

February 2008 **Fordham Motor Dealer Services**

## We can see clearly now...

Much deliberation in the Motor Dealer industry has taken place over the last few months regarding the upcoming change in legislation for superannuation on commissions. We outlined this matter in our Motor Dealer Alert issued in November. The Alert identified that there may be a significant financial impact on Motor Dealerships profits as a result of the changes to the superannuation guarantee legislation. The effect of this legislative amendment is to change the base on which the superannuation guarantee is calculated.

In recent months we have been asked by various franchise dealer groups to provide recommendations on how to tackle this issue.

As a result of our discussions with Dealers and other interested groups, we have identified that the 'gross of commission' approach is the commonly accepted methodology going forward. Under this approach, commissions are paid net of superannuation.

### **How do you explain this change to your employees?**

The conversation should begin by revealing the legislative change, followed by a discussion as to the 'value proposition' of the change i.e. a small weekly decrease in take home cash vs. a large wealth accumulation in retirement.

To ensure that you are equipped with the necessary tools to communicate the value proposition of the change in super rules you may wish to consider the following:

- Determine the net effect on your employee, not only cash foregone but the additional wealth created in retirement
- To make this process clear and simple, you should run your own calculations to support this value proposition
- Once agreed, you will need to:
  - Redraft your employment agreements i.e. Super on commission (net)
  - If applicable, redraft your commission agreements
  - Collate a remuneration information package for affected employees e.g. tax benefits/cash forgone/forced savings/additional wealth benefits
  - Roll out and discuss the information package
  - Ensure employees sign acknowledgments/ updated employee agreements

As part of this process Fordham Motor Dealer Services have recently developed an “Electronic Employee Benefits” calculator which can be used as a tool to illustrate the benefits of these changes.

If you would like more details regarding the calculator please email Rebecca Murnane on [rmurnane@fordhamgroup.com.au](mailto:rmurnane@fordhamgroup.com.au).

**Should you wish to discuss this matter further, please do not hesitate to contact one of our Fordham Motor Dealer Services team:**

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