Building wealth for your kids

Outsource their future panic to your present self.

Presenters: **Tom Wilson & Phoebe Kohler** • 29 May 2025

Welcome. You made a smart move showing up.

We’ll upload the slides and replay, so no need to take furious notes.

Pop your questions in the chat anytime — we’ll tackle them at the end.

Important Information

General Advice Only

This publication is general information only, which means it does not take into account your investment objectives, financial situation or needs. You should therefore consider whether a particular recommendation is appropriate for your needs before acting on it, seeking advice from a financial adviser or stockbroker if necessary.

Not Tax Advice

Consult a registered tax agent for specific taxation guidance.

Disclaimer

This publication has been prepared from a wide variety of sources, which InvestSMART Financial Services Pty Ltd, to the best of its knowledge and belief, considers accurate. You should make your own enquiries about the investments, and we strongly suggest you seek advice before acting upon any recommendation.

Investment Risk

Past performance is not a reliable indicator of future results. Our performance figures are hypothetical and based on recommendations from Intelligent Investor using stock prices at date of publication. Brokerage costs have not been included. As stocks rise and fall, returns may be negative. We encourage you to think of investing as a long-term pursuit.

Why invest for kids?

Your future 18-year-old will thank you.

Probably in emojis, not words — but still.

- 🚗 First car
- ✈️ Gap year
- 🎓 Uni
- 🏡 Deposit

Starting early doesn't just build wealth — it builds *options*.

The cost of delay

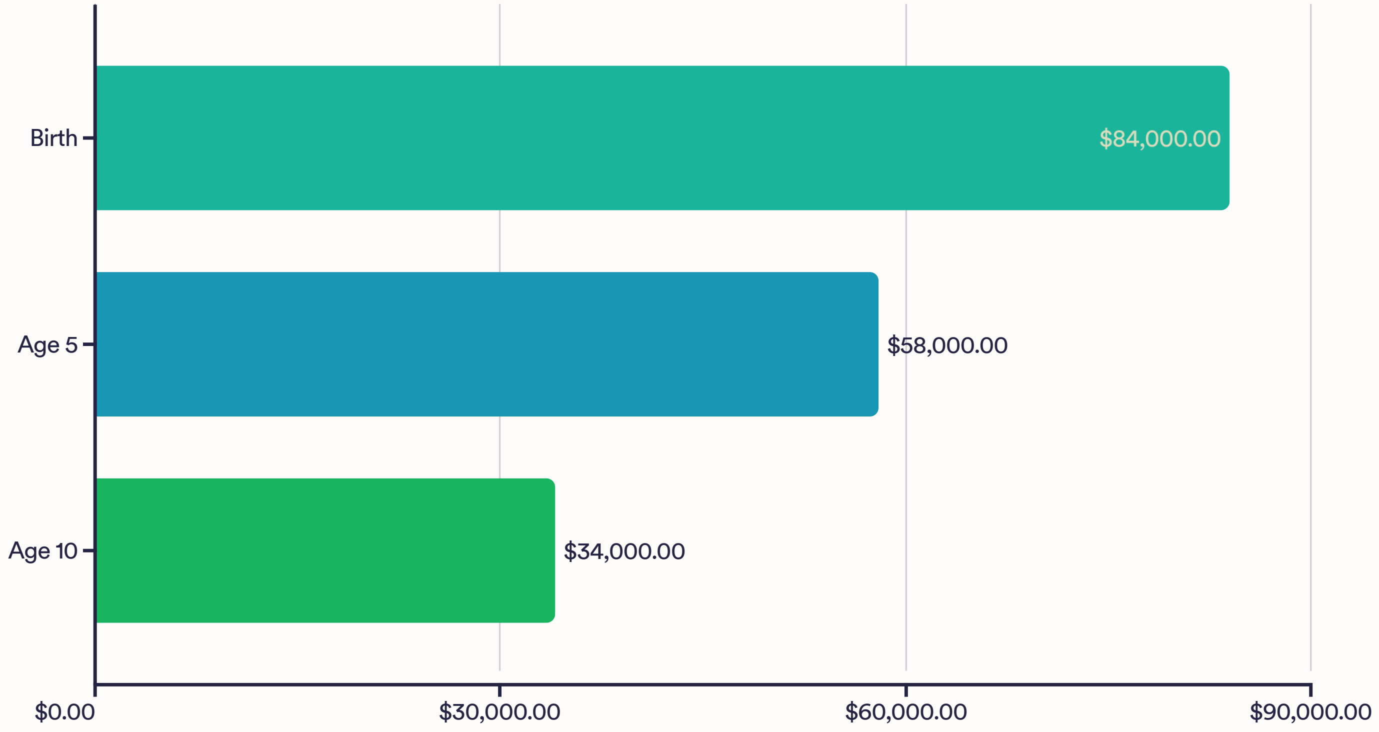
Every year you wait is a gift to inflation, not your kid.

Starting from birth, $50 a week can grow to around **$84,000** by age 18.

Wait until age 5? You lose nearly **$25,000.**

Wait until 10? That's a **$45,000 opportunity cost** — not just in dollars, but in *freedom, options, and peace of mind.*

Nearly half of the final balance comes from **compounding**, not contributions.
The earlier you start, the less you need to do.



Where should the money live?

In your own name

Simple setup with full control over funds.

Pros:

- Simple and inexpensive to set up
- Full control over funds
- Income taxed at adult rates (can benefit if using lower-income parent)

Cons:

- The investment legally belongs to the parent, not the child
- Transferring to the child later triggers a **capital gains tax (CGT)** event
- Can complicate estate planning if not included in your will

Informal Trust

Fast to establish with CGT advantages.

Pros:

- Easy and fast to establish
- Ownership can be passed to child at age 18 **without triggering CGT**
- Aligns well with gifting money genuinely intended for the child

Cons:

- ATO looks closely at who provided the funds and who benefits
- If the child isn't the true owner, **income may be taxed at the parent's rate**
- If the child is the owner, **minor penalty tax rates** may apply
- May require a TFN for the child and annual tax returns

Formal Trust

Sophisticated option for larger sums.

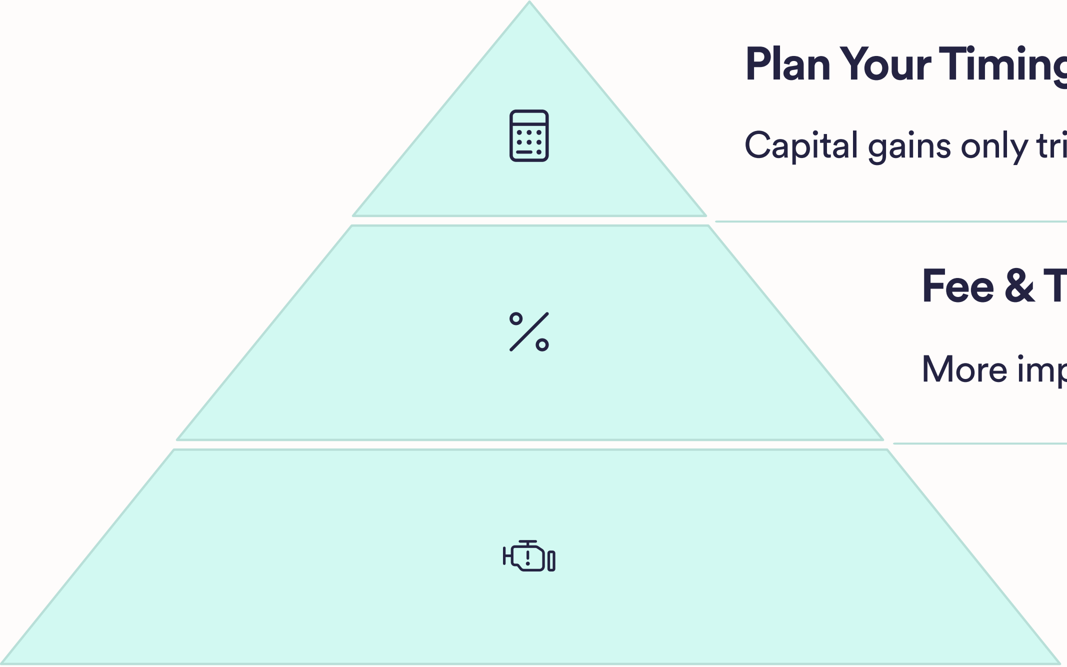
Pros:

- Long-term structure that can manage larger sums and complex family arrangements
- Flexible income distribution once the child is over 18
- Useful for estate planning and asset protection

Cons:

- Expensive to establish and maintain (legal and accounting fees)
- Annual trust tax returns required
- Income distributed to children under 18 is **still taxed at penalty rates**
- Not tax-effective unless distributions go to adults

Tax. Boring, yes — but very expensive to ignore.



Plan Your Timing

Capital gains only triggered on sale/transfer

Fee & Tax Drag Matter

More important than chasing "best picks"

Under-18 Tax Rates

Investment income can be taxed up to 66%

https://www.ato.gov.au/individuals-and-families/investments-and-assets/shares-funds-and-trusts/investing-in-shares/children-s-share-investments

Top 3 Tips to Avoid Tax Surprises

Start with the Right Structure

Choose between your name, informal trust, or formal trust based on your goals and circumstances.

Consider growth Investments

Focus on investments that prioritize capital growth over income to minimize annual tax burdens.

Consult a Tax Adviser

Seek professional advice before investing significant amounts to avoid costly tax mistakes.

Tax rates if you're under 18 years old

If you are a resident

Table: Tax rates for residents who are under 18 for 2024–25

Income	Tax rates
$0 – $416	Nil
$417 – $1,307	Nil plus 66% of the excess over $416
Over $1,307	45% of the total amount of the income that is not excepted income

from www.ato.gov.au/tax-rates-and-codes/tax-rates-if-you-re-under-18-years-old accessed 29 May 2025

Who Pays the Tax?

The ATO looks at substance over form when determining who pays tax on investment income for children.

1

Who Provided the Money?

- Parent/relative gifts = higher scrutiny
- Child's own earnings = stronger child ownership case

2

Who Controls the Investment?

- Parent makes all decisions = parent likely taxed
- Child has genuine input = supports child ownership

3

Who Benefits from the Income?

- Parent uses funds = parent taxed
- Income exclusively for child = supports child ownership

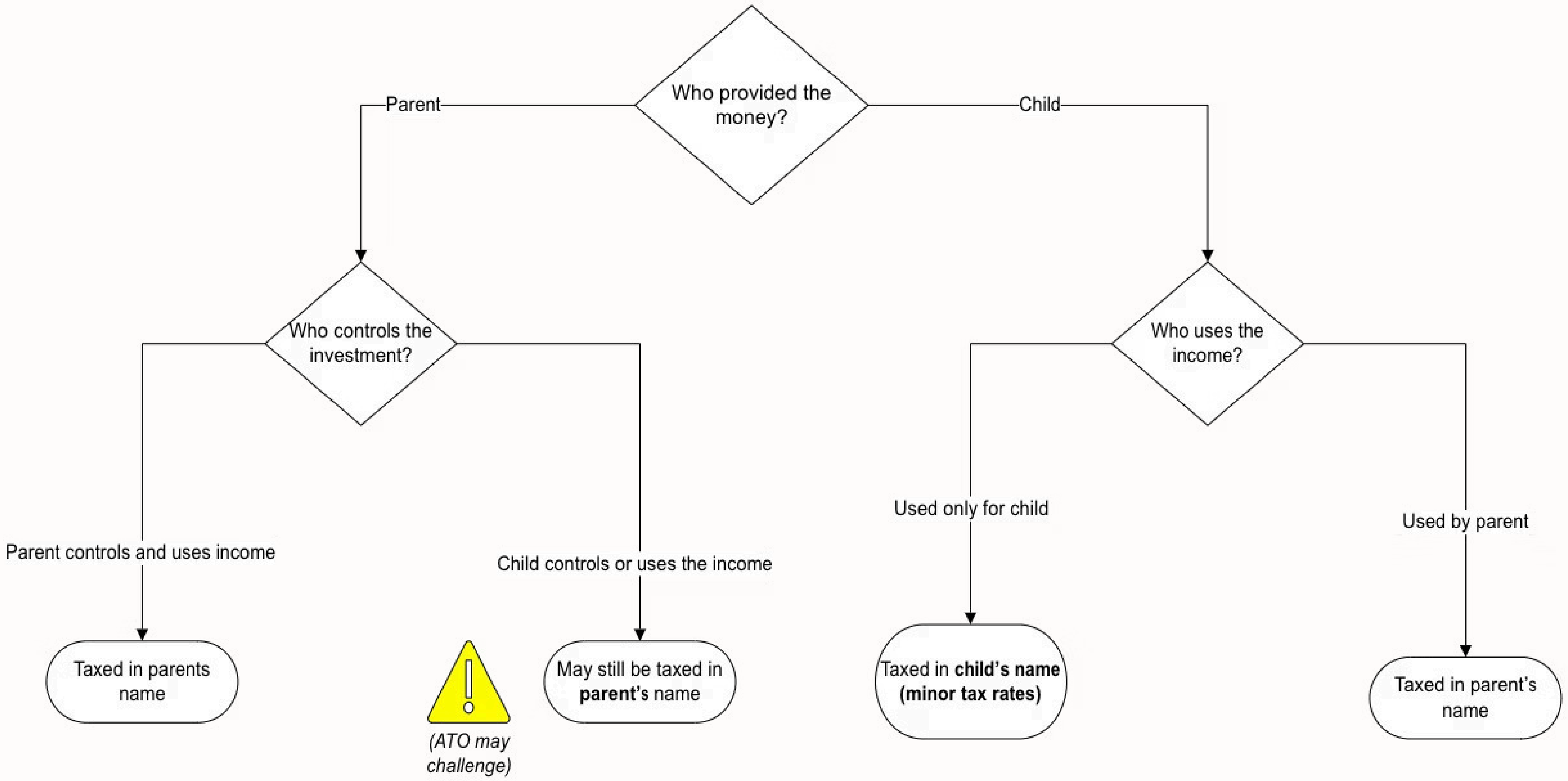
4

Final Tax Determination

Labels like "in trust for" don't matter to the ATO. It's about beneficial ownership.

- Parent control/benefit = Parent's marginal tax rate
- Child control/benefit = Minor's penalty tax rates

Who pays the tax?



Four investment options

Shares

The DIY garage project — fun, fiddly, and rewarding if you like tinkering.

Higher return potential and higher risk.

ETFs

The IKEA flat-pack of investing — ready-made, solid, and surprisingly good-looking.

One-click diversification with very low fees.

Micro-investing Apps

Training wheels for the investing bike.

Start with spare change but watch percentage fees.

Investment Bonds

The slow cooker — set, forget, and wait… for a very specific dinner party.

30% tax paid after 10 years.

INVESTSMART

Deep Dive: Shares

Growth Mix

Combination of dividend income and capital growth.

Minimum Investment

Requires broker account with minimum $500 parcels.

DRP Considerations

Dividend reinvestment plans still count as income.

Investor Discipline

Requires discipline and proper diversification.

Deep Dive: ETFs

Diverse Options

Over 370 ETFs available on ASX.

Low Fees

Fees often **< 0.20%** annually.

Instant Diversification

Buy once, get spread across markets.

Index Performance

Index returns beat most active managers.

Micro-investing Pros & Cons

Advantages

- Friction-free investing process
- Behavioral nudge to save regularly
- Low entry point for beginners

Disadvantages

- Flat dollar fees hurt small balances
- Indirect ownership structure
- May cost more than alternatives

Good on-ramp, but check costs versus investment minimums.

Investment bonds: the slow cooker of investing

(Set it, forget it, and check back in 10 years.)

Insurance-wrapped investment

Not government bonds. These are tax-paid investments inside life-insurance structures.

Tax efficiency

Taxed internally at 30%.
Withdrawals become tax-free after 10 years.

Contribution limits

The 125% rule restricts yearly deposits.
Exceed it and your 10-year clock resets.

Best for

Parents in higher tax brackets, planning ahead.
A long-term strategy — not a set-and-forget for pocket money.

Watch-outs

Higher fees than ETFs. Less flexible if your strategy changes. Make sure you understand the 125% rule before topping up.

You wouldn’t use a slow cooker if you wanted dinner in 10 minutes.

But if you’re planning ahead — this could be your financial lasagna.

INVESTSMART

Phoebe's plan (real parent story)

Initial Investment

$10k upfront + $200 monthly into High-Growth ETF mix.

Portfolio Choice

Using InvestSMART High Growth Portfolio.

Automation

Automating contributions via BPAY.

Key Benefits

Set-and-forget, tax statements, sell-anytime liquidity.

"We're starting with $10k upfront so our daughter has a house-deposit option at 18."

Bringing it all together — without the spreadsheet stress

You've seen the options — shares, ETFs, micro-investing, bonds, tax structures.

We built InvestSMART portfolios to cut through the admin and help you act with confidence.

Sensible. Set-and-forget. So you can get on with parenting — or just sleep better.

Our Six Diversified ETF Portfolios

Portfolio	Description
Conservative	For peace-of-mind savers
Balanced	A steady mix of growth and security
Growth	For those ready to lean into long-term growth
High Growth	Ambitious parents, confident in the market
Ethical Growth	Grow your wealth and your conscience
Ethical High Growth	Sustainable returns with high-growth potential

InvestSMART ETF Portfolios

Sensible. Set-and-forget. So you can get on with parenting (or just sleeping better).

6 Risk-Based Mixes

0.44% p.a. capped + 0.11% admin fees.

Automatic Rebalancing

Plus distribution reinvestment for optimal growth.

Easy Application

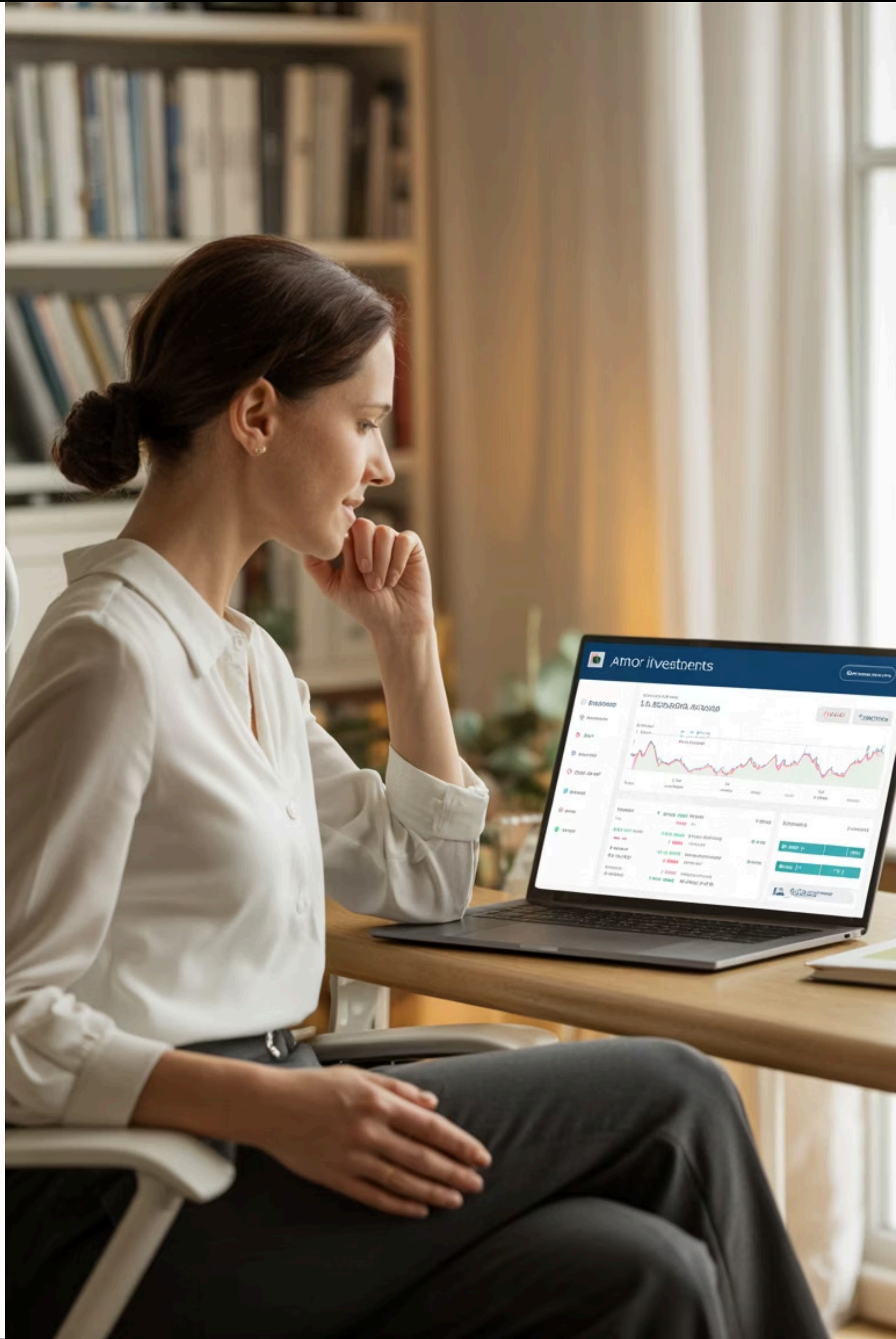
Online setup as individual, trust or SMSF.

Why parents choose us: simplicity, professional management, and flexibility.

InvestSMART

You don't need to pick stocks. You just ne...

InvestSMART's managed portfolios give you diversified exposure to the markets — without...



Fundlater – Start with $4k, invest like it's $10k

Invest $4k cash

Start with what you have available now

We lend $6k

Non-recourse loan creates full $10k portfolio

Repay $325/month

20-month repayment period

Managed & rebalanced

Professional management while you pay it down

InvestSMART Fundlater

Fundlater – Invest now, pay l...

Start with just $4,000 and get a $10,000 portfolio. Fundlater help...

Three-Step Action Plan

🎯 Pick a purpose (first car? uni fund?)

Complete Statement-of-Advice quiz.

📊 Pick a portfolio

Match risk profile with timeframe.

🔁 Put it on autopilot

BPAY, direct debit or Fundlater top-up.

Recap

Start early. Ignore the noise. Automate your way to peace of mind.

Download the e-book and let compound returns do the heavy lifting.

investsmart.com.au/guides

InvestSMART

Get the free guide: Investing for your kids

Turn $50/week into a real head start by 18.

Live Q&A

Type your questions in chat – we'll tackle as many as possible.

INVESTSMART

Thanks for coming.
Your future self, and your future adult child, will be very glad you did.

Helpful Tools

- Bootcamp
- ETF Compare
- Help Centre

Contact Us

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Get a callback

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