to check that the fund has received a payment from your employer.

Expect Fund annual report

You should receive a statement from your superannuation fund at least once a year called a member or benefit statement. It is like a bank account statement from your bank except the member or benefit statement is about your superannuation savings. If you don’t receive the statement this could mean several things. It could mean that your employer has not started a superannuation account for you. It could also mean that your employer has started an account for you but has stopped contributing. Or possibly that the fund no longer has your correct address and may have you listed as a ‘lost member’ (see ‘Where is your super held? – Lost Members Register’).
Approach your employer

Unfortunately there are some employers who do not make the required superannuation contributions on behalf of their employees. When you begin to work you should fill out an application form to join as a member of a superannuation fund, if you haven’t your employer may not be paying superannuation for you. If you think your employer should be paying superannuation contributions for you but you don’t think your employer is, you should talk to your employer about it. Your employer may point out why they don’t think you are eligible to receive super. Talk to other employees to find out if your employer is paying the required superannuation contributions for them and if so to which fund. If you still think you should be paid super or are not sure contact the ATO’s Superannuation Helpline on 13 10 20. If you find you are entitled to super but are not receiving it you must do something about getting your employer to make the contributions - the sooner the better.

Approach your super fund

If you have joined a fund but you think your employer is no longer making contributions, contact your fund and request a current member or benefit statement. If your statement seems incorrect you should contact your employer and ask them to make the correct payments. If the matter is not fixed contact the fund’s manager who is responsible for investigating the matter and making reasonable efforts to have the money paid to your account with the fund.

If you have a complaint about your fund write to them first. Funds are required to deal with enquiries and complaints and must try to answer them within 90 days.
If your employer does not pay any contributions or pays less than the minimum superannuation contribution required by 28 July, your employer must pay the Superannuation Guarantee Charge to the Australian Taxation Office (ATO). This is because the Charge has three parts.

If you have never signed an application form to join a super fund or if your employer has not paid enough contributions to your fund, ring the ATO’s Superannuation Helpline on 13 10 20 and talk about whether you should be receiving contributions from your employer. If you think you should be receiving superannuation contributions but have not lodged a form called the ‘Employee Notification of Insufficient Employer Contributions’ with the ATO. If the ATO is successful at getting your employer to pay, the ATO will send you a Superannuation Guarantee voucher that you can deposit with your superannuation fund.

What happens if my employer does not pay Superannuation Guarantee contributions?

If your employer does not pay any contributions or pays less than the minimum superannuation contribution required by 28 July, your employer must pay the Superannuation Guarantee Charge to the Australian Taxation Office (ATO).

The Charge costs your employer more than paying the correct level of Superannuation Guarantee to start with. This is because the Charge has three parts.

The Charge includes:

- The amount of Superannuation Guarantee that was not paid (the shortfall amount)
- Interest on that amount
- An administration fee