



Can I set up a super fund for my kids?

It's possible to set up a super fund for under-18s. The bigger question is, should you?

According to Australian Tax Office data, over 40,000 boys and more than 35,000 girls aged under-18 already have their own super accounts.

What's more, they're punching above their age when it comes to healthy balances.

The average balance for a boy aged under 18 is \$14,170 - almost double the average super savings of \$8,072 for males aged 18-24.

So we're talking about some pretty well-heeled kids.

Setting up a super fund for kids

Not all super funds offer accounts to under-18 but where a fund does accept minors, the process of account opening is reasonably straightforward.

A grown-up will need to complete the membership paperwork, and as minors

aren't legally able to sign contracts, an adult needs to provide proof of being a parent or legal guardian and authorise the child's membership application.

It's also worth organising a tax file number (TFN) for the child as part of the account opening process.

The tax office cautions that without a TFN, a super fund will not be able to accept any non-employer contributions.

Super may not be ideal for giving kids a financial head start

Well-meaning parents or grandparents may consider setting up a super fund for a child as a way to build a youngster's future wealth. And yes, the compounding returns could be impressive by the time the child reaches retirement age.

But there are issues to consider.

While parents and grandparents can usually contribute to a child's super fund, they won't normally get a

personal tax deduction or offset from the contribution. An exception may be where the child is employed in a family-owned business.

The deal-breaker can be that children can't generally access their super until they reach age 60. That could be half a century away.

Chances are, youngsters will appreciate more accessible sources of cash as they grow up, to fund goals like TAFE or university studies, a gap year, or to buy a first home.

When it makes sense to set up super for kids

It's a different story if your child is starting a job. Under-18s who work more than 30 hours a week are entitled to employer-paid super contributions.

So, if your child has a part-time job where they work just a few hours weekly, they may not be eligible for employer super contributions.

That said, it could still be worth setting up a super account as the child may work longer hours during school holidays.

What to watch for

If you do set up a super fund for a child, be sure to keep an eye on fund fees, which can eat away at low balances.

Student Super, which focuses on super for younger Australians, charges zero fees on balances under \$1000, plus loyalty discounts for members.

The benefits of starting a child's super fund

One of the biggest pluses of setting up a super fund for kids, especially as they approach workforce age, is the chance for youngsters to take ownership of their super and stick with the same fund for life.

It's also an opportunity for parents or grandparents to have conversations with kids about what super is, and why it matters - even if the money can't be accessed today.

Source

<https://www.moneymag.com.au/can-i-set-up-a-super-fund-for-my-kids>

In this article we have not taken into account any particular person's objectives, financial situation or needs. You should, before acting on this information, consider the appropriateness of this information having regard to your personal objectives, financial situation or needs. We recommend you obtain financial advice specific to your situation before making any financial investment or insurance decision.

nixon financial services pty ltd
corporate authorised representative

Gisborne Ph: (03) 5428 0123 Sunbury Ph: (03) 9744 2400

Email: info@nixonfs.com.au Web: www.nixonfinancialservices.com.au

Bob Nixon (AR 264149), Joel Plowman (AR 1256299), Umair Javed (AR 467512) and Sharon Tee (AR 246173)
Nixon Financial Services Pty Ltd is a Corporate Authorised Representative of Sentry Advice Pty Ltd AFSL: 227 748