SG is increasing to 11%. Here's what the change could mean for you

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SG is increasing to 11% p.a. from 1 July 2023

The Superannuation Guarantee (SG) is the minimum amount employers are required to pay into their eligible employees' super accounts. Under existing legislation from 1 July 2023, SG is expected to increase from 10.5% p.a. to 11% p.a. It's then due to rise by 0.5% each financial year until it reaches 12% p.a. from 1 July 2025.

What does the SG increase mean for your pay?

If your employer provides your salary as part of a Total Remuneration Package, the increase to the SG rate from 1 July 2023 will be likely reflected as a redistribution between superannuation and base salary – this means your super contributions will slightly increase and your take home pay should slightly decrease. However, increasing super contributions mean you generally pay less tax than if the same amount was included in your take home pay, as the taxation rate for pre-tax (concessional) super contributions is 15%[1]. This is significantly lower than the average Australian's marginal tax rate of 32.5% plus the Medicare levy of 2.0%[2].

If your employer provides your salary plus super, they will absorb the SG increase and it will not impact your take home pay.

[1] Up to the current annual concessional contribution cap of $27,500. If your combined income and concessional contributions are more than $250,000 you may have to pay extra tax on SG contributions. See the **ATO website** for more information.
[2] Based on the ATO's average weekly ordinary time earnings (AWOTE) for the June quarter 2022 of **$1,769.80**, which equates to an annual salary of $92,029.60.

Benefits of an additional 0.5% p.a. to your super from 1 July 2023	Disadvantages of an additional 0.5% p.a. to your super from 1 July 2023

• Increased super contributions by your employer.
• Potentially larger super balance at retirement due to extra contributions.
• For those on total remuneration packages:
  ◦ Pay less income tax as the salary component in the total package is reduced.
  ◦ Your combined take home pay and super contributions will be a larger amount due to you paying less overall personal income tax (see example below).
	• Slightly lower take home pay for those on total remuneration packages.
	• The increase could cause higher earning employees to reach the concessional contribution cap of $27,500 for the 2023-24 financial year if they are also making additional concessional contributions (e.g. salary sacrifice).

Advantages of 11% SG contributions

The table below demonstrates the difference in take home pay and concessional contributions between 10.5% p.a. in the 2022-23 tax year and 11% p.a. in the 2023-24 tax year for a Total Remuneration Package of $120,000 p.a.

	10.5% SG [22/23 FY]	11% SG [23/24 FY]
Salary package	$120,000	$120,000
Taxable income	$108,597	$108,108
Income Tax plus Medicare Levy	$27,933	$27,764
Take home pay	$80,664	$80,345
Total concessional contributions minus tax	$9,692	$10,108

Calculation assumptions: Individual pays the 2% Medicare Levy. Employer pays standard SG rate. Total contributions include only SG payments minus contribution tax. Inidividal receives no other source of income and is not making additional super contributions (e.g. salary sacrifice). Employer does not pay insurance premiums.

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Is SG enough to fund a comfortable retirement?

How much super you need to fund your retirement depends on the type of lifestyle you want when you stop working. For a general guide, a good place to start is the **Association of Superannuation Funds of Australia's (ASFA) Retirement Standard**. The standard benchmarks an annual budget to fund either a comfortable or modest standard of living in retirement.

Superannuation balances required at retirement to fund a comfortable lifestyle (if a homeowner)[3]

	Comfortable lifestyle	
	Single	Couple
Initial lump sum	$595,000	$690,000

[3] Figures for those aged around 65, March 2023. Today's dollars figures using 2.75% AWE as a deflator and an assumed investment earning rate of 6%. **superannuation.asn.au/resources/retirement-standard** These figures aren't guaranteed and are provided as an illustration only and aren't intended to be and shouldn't be relied on when making a decision about a particular financial product. Before making any decisions, you should consider seeking personal financial advice from an AustralianFinancial Service licensee.

For a projection on how long your super could last in retirement, try **Moneysmart's Retirement planner**.

Need some financial advice?

Speak to your adviser. If you don't have a personal financial adviser, Australian Retirement Trust has employees who are qualified financial advisers[4] who can help you over the phone with simple advice about your Super Savings account. This service is included in your membership[5]. If the advice you need is more complex or comprehensive in nature, we may recommend you see an accredited external financial adviser[6]. Advice of this nature may incur a advice fee.

We're here to help

For more information, visit **australianretirementtrust.com.au** or contact us on **13 11 84** between 8.00am and 7.30pm AEST/AEDT, Monday to Friday.

[4] Australian Retirement Trust employees provide advice as representatives of Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818 AFSL No. 227867) (SFS), wholly owned by Australian Retirement Trust. [5] Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818 AFSL No. 227867) (SFS) is a separate legal entity responsible for the financial services it provides. Eligibility conditions apply. Refer to the Financial Services Guide (pdf) for more information. [6] Australian Retirement Trust has established a panel of accredited external financial advisers who are not employees of Australian Retirement Trust. Australian Retirement Trust is not responsible for the advice provided by these advisers and does not receive or pay any referral fees. These advisers will explain to you how their advice fees are determined.

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