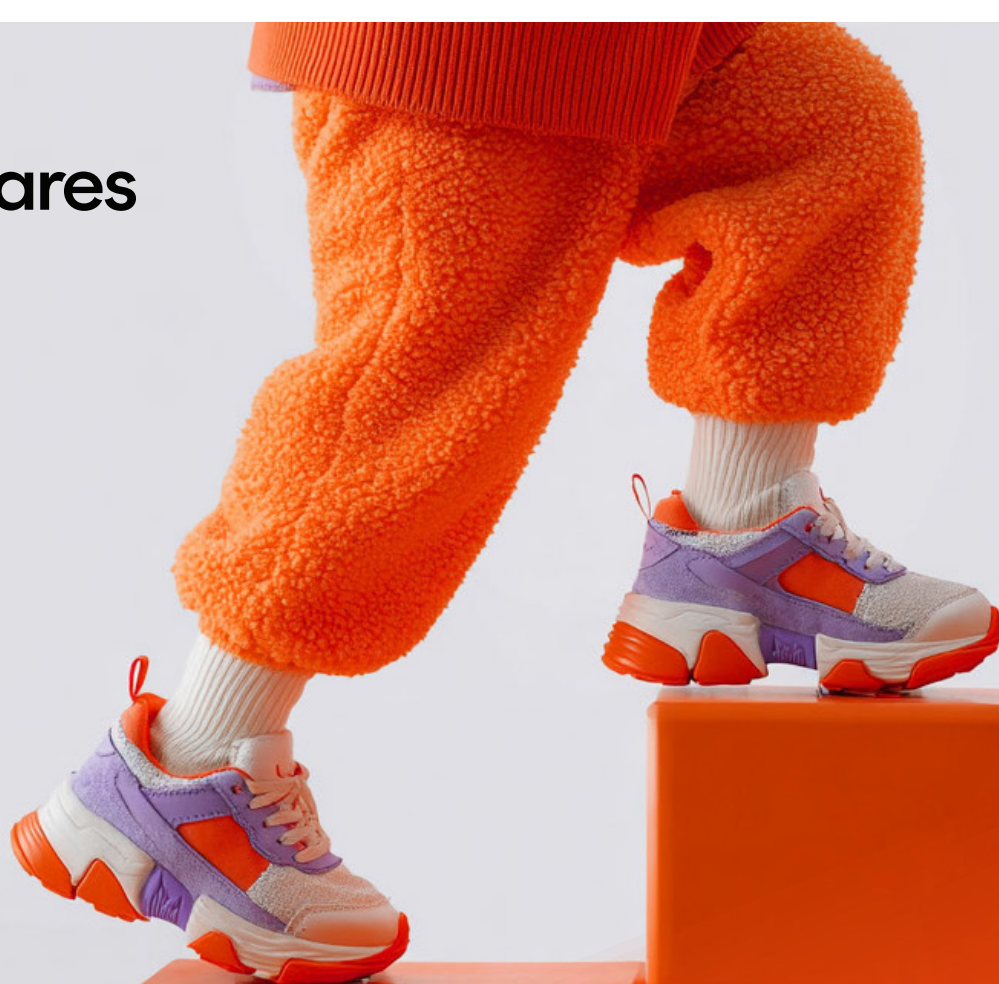




Investing for kids in Australia

The parent's guide



Investing is one of the most powerful ways to give your child a financial head start.



Whether you're putting aside a gift for a newborn or teaching your teenager how the share market works, this guide will help you navigate the options, tax rules and best practices involved in investing for kids in Australia and building long-term wealth for the next generation.



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Why start investing for kids?

Children have one of the greatest financial advantages on their side: time.

By starting to invest for them early, you can harness the power of compounding returns and teach them valuable money lessons along the way. Investing for kids isn't just about future financial security, it's also a chance to build financial literacy, discipline and a sense of ownership from a young age.



Ways to invest for kids in Australia

There's no one-size-fits-all approach to investing for kids. Each of the following options has its own mix of costs, tax rules and how much control you keep – so it's worth understanding what suits your family's goals.

01

Informal trust (minor trust)

The most popular option. You (the trustee) open and control the account, with the child listed as the beneficiary. When they turn 18, you can transfer the investments to them. It's simple, low-cost and is the approach used in Betashares Direct's Kids' Accounts.

02

In your own name

You invest under your name, but with the intention that the funds will eventually benefit the child. It's straightforward, but income and capital gains are taxed at your marginal rate – and transferring ownership later could trigger capital gains tax.

03

Formal trust

A more advanced setup involving a legal trust deed. It gives you greater control and flexibility (especially for estate planning) but comes with higher costs and a more complex tax compliance burden. This option tends to suit more sophisticated investors.

04

Investment bonds

These are long-term, tax-paid investment vehicles. Earnings inside the bond are taxed at 30% and, if held for over 10 years, withdrawals are generally tax-free. This option is suitable for higher-income earners seeking a set-and-forget structure.

05

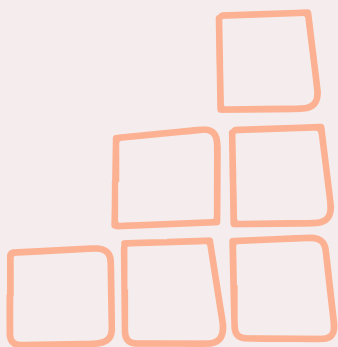
Superannuation for kids

An option that's available but not commonly chosen. Contributions can be made into a child's super fund, but the money is locked away until their retirement. This approach might suit ultra-long-term strategies, but it offers limited flexibility.

Investment structures

comparison table

Structure	Control	Tax	Simplicity	Cost	Flexibility
Informal Trust	✓ High	✓ No tax provided income is below \$416, but higher on income amount above this level	✓ Simple	✓ Low	✓ Flexible, and is the common structure for Kids Accounts
In your own name	✓ High	✗ Potentially higher on income and on CGT on transfer	✓ Moderate	✓ Moderate	✓ High
Formal Trust	✓ High	✗ Complex	✗ Complex	✗ High	✓ Flexible and useful for estate planning
Investment bond	✓ Moderate	✗ Adverse tax consequences of withdrawing within a certain time frame	✓ Simple	✓ Low to Medium	✓ Useful estate planning tool
Super for Kids	✗ None	✓ Low	✗ Complex	✗ High	✗ Inflexible access



How to build an investment portfolio for your child

Once you've set up an account for your child, you'll choose what to invest in. This can be as simple or as involved as you like.

A kid's investment portfolio doesn't need to be complex. One approach is to use a simple mix of investments that grow steadily over time – and can evolve as your child gets older. You might:

- Invest in a diversified managed portfolio
- Handpick a range of ETFs to gain exposure to a range of asset classes
- Add individual shares from brands your child recognises and is curious about

As a general guide, investment risk can fall into one of two buckets:

1. Growth assets like shares and ETFs aim for higher long-term returns but can be more volatile
2. Defensive assets like bonds and cash grow more slowly but provide stability

Your asset allocation will likely shift as your children get older and their priorities change.

With a Betashares Direct Kids Account, you can build a portfolio using:

- **Professionally built Betashares Managed Portfolios**
- **400+ ASX-listed shares and ETFs**
- **Auto-invest and reinvestment tools to keep things simple**

Whether you're investing a few dollars a month or gifting a one-off sum, it's the long-term mindset – not the dollar amount – that makes the difference.



Why time and compounding matter when investing for kids

When investing for kids, the single most powerful force on your side is time.

Time unlocks the potential of compounding: earning returns on your returns. Even small, regular investments can grow substantially over time.

As a hypothetical example, imagine investing \$5,000 at birth and achieving a 9% average annual return. By age 18, that one-off investment could grow to over \$23,500 – without you adding another cent.

Or alternatively, consider what happens if you invest \$100 a month from birth to age 18. With an average 9% annual return, could grow to over \$53,600 – 40% more than your total contribution over that same time.

How small investments can grow over time

The earlier you start, the more time compounding has to work.

Investing

\$5,000

at birth

and reinvesting all distributions
could grow to around

\$25,000

by age 18

Investing

\$100 a month

at birth

and reinvesting all distributions
could grow to around

\$53,000

by age 18

Assumes 9% average annual return, equivalent to the 10-year p.a. return of the S&P/ASX 200. Return figures are before fees and assume full reinvestment of income. Hypothetical example for illustrative purposes only.

How to automate investing for kids using dollar-cost averaging

Consistency is key to long-term investing, and one of the easiest ways to stay consistent is through dollar-cost averaging (DCA) – investing a fixed amount at regular intervals, regardless of market conditions.

DCA strategies can help smooth out volatility and remove the pressure of trying to time the market. And as we saw in the previous examples, it can leave you better off than just investing a lump sum.

Even small, consistent contributions over time can significantly boost your child's financial future.

To make regular investing easier, Betashares Direct offers Auto-invest. You can set up automatic contributions into up to five Betashares ETFs for your child, making it easy to build discipline into your investing routine.

Automate your child's investing in 3 easy steps

01

Choose your ETF(s)

Select up to five Betashares ETFs that suit your child's goals.

Q Search fund

A200 × DHHF ×

Flagship funds

✓ A200
Betashares ASX 200 ETF

DHHF

02

Set your contribution

Decide how often you want to invest and how much.

↻ Set frequency

💰 Set amount

03

Turn on Auto-invest

Let it run and build your child's future, one contribution at a time.

Note: Auto-invest is brokerage-free into up to five Betashares ETFs.



A200
Next payment 17 Jan

\$200/week

Refer to the PDS for information on interest retained by Betashares on cash balances and Portfolio fees.

Want to see how your regular contributions could grow over time? Try our [Kids Account calculator](#)



Fees matter when investing for kids

Keeping fees low is especially important when investing for kids, since small differences compound over time.

Management costs (MERs) are charged as a percentage of your investment but finding ways to minimise them is key. Even a 1% difference in annual fees can lead to significantly different outcomes over decades.

Let's assume the following:

- 40-year investment timeframe
- 6% annual return
- \$1,000 monthly contributions
- \$0 starting balance

Investor A pays 1% more in fees than Investor B.

After 40 years:

- Investor A ends with: \$1,526,020
- Investor B ends with: \$1,970,010
- Difference: \$443,990 (or 29% more) just from lower fees

Another cost to take into consideration is brokerage. For every investment that you make, you could incur brokerage fees depending on the investment platform.

However, with Betashares Direct, **you can invest for your child brokerage-free** with as little as \$10 in all ETFs and 400+ shares traded on the ASX. In addition, if you place a dollar-based market order, you can invest the exact amount you want with no rounding or wastage.

This allows your money to work for your child straight away and reap the benefits of compounding for the full amount you have available to invest, rather than waiting to purchase whole units.

The less you pay in fees, the more of your child's money stays invested and growing. This is why choosing a low-fee platform matters when investing for kids.



Tax rules for investing for kids in Australia

Minors can't legally own investments outright, so parents or guardians typically invest on their behalf. This has tax implications, especially around beneficial ownership.

If the investment is for the child's benefit, then the child is the beneficial owner. If so, investment income should be declared in their name.

If their income exceeds \$416 a year, special tax rules for minors apply. Under these rules, income between \$417 and \$1,307 attracts a tax rate of 66%, and any income above \$1,307 is taxed at a rate of 45% (i.e. no Medicare levy applied). However, income under \$416 is not subject to income tax. There is no requirement to lodge a tax return for children with income below this threshold, but parents may still choose to do so to claim back any tax withheld on investment income or franking credits.

With a Betashares Direct Kids Account, this means it's especially important to quote the tax file number (TFN) of the trustee (the parent), to avoid a withholding tax at a rate of 47% applying to the income derived from investments within the accounts.



Betashares is not a tax adviser. This information should not be construed or relied on as tax advice and investors should obtain professional, independent tax advice before making an investment decision.



Transferring investments at age 18

A common concern when investing for kids is how to handle the handover when they reach adulthood.

If the child has always been the beneficial owner, investments can often be transferred into their name at 18 or older without triggering CGT. Keeping good records helps support this, including:



Gift documentation



Bank accounts in the child's name



Dividend statements or reinvestment plans

Quick tip

The best way to do this is to set up a separate bank account in the child's name (with the parent as trustee) for receiving gifts, dividends or income. This helps clearly demonstrate beneficial ownership.

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How to engage your kids with investing

Teaching kids about investing is about more than returns. It can build confidence, independence and financial literacy that lasts a lifetime.

For young children

- Split pocket money into "spend", "save" and "invest" jars
- Use simple visuals like sticker charts or apps to track goals
- Involve them in setting a goal (e.g. buying a toy, saving for a bike)



For older kids

- Talk about the companies behind their favourite brands
- Let them help choose an ETF or stock to invest in
- Review their portfolio together each quarter
- Ask them to research a company and "pitch" it to you



The more kids understand how investing works, the more likely they are to build healthy financial habits for life.





Family gifting: a powerful boost

One way to grow a child's investment account is through gifting. Grandparents, godparents, aunts and uncles often want to give meaningful contributions, and investing offers a lasting alternative to toys or cash.

These can be one-off gifts or regular transfers. Be sure to document the source of the funds and confirm that they're intended for the child.

If large amounts are gifted - for example, \$100,000 or more - and the resulting investment income is significant, it could be taxed at high rates under the special tax rules for minors. In these cases, it's worth speaking to a tax adviser about the best structure for managing the investment and minimising tax.

Investing for your child is more than a financial decision. It's a long-term gift that teaches resilience, planning and the power of small actions over time.

With the right structure, strategy and support, you can help set your children up for a future of financial confidence – and give them the resources to shape their own future.

“Investing for your child is more than a financial decision. It's a long-term gift that teaches resilience, planning and the power of small actions over time.”

Ready to start investing for your child?

Open a Betashares Direct Kids Account today and set them up for life.

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