

ANZ Online Investment Account

Investing for your children

Starting early can be important

Investing in a child's financial future may be one of the most rewarding investments that parents or grandparents can make. However, with low housing affordability, rising petrol prices and increased cost of living it can be easy to lose sight of planning for the future.

Acting as early as possible to secure a child's financial future can be important. By starting an investment just a few years earlier, you may be able to achieve substantial differences in your long-term returns.

Before making an investment for a child, you should consider as a minimum some of the following:

- An appropriate investment timeframe
- The different types of investments available
- The level of risk that may be acceptable when investing long-term for your child's future
- Ownership and taxation issues
- The value of teaching a child about money and investing

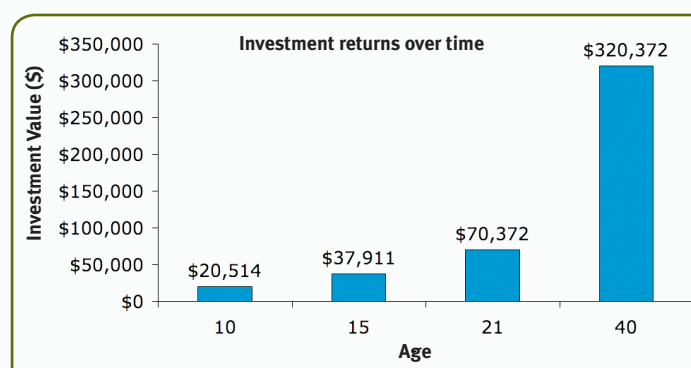
Investment timeframes

Most investments made for the benefit of a child will be of a long term nature, and time can be an investor's best friend. Compounding is the effect created when you earn investment returns not only on the initial amount invested, but also on the cumulative returns that are earned over time.

Starting early and investing small amounts regularly can be powerful ways to take advantage of the compounding effect.

By way of illustration, consider the following investment made on behalf of a child when they are born.

Initial investment	\$1,000
Ongoing investment	\$100 per month until the child turns 21
Investment returns	8% per annum compounding monthly



Appropriate types of investment

When choosing an investment for a child there is no such thing as a 'one-size fits all' option.

There are several types of investments and their suitability is generally based on;

- Your investment timeframe,
- Your appetite for risk and;
- whether access to your money is required whilst it is invested.

Most people investing over the long term (5 years or more) will typically invest in Property and Shares. Although Shares and Property carry the highest level of risk, they have historically also generated the highest long-term returns. Returns can include capital growth (where the asset increases in value over time) as well as income such as dividends or rent (from an investment property). Examples of Share and Property investments include: physical investment properties, property trusts, managed funds, shares and exchange traded funds.

However, if you are uncomfortable with risk, then Cash and Fixed Interest investments may be better suited. These types of investments are typically low risk, but usually provide lower returns over the long-term than other investments. You will usually only receive a return in the form of income – such as interest earned on a savings account. Examples of Cash and Fixed Interest investments include: term deposits, savings accounts and bonds.

If you are unsure about whether an investment is suitable, you should seek advice from a licensed financial adviser.

Risk considerations

There is no right or wrong answer about what is the appropriate amount of risk when investing – it's a very personal decision. However, investments made for children can often tolerate higher risks than those made for older people because they have a longer investment timeframe and can ride out the fluctuations which may occur.

Higher risk, higher-return assets tend to be more appropriate for long-term investors; historically shares have generated higher returns than other asset classes. However, the value of shares can fluctuate significantly in the short-term.



ANZ Online Investment Account

Investing for your children

Ownership and taxation considerations

One of the most important considerations when investing for a child is the issue of ownership. Whose name should the investment be in? What does this mean in terms of who has control of the investment, and what taxation consequences does ownership create?

While the issue of ownership and the associated taxation consequences are beyond the scope of this fact sheet, you should consider as a minimum some of the following:

› Tax Rates for Children

Penalty tax rates are generally applied to investments in a child's name to prevent adults from investing their own assets in their children's names to minimise tax. A child under 18 is taxed a higher tax rate than the top adult marginal tax rate. For more information on how these tax rates could impact a child please visit the Australian Taxation Office website at www.ato.gov.au

› Centrelink Benefits

Investments held in an adult's name, even if held on behalf of a child, are typically assessed by Centrelink under the asset and income tests. To find out how this may apply to you please visit the Centrelink website at www.centrelink.gov.au

› Estate planning

Upon death, any investments held by an adult on behalf of a child will typically form part of the adult's estate. Although a Will may be in place it may be contested or considered invalid and the child may not receive the proceeds. For more information on Estate Planning please visit www.anz.com/aus/fin/Trustees/estate_planning.asp

The value of teaching a child about money and investing

Children who don't learn the necessary skills to deal effectively with money and investments will typically suffer the consequences well into adulthood.

Each time money is earned, moved, spent, invested, donated or borrowed is an opportunity for parents and grandparents to teach children how the world of money works, what goes into making decisions about it, and how to invest wisely for their own future financial security.

A convenient and simple investment option for your children's future

If you're considering ways to help your child or grandchild achieve a financially secure future, the ANZ Online Investment Account may be the convenient and simple answer you're looking for. With a focus on long term investment returns, low minimum investment amounts, and the ability to customise account names on ANZ Internet Banking, it may be the perfect way to conveniently track investment progress and teach them about investing from an early age.

For more information please visit www.anz.com/Online-Investment-Account, or call us on 1300 789 223.

The performance of an investment in the Online Investment Account is not guaranteed and can be volatile, particularly in the short term. Once the money that you have deposited is invested, it is no longer held on deposit by ANZ or subject to any depositor protection under the Banking Act 1959. ANZ does not guarantee your investment in the Online Investment Account or the performance of the product or its investments. Your investment in the product is subject to a range of investment risks. They include possible delays in the repayment of withdrawals from your investment and loss of income and principal invested.

This material does not take into account your personal needs and financial circumstances and you should consider whether it is appropriate for you. ANZ recommends you read the ANZ Online Investment Account Product Disclosure Statement, which is available by visiting www.anz.com before deciding to acquire or hold the product. Australia and New Zealand Banking Group Limited (ANZ) ABN 11 005 357 522. ANZ's colour blue is a trade mark of ANZ. Item No. 71395 10.2008 W146135

