



TAXING TIMES

What can I do to set my son up financially, he is 7 months old and I want to give him the best possible start in life?

Anna, Leichhardt

Congratulations on the new addition to the family. And well done in wanting to financially help him. I can only imagine what the affordability of housing will be like 20 years from now so there is no better time to start a savings plan than now. As your son gets older he will benefit from your lessons in saving.

Did you know that by investing the baby bonus at 8% pa as well as putting away as little as \$100 per month you would have saved \$87,000 by the time your son is 21?

There are some good bank accounts specifically for kids. But watch out where the promotional rate may reduce to as little as 0.01% if the account balance is not at a certain level or if you don't maintain the regular savings plan.

You also need to be careful with the amount of income your son's savings earns as the taxman may come knocking. From 1 July, children's investment earnings are taxed at 45% if they are more than \$1,667 per year (increasing to \$2,667 from the 2008/09 year). In this case it may be better to have the excess investments in your name and pay a lower rate of tax.