

# Now's the Time to Invest in Your Child's Future

## Investing for your children

*Money isn't everything, but knowing that you have given your kids a financial kick-start is peace of mind.*



At Pritchard & Partners, we believe one of the greatest gifts we can give our children is financial security by building wealth over time through the power of compounding returns.

For example, if you saved \$1,000 when your child was born and then added another \$100 per month until your child turned 18, you would have saved \$22,500. If you then saved for another three years then you would have saved a total of \$26,100 by the time he or she turned 21.

Of course no one can predict the future, but we have outlined below a range of returns these savings might have earned, if you were to invest them until your child's 18<sup>th</sup> and 21<sup>st</sup> birthdays.

Average Net Return Per Annum <sup>1</sup>			
Age	6%	8%	10%
18	\$41,572	\$52,109	\$65,961
21	\$53,702	\$70,272	\$93,140

Not only would you be giving your child financial security, you would also give them options in pursuing a university degree, buying a car, real estate or travel.

## Not sure how you should invest your money?

All investments have an element of risk. One of the tools used to reduce risk is to diversify investment portfolios.

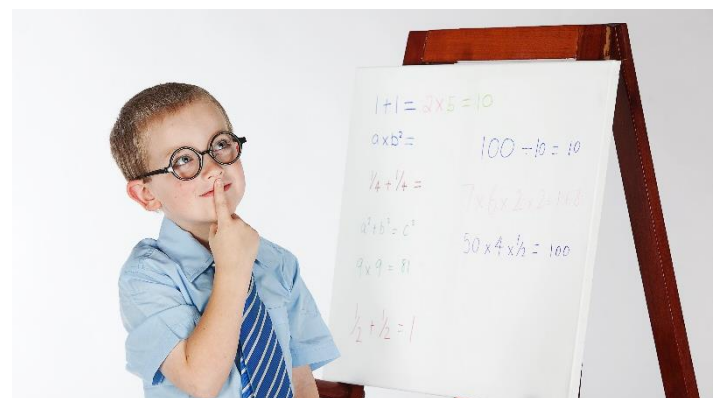
The Pritchard Australian Share Portfolio separately managed account provides access to a professionally managed diversified portfolio of quality Australian listed companies which we expect will increase in value over time.

## How to invest

Pritchard will help you open a separately managed account in the name of the child with you as the trustee.

Then all you have to do is place your initial \$1,000 into the account and transfer another \$100 per month in savings. As time passes your child's investment will earn income. This income will be reinvested back into the portfolio to create compound growth.

When the time comes and they wish to manage their own investments - the portfolio can be sold and the cash paid within 14 days or the shares can be transferred into your child's name.



Quality advice since 1951

Accountants, Stockbrokers & Financial Advisers

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## Taxation Considerations

The level of taxation of the income from the investment will depend on where the money for the investment came from.

When considering the investment you should consider whether the investment is the result of gifts for the child or whether it is from the parent's own funds. The source of the money will then be considered in light of how the income from the investment is being used.

For example, if the income is reinvested or used to cover expenses, such as school fees, then the adult should not be personally liable for tax on the investment. However if the income is being spent and used by the adult they will be liable for the tax on the investment.

Additionally, if the investment income has always been attributable to the child, there will be no capital gains tax triggered when the child turns 18 and legal ownership is transferred to them.

Unearned income	Tax Rates
\$0 - \$416	Nil
\$417 - 1,307	Nil + 68% of excess over 416
Over \$1,307	47% of the total amount of income

Please note that these taxation rates do not apply to income earned by minors as a result of personal exertion, for example a part-time job while still at school.

## Fees & other costs

Type of fee or cost	Amount	How and when paid
<b><i>Fees when your money moves in or out of the Fund</i></b>		
Establishment Fee: The fee to open your investment – Up to 4.4%	Up to \$44 per \$1,000 invested	The Establishment Fee is deducted from the amount invested to establish your Account. This fee is paid to Pritchard & Partners Pty Limited
Contribution Fee: The fee on each cash amount contributed to your investment. Up to 2.20% of each cash contribution	Up to \$22 per \$1,000 of each monthly contribution	The Contribution Fee is calculated as a percentage of each cash amount you contribute and paid to Pritchard & Partners Pty Ltd
Withdrawal Fee: The fee on each amount you take out of your investment.	Nil	Not applicable. However, the In-Specie Transfer (Share transfer) Fee may apply
<b><i>Management Costs. The fees and costs for managing your investment.</i></b>		
Administration Fee – This is the fee for operating your account. Up to 0.48% Per Annum	Up to \$4.80 per \$1,000 invested per annum	The Administration Fee is calculated monthly in arrears based on the daily value of your Account and is deducted directly from your Account.
Investment Fee - The fee for investing in the Pritchard Australian Share Portfolio is 0.99% Per Annum	Up to \$9.90 per \$1,000 invested per annum	The Investment Fee, if applicable, is calculated monthly in arrears based on the daily value of your Account and the particular Model Portfolio(s) selected. It is deducted directly from your Account.

## Important Information

This material is intended to provide general information only.

Any advice in this material is general advice only and does not take into account your individual objectives, financial situation or needs (your 'personal circumstances'). Before acting on it you should consider the appropriateness of it taking into account your personal circumstances. All taxation information is based on our understanding, and the continuation, of current taxation legislation rules as at 1 January 2016.

1. The returns shown are for illustrative purposes only and should not be regarded as forecasts. Past returns cannot be reliably used to predict future returns.<sup>1</sup>
2. The Praemium SMA Product Disclosure Statement should be read before making a decision to invest. Other fees or costs may apply which are detailed in the Product Disclosure Statement