

Comparison of insurance premiums funded inside vs outside of super



The table below compares the difference in the cost of paying for \$1,000 of premium using different funding options, including:

- Concessional contributions (i.e. salary sacrifice/personal deductible contributions) inside super, and
- Non-super (i.e. paying for premiums personally)

The table shows a number of examples where an individual may pay for their premium:

- 100% via super (i.e. by making concessional contributions)
- 100% via non-super (i.e. by paying personally), or
- By having a split policy. The percentage splits below are examples of different premium amounts funded inside super (i.e. 75% vs 85% vs 95%) with the remaining premium amounts funded outside super.

Base income details		Gross cost of \$1,000 net premium										
Gross taxable income	Marginal tax rate ^A	Super (S) ^B	Non-super (NS)	75% inside / 25% outside ^C			85% inside / 15% outside ^D			95% inside / 5% outside ^E		
				S	NS	Total	S	NS	Total	S	NS	Total
\$30,000	21%	\$1,000	\$1,266	\$750	\$316	\$1,066	\$850	\$190	\$1,040	\$950	\$63	\$1,013
\$82,482^F	34.5%	\$1,000	\$1,527	\$750	\$382	\$1,132	\$850	\$229	\$1,079	\$950	\$76	\$1,026
\$150,000	39%	\$1,000	\$1,639	\$750	\$410	\$1,160	\$850	\$246	\$1,096	\$950	\$82	\$1,032
\$200,000	47%	\$1,000	\$1,887	\$750	\$472	\$1,222	\$850	\$283	\$1,133	\$950	\$94	\$1,044
\$250,000 ^G	47%	\$1,176	\$1,887	\$882	\$472	\$1,354	\$1,000	\$283	\$1,283	\$1,118	\$94	\$1,212

A Includes Medicare levy, however calculations do not factor in offsets, rebates and adjustments applicable to individual circumstances.

B The amount funded inside super is the exact amount of premium due as the super fund can claim a tax deduction for the premium, so the 15% contributions tax is effectively offset.

C Split policy of 75% of premium inside super is an example split for TPD 'any occupation' insurance cover inside super with the remaining 25% of premium 'own occupation' cover payable outside of super.

D Split policy of 85% of premium inside super is an example split for salary continuance insurance cover inside super with the remaining 15% of premium payable outside of super, covering for example ancillary benefits, agreed value etc.

E Split policy of 95% of premium inside super is an example split for salary continuance insurance cover inside super with the remaining 5% of premium payable outside of super, covering for example ancillary benefits, agreed value etc.

F This is the average level of gross taxable income for an Australian as at May 2018 according to ABS statistics. (Full-Time Adult Average Weekly Ordinary Time Earnings)

G An extra 15% tax (i.e. 'Division 293 tax') is payable on concessional contributions where an individual's income (for surcharge purposes) plus concessional contributions exceeds \$250,000.