

Thought of the Month Investing for your children's future



Every parent wants the best for their children. If you are in a position to invest money specifically for your children's future, you should follow the same approach as if you were investing for yourself.

The first step is to clearly identify why you are investing, then set yourself a goal and put a strategy in place to achieve that goal. Your strategy needs to suit your circumstances, risk tolerance and investment timeframe.

Whether you have short-term goals and want a high interest earning savings fund or you have long-term goals with a focus on managed funds, one vital question you need to consider is 'Whose name should the investment be held in?'

Children are taxed at penalty rates on unearned income.

There are other tax-effective investment options available including:

- Investment bonds — income is taxed at up to 30 per cent within the bond and reinvested each year. The proceeds of the bond are tax-free after 10 years and the child can be named as the beneficiary.
- Investments can be held by, and in the name of, the parent on the lowest marginal tax rate. Although all income is declared in that parent's tax return, the tax payable on this income may be reduced considerably with franked dividends paid from investments in Australian shares.
- Implied trusts — the investment is held in the parents' name in trust for the child. Beware that the investment must be used for the benefit of the child, otherwise the Tax Office can attribute the income to the parents and tax them personally.

As there are a number of options to choose from, make an appointment with us today to determine the right choice for you and your children.

If you have any queries relating to the above, please contact People's Choice on (08) 9489 2700 or by email on corpsuper@peopleschoicecu.com.au.

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