EVANS EDWARDS

FINANCIAL ADVISORS | WEALTH CREATORS

How to Invest for Your Children's Future

Every parent wants to give their child the best start in life, even if that sometimes means footing the bill well into adulthood. Fortunately, with good financial planning, you can set your kids up for a bright (and independent) financial future, in just a few simple steps.

No two ways about it, raising a family is expensive. But did you know that some of the biggest costs come in later years, once your children reach high school and beyond? The cost of tertiary education, buying their first car, or purchasing their first home often comes at a time when young people don't have a large income of their own.

But what if you could help set up your kids to become financially independent right from the word go? Fortunately, it's never too early, or too late, to put a financial plan in place for your kids.

FINANCIAL PLANNING FOR FAMILIES

In the early years, planning for your children's future goes hand in hand with managing your own financial health and wellbeing. Putting a long-term financial plan in place will help you to:

- Set clear financial goals for your family.
- Create a family budget that can be adjusted as your needs change.
- Build your wealth; and
- Provide protection against unexpected or hidden costs.

You can create your own financial plan, although many families benefit from getting professional financial advice to help them reach their goals sooner.

INVESTING FOR YOUR CHILDREN'S FUTURE

Once your own financial plan is in hand, you can start looking at strategies to build your kids' financial freedom (and pay for some of those inevitable future expenses).

Like any investment strategy, the approach you choose depends on what you want to achieve, how long you've got and the level of risk you're comfortable with.

Whether you'd like to chip in for uni fees in 10-years' time, or gift your kids a share portfolio on their 21st birthday, a prudent approach to investing will give you access to your funds when you need them.

Here are some of the possible investment options you might want to consider:

Short investment timeline (e.g. less than three years)

When you only have a few years to reach your goal, you should avoid taking on too much risk. Cash savings are a good option in this situation. Make regular contributions to an interest-bearing savings account, or even your mortgage offset account (you'll reap the benefits of lower home loan interest). Just make sure to shop around for the best interest rates and look out for dedicated 'kids' accounts' that offer special or bonus interest.

Medium investment timeline (e.g. 5-10 years)

With more time to ride out any market fluctuations, you can look at investments that offer higher returns in exchange for taking on more risk. The stock market is one such option and many parents are interested in starting a share portfolio for their kids.

There are several ways to invest in shares for your kids. Popular options include setting up a share portfolio with an online trading platform or purchasing units in an Exchange Traded Fund (ETF). Some online trading platforms even offer specific accounts for children. Others allow you to act as a 'trustee' for the children's shares, which means you'll manage the portfolio until they're old enough to take over.

Long investment timeline (10+ years)

Having ten or more years to invest increases your options considerably. As well as shares, parents can also consider investing in bonds or property. 'Insurance' bonds are sometimes used to invest for children or grandchildren, as they offer certain tax benefits when held for over 10-years. Whether they're right for you will depend on your personal financial situation, so get expert advice.

Just remember, there are pros and cons, as well as tax implications to consider with every type of investment. So make sure to do your research thoroughly and always seek professional financial advice that's tailored to your situation before investing. A financial planning professional can advise you on the right approach to reach your goals.

Start financial education early

There's certainly a lot to think about when it comes to planning for your children's financial future.

Aside from investing on their behalf, one of the best things you can do for your children is teach them good money management skills from a young age. Many of the decision-making skills they'll need to make good financial decisions are learnt in the first few years of life, so it's never too early to start.

Learning how to prioritise your spending and save up for bigger purchases are all good habits that will help them manage their own money later on. Don't forget to talk about debt either, as young people are especially vulnerable to accruing debt through in-app purchases, buy-now-pay-later services and credit cards.

Source: Money and Life

If you have any questions around your particular circumstances, give Shaun or Vicky a call on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon).