

Children and government benefits

A fact sheet from F3 Financial Services

Introduction

Having children within a family is a large and fulfilling commitment. It can however create a number of significant financial pressures as a result of:

- Return to work decisions
- Balancing work and family commitments
- Reduced income of parent at home
- More focus on family rather than careers
- Education expenses
- Child care expenses
- Day-to-day living expenses
- Costs of presents and activities

Some of the government benefits available to families to assist with these costs are described below.

Baby Bonus

A Baby Bonus payment is available for each child born after 1 July 2004. To be eligible, some of the requirements are:

- Claims need to be made within 52 weeks of the birth;
- You will need to satisfy residency tests; and
- Adjusted taxable income (for your family) is less than \$75,000 for the six months immediately after the birth of the child.

The amount of the Baby Bonus is currently \$5,000, payable in 13 fortnightly payments (no longer a lump sum).

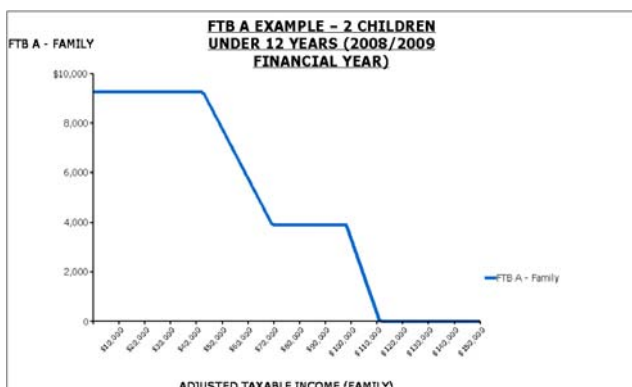
Family Tax Benefit Part A (FTB A)

FTB A can be payable to families with dependent children who are under 21 (or age 21-24 if they are a dependent full-time student not receiving Youth Allowance or similar payments.)

The amount of FTB A is dependent upon the adjusted taxable income of the family. The amount of FTB A payable can depend upon the number of children in the family, the age of the children and the receipt of child maintenance payments.

FTB A is paid fortnightly during the course of the year, however, a supplement amount for each child is also paid after the end of the financial year.

As an example, a family with two children under the age of 12 can have adjusted taxable income of up to \$111,082 (2008/2009 financial year) before FTB A phases out completely. In this example, the amount of FTB A for the family / both children based on different income levels is:



Family Tax Benefit Part B (FTB B)

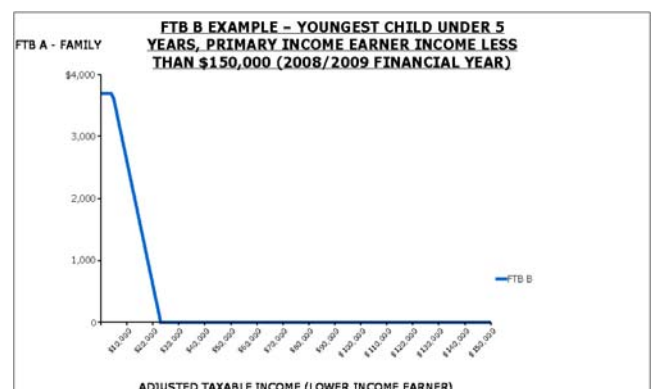
FTB B can be payable to families with dependent children who are under 16 (or a qualifying full-time student under 18).

In a two parent family, the amount of FTB B is dependent upon the adjusted taxable income of the lower income earner and the primary income earner having income less than \$150,000 per annum.

The amount of FTB B payable can depend upon the age of youngest child and the family arrangements (sole parents for example automatically receive the maximum amount if their income is \$150,000 or less).

FTB B is paid fortnightly during the course of the year, however, a supplement amount is also paid after the end of the financial year.

As an example, a family with the youngest child under the age of 5 can have the lower income earner derive income of up to \$22,995 (2008/2009 financial year) before FTB B phases out completely. In this example, the amount of FTB B based on different income levels is:



Child Care Benefit

Child Care Benefit Is provided to assist with the cost of child care, either through a fee discount or lump sum.

The two types of child care are (i) approved care and (ii) registered care.

- (i) Approved care is a formal child care service. Eligible families can receive up to 50 hours per week of benefit, however, there are work, training & study tests above 24 hours of benefit per week.
- (ii) Registered care is work-related care that is often provided by grandparents or other relatives, friends or nannies. It can also include child care provided by individuals in private pre-schools, kindergartens and some outside school hours care services.

The rate of child care benefit is based on a number of factors, including the number of hours the child is in care, the age of the child (school age or non-school age), the type of care used (approved or registered), the family adjusted taxable income and the number of children in care.

As an example, for a family with one (1) non-school age child in approved care, the maximum rate of benefit is \$3.47 per hour (\$173.50 for a 50 hour week) – current for the 2008/2009 financial year. The maximum rate is available if the family adjusted taxable income is less than \$36,573. The benefit progressively phases out up until the family income reaches \$126,793.

Child Care Tax Rebate

The Child Care Tax Rebate refunds some of the cost of child care. If a family is using approved care the government may refund 50% of out-of-pocket expenses, up to \$7,500 per child per year (in 2008/2009 financial year). Three points to note about the Child Care Tax Rebate:

- The Rebate is based on out-of-pocket expenses, which is after the Child Care Benefit is received.
- The Rebate is not applicable if you are using registered care.
- A work, training and study test needs to be met. For the Child Care Tax Rebate, you have to have a work, or work related commitment at some point during the week. There are no minimum hours prescribed and the definitions to meet this test are reasonably broad.

Maternity Immunisation Allowance

This is a relatively small government allowance paid after a child is fully immunised. The payment amount is currently set at \$243.30 (January 2009). There are no income or assets tests applied to test eligibility to this allowance.

The Maternity Immunisation Allowance was previously paid as a lump sum between the age of 18-24 months. The payment will now be split into two payments – the first before the child's second birthday, and the second payment between 4 and 5 years of age.

More information

- Call 1300 314 335
- Email info@f3fs.com.au
- Visit www.f3fs.com.au

DISCLAIMER: This publication has been compiled by F3 Financial Services Pty Ltd ABN 97 610 391 642, an Authorised Representative No. 334939 of FYG Planners Pty Ltd ABN 55 094 972 540 Australian Financial Services Licensee No. 224543. The material contained in this publication is believed to be accurate. To the extent permissible by law, however, no liability is accepted for any errors or omissions or for loss or damage suffered by any person as a result of inaccuracies in this publication. This publication is intended to provide general information only and does not have regard to your investment objectives, financial situation or needs. You should therefore consider whether what is said is appropriate to your individual objectives, financial situation or needs before you act on it. Investment advice should be sought in respect of individual circumstances.