



INVESTSMART

Investing for Children

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INVESTOR EDUCATION

DISCLAIMER

WARNING

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.

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.

PERFORMANCE

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.

We are not tax advisers and recommend specific tax advice is sought from a qualified accountant or tax agent before entering into any arrangement.

WHAT WE WILL COVER

Reasons to invest

How is it set up?

What can we invest in?

What does the ATO say?

November PMA Numbers

Questions

Key Reasons

- Raising children can be one of the biggest expenses
- Put money aside to cover future bills, education, future wealth creation
- Children tend to have longer investment timeframes, but always match the investment goal to the timeframe and risk tolerance.



REASONS TO INVEST

Three Key Components:

- Financial Goals
- Time Horizon
- Risk Profile



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Here are the things you need to think about when investing:

Time horizon	How long have you got before you need to reach your goal?
Financial goal	What funds are required at the end of your time horizon?
Upfront investment	How much you can afford to invest in your goal at the beginning of your time horizon.
Ongoing contributions	How much you can afford to contribute to your goal each month.



REASONS TO INVEST

InvestSMART Calculators

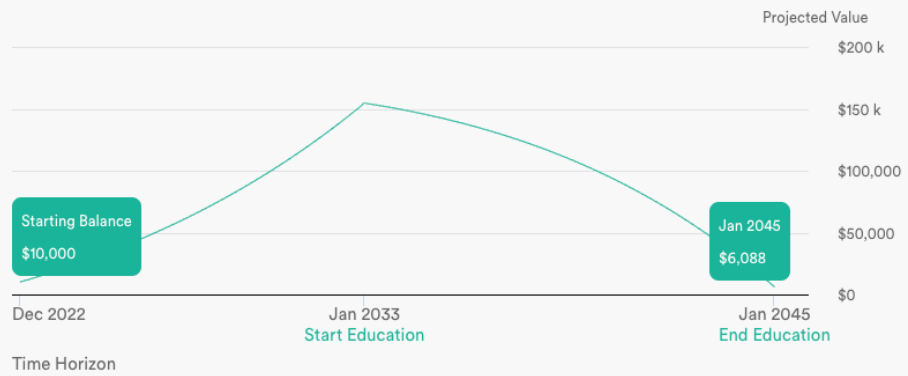
Kids Education Savings Calculator

(Click in each box below to adjust the values)

Starting Investments (\$) \$10,000	Risk Profile High Growth ▾
Monthly Contribution \$600	Inflation (%) 3.0
School Start (month) Jan ▾	School Start (year) 2033 ▾
Education Duration (Yrs.) 12	Yearly School Fees \$20,000

[Add a Child](#)

[Recalculate](#)



[Saving for your kids education - InvestSMART](#)

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Account Type(s)

- Online
- Informal Trust set up
- One adult in trust for child or
- Two adults in trust for child
- Can reinvest dividends (distributions)
- Can make regular contributions (automatic or ad hoc)
- Account will appear as Mr John Smith <Miss Jane Smith>



Individual trustee for a child

I want to invest as an individual trustee for a child



Joint trustees for a child

We want to invest as joint trustees for a child

What can we invest in?

WHAT CAN WE INVEST IN?

Standard PMA

You fund the full amount

All InvestSMART
Portfolios

II ETFs

Combinations

Using ^{INVESTSMART}fundlater

You partially fund and use a loan for the rest

Growth

High Growth

Ethical Growth

What does the ATO say?

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The following information has been reproduced verbatim from the ATOs website [Children's share investments | Australian Taxation Office \(ato.gov.au\)](#) accessed 12/12/22

Quoting a tax file number

When you buy shares, you have a choice whether you quote a tax file number (TFN).

If you quote a TFN, you pay taxes on the dividends when you lodge the tax return. If the shareholder is the:

- child, quote the child's TFN
- parent, as trustee for the child and
 - no formal trust exists, quote the parent's TFN
 - there is a formal trust, quote the trust's TFN.

A child can apply for a tax file number (TFN) – there is no minimum age. Children are not exempt from quoting a TFN.

If you don't quote a TFN, pay as you go (PAYG) tax will be withheld at 47% from the unfranked amount of your dividend income.

[Children's share investments | Australian Taxation Office \(ato.gov.au\)](#) accessed 12/12/22

Declaring dividends

Whoever rightfully owns and controls the shares declares the dividends and any net capital loss or gain from the sale of shares. You need to consider who:

- provides the money for the shares
- makes share decisions
- spends the dividend income.

If there are large amounts of money or a regular turnover, you might need to examine the ownership of the shares further, including finding more information to work out who should declare the dividends.

[Children's share investments | Australian Taxation Office \(ato.gov.au\)](#) accessed 12/12/22

Lodging a tax return

If your child owns shares and earns more than \$416, you must lodge a tax return on their behalf.

If your child earns \$416 or less, you may also want to:

- lodge a tax return on their behalf if too much PAYG tax was withheld, or
- claim a refund for franking credit by lodging a tax return or completing an Application for refund of franking credit.

For more information on the income tax rates for people under 18, see Income tax rates for people under 18.

[Children's share investments | Australian Taxation Office \(ato.gov.au\)](#) accessed 12/12/22

Children and tax rates

Child tax rates are designed to deter parents from sheltering income in their child's name in order to reduce their own marginal tax rate.

If you are a resident

Table: Tax rates for residents who are under 18

Income	Tax rates for 2020–21 income year
\$0 – \$416	Nil
\$417 – \$1,307	Nil plus 66% of the excess over \$416
Over \$1,307	45% of the total amount of income that is not excepted income

For more information on the income tax rates for people under 18, see [Income tax rates for people under 18](#).

[Higher tax rates](#) | Australian Taxation Office (ato.gov.au) accessed 12/12/22

Examples

Example 1 – declaring dividends under \$416 on parents tax return

Peter withdraws \$3,000 from his own bank account to buy shares in the name of his daughter Georgia.

Peter quotes his TFN when he buys the shares.

He deposits the dividend of \$200 into his own bank account and uses it for his own personal expenses.

Peter declares the \$200 on his tax return. When he sells the shares, he will also declare any capital gain or loss.

[Children's share investments | Australian Taxation Office \(ato.gov.au\)](#) accessed 12/12/22

Example 2 – declaring dividends on child's tax return

Sara buys shares for her child, Michael, with money given to him for his birthday.

Sara holds the shares for the benefit of Michael with the share broker until he turns 18.

No formal trust deed has been created.

Sara quotes Michael's TFN when she buys the shares.

All dividends have been reinvested through a dividend reinvestment plan.

The dividends are declared on Michael's tax returns.

When Michael turns 18 years old, the shares will be transferred to him through an off-market transfer. As he remains the beneficial owner of the shares, there will be no capital gain or loss for either Sara or Michael on the transfer.

[Children's share investments](#) | Australian Taxation Office (ato.gov.au) accessed 12/12/22

Example 3 – declaring dividends on child's tax return

Simon withdraws \$5,000 from his bank account to buy shares in the name of his son Jordan.

He quotes Jordan's TFN when he buys the shares.

Simon makes all the decisions about those shares as Jordan is only three years old.

All dividend income and any profit from the sale of those shares are deposited into a bank account in Jordan's name with Simon as trustee.

The dividends and capital gains are declared on Jordan's tax return.

[Children's share investments | Australian Taxation Office \(ato.gov.au\)](#) accessed 12/12/22

Example 4 – declaring dividends on child's tax return

Jenny buys shares on behalf of her daughter, Talia, with money saved from Talia's part-time job, plus money received for Talia's birthday.

Talia and Jenny decide not to quote Talia's TFN.

Dividends of \$500 are deposited in Talia's bank account. Talia declares the \$500 on her tax return. She will need to make an adjustment in her tax return so that the proportion of the dividend that relates to her employment income is taxed at normal tax rates. The proportion that relates to the gift money is taxed at a higher rate.

When those shares are sold, any capital gain or loss from the sale will belong to Talia.

[Children's share investments](#) | Australian Taxation Office (ato.gov.au) accessed 12/12/22

November PMA Numbers

NOVEMBER PMA NUMBERS

- ASX200 up over 6% for NOV22
- This was reflected in the portfolios under IOZ
- International markets dipped
- Reflected in the portfolios under VGS

Tip:

To see the Latest Report, go to the product page, scroll down to Key Facts

Here is the Conservative portfolio
[Investsmart Conservative Portfolio](#)

Key Facts

Details

Fees

Asset Allocation & Holdings

Latest Reports

Learn the basics of investing

INVESTSMART

4-week online course for beginners.

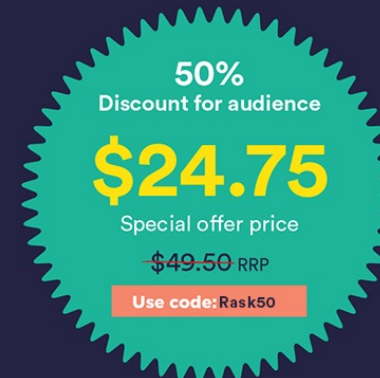
Modules

- 1 Investment planning
- 2 Diversification
- 3 Investment vehicles
- 4 Investment strategies
- 5 Investor psychology
- 6 Practical next steps

Features

- ✓ Weekly webinars
- ✓ Self-paced
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Special offer



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Q&A

Thanks

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Or use our online chat