Super is child's play

ANTHONY KEANE

Parents can use superannuation to give their kids a wealth boost and the wait is worth it, writes **Anthony Keane**

PARENTS and grandparents have a golden opportunity to use superannuation to deliver children and young adults a wealth boost bigger than any of them can imagine.

The catch is that the kids' cash is locked up for decades, but financial experts say they will be thankful later in life.

There are no minimum age limits for contributing to super. But, government incentives such as the $500 super cocontribution require recipients to be earning at least some employment-related income.

Financial strategist Theo Marinis started putting $20 a week into his daughter's super account when she first started part-time work as a teen, and now in her early 20s her super balance is close to a decade ahead of many of her peers.

"People don't trust super because the government keeps changing it, but they keep changing it because it's so generous," he says. "It's still the best deal going around."

Marinis says putting the money saved from skipping a coffee a day into a child's super fund would grow dramatically, thanks to the power of compound interest.

"The only problem is they have to wait until age 60 to get their hands on it . . . but over 40 or 50 years it's going to be compounding and will be worth an absolute fortune," Marinis says.

Voluntary after-tax contributions of $1000 a year paid into the super accounts of low or middle income earners can earn a $500 co-contribution from the Federal Government.

Catapult Wealth financial adviser John Lawler says another incentive outlined in this month's Budget, to allow first home savers to make voluntary deposits into super and later withdraw them for a house deposit, could satisfy a major objective of parents and grandparents to help children get their first home.

"You would need to wait until the legislation comes out, but it's food for thought," Lawler says.

He says under the Budget plan, the growth of those voluntary super contributions would also be able to be withdrawn, but the compulsory 9.5 per cent employer contributions could not be touched.

Employers must make super contributions to workers earning more than $450 a month, but if they are under 18 they also must work at least 30 hours a week to qualify. However, anyone can start a super fund at any age. "The biggest reluctance people have is there's no guarantee when they will be able to get it out," Lawler says.

"The power of compounding is well known – you can double your account balance every 10 years even in a balanced portfolio. "(If you start later) it's the last doubling that you are missing out on, not the first."

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