

## YOUR MONEY SORTED



# HELP KIDS TO BE MONEY SMART

By LETITIA WATSON

Send suggestions for topics and requests for info to [yourmoney@you.co.za](mailto:yourmoney@you.co.za). We may answer your questions in this column but won't reply personally.

Your children can learn how to save from an early age – and that the piggy bank isn't the only way to grow their savings

### WHAT ARE THE OPTIONS?

"What should I do with my coins?" Alwyn Munnik (7) of Cape Town asks. He wants to start saving but doesn't know how. The good news is there are several options – especially if Alwyn's parents give him paper money. Banks have transactional and savings accounts specifically for children, for instance Absa MegaU, Nedbank 4me, Standard Bank Sum1 and FNB's MyFirstSavings. To open one of these accounts a parent or guardian must take along recent proof of their physical address, their ID and the child's birth certificate.

### LOOK AT INVESTMENTS

Parents can open money-market funds or unit trusts for their kids. Look at your budget and the period for which you want to invest, Karin Muller of Sanlam Personal Finance says. Money-market funds don't beat the inflation rate over the long term, so are better as a short-term investment. Unit trusts with shares as the underlying asset class can give a better return, provided you don't touch them for at least five years. Unit trusts are liquid so the money can be withdrawn at short notice if necessary.

### COMPARE BANK ACCOUNTS

None of the mentioned accounts have a fixed monthly administration fee. But compare their fees for debit transactions, withdrawals, statements and deposits before choosing one – go to the banks' websites to see the fee structures. The same applies to interest. On amounts less than R10 000 Nedbank 4me offers 2,65 percent interest, while Standard Bank's PureSave offers 2,5 percent and MyFirstSavings 5,25 percent. MegaU and Sum1 do not offer interest.

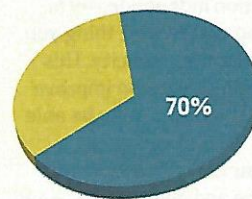
### TAX-FREE SAVINGS PRODUCTS

You can invest up to R30 000 a year and R500 000 over a lifetime in these products without paying tax on dividends, income or capital gains. This has long-term advantages and could be a valuable plan for your child, Sanlam's Karin Muller says. But the products aren't ideal if you want to make regular withdrawals. Compare the admin fees and return rates of various products. For long-term growth the investment's underlying asset mix (shares, bonds, property and capital) must be right – get expert advice.

## 5 QUESTIONS ABOUT KIDS AND SAVING

- 1 What are the minimum balance amounts for children's bank accounts? Between R10 and R100.
- 2 Must the parent be a client of the bank? No, so choose the most favourable account for your child, even if it's not with your bank.
- 3 What do you need to open a tax-free savings plan for your child? Your child's birth certificate, recent proof of your physical address and your ID.
- 4 Can parents or grandparents open tax-free products in their own name for a child? Yes, but beware: individuals are limited to R30 000; all extra investments are taxed at 40 percent.
- 5 Can the R30 000 be spread over various tax-free savings products? Yes, provided the total isn't more than R30 000 a year.

## 70% LEARN TO SAVE EARLY



Lezanne Human of FNB Savings, Investment and Fiduciary says the company's research shows 70 percent of all money-wise adults learnt how to save from an early age, thereby also learning the importance of being financially responsible and disciplined.

**TIP!** If the interest is less than the child's bank fees the savings will shrink instead of grow.

### GET MORE HELP HERE

- Banks or investment companies' websites.
- Financial Planning Institute Of Southern Africa, [fpi.co.za](http://fpi.co.za), for accredited advisers.
- Association For Savings And Investment SA, [asisa.org.za](http://asisa.org.za).

*Someone is sitting in the shade today because someone planted a tree a long time ago*

INVESTMENT GURU WARREN BUFFETT