

## FINANCE

# Make a careful choice

Take into account a new initiative when saving for that first home, writes Australian Securities and Investments Commission Chairman **Tony D'Aloisio**.

**S**AVING a deposit for your first home requires discipline and determination. For some, the challenge can seem overwhelming given the relative expense involved.

A new type of account called the First Home Saver Account is now available to help people save for their first home. These accounts have been developed as part of an Australian Government initiative, and became available on October 1.

There are a number of features that are particular to the First Home Saver Account, and it is important to be aware of them to help you decide if one will help you.

## Are you eligible?

First, you need to know if you're eligible to open the account. You will need to satisfy the following criteria:

- ▶ you need to be aged between 18 and 65 years;
- ▶ you must supply your Tax File Number;
- ▶ you can only open a First Home Saver Account once; and
- ▶ you can't have ever owned a home in Australia that was your main residence.

## The benefits

The main benefits are:

- ▶ your savings are matched by a 17 per cent Government contribution on amounts up to \$5000 in each financial year. For example, if you contribute \$5000 this financial year, the Government will top up your savings with \$850;
- ▶ low (15 per cent) tax on interest or earnings; and
- ▶ interest or earnings on your savings from your financial institution.

## The four-year 'rule'

You must put money into your First Home Saver Account for at least four financial years before you can withdraw your savings to buy or build your first home. (A normal financial year is July through to June.) And you need to save at least \$1000 in each of four or more financial years. This works out around \$20 a week. This doesn't need to be four years in a row and you don't need to save every year.

## First home grant

You can still get a \$7000 First Home Owner Grant as well as having a First Home Saver Account. For



**Benefits:** Make sure you do your calculations carefully.

more information on the grant, go to [www.firsthome.gov.au](http://www.firsthome.gov.au).

## Is it right for you?

A First Home Saver Account is unlike an ordinary savings account, because you can only use your savings to buy or build a home that you will live in. Deciding whether the account is right for you is a big decision to weigh up because if you open an account and then change your mind, your money will be put into your super fund – you can't just take it back out again.

## Do the calculations

You can use ASIC's online First Home Saver Account calculator at

[www.fido.gov.au/firsthomesaver](http://www.fido.gov.au/firsthomesaver) to get an even better understanding of how these accounts work and to model different ways to save for your first home.

The website also has a checklist to help you decide if the account is right for you. The checklist can help you:

- ▶ work out if you are you eligible to open a First Home Saver Account;
- ▶ understand the rules that apply to accounts; and
- ▶ choose the right account for you.

For more information visit ASIC's consumer website, FIDO at [www.fido.gov.au](http://www.fido.gov.au) or call 1300 300 630. Email ASIC with topics that interest you at [ADFcolumn@asic.gov.au](mailto:ADFcolumn@asic.gov.au)

## PTE WALL'S STORY

PTE Pat Wall lives on base and has \$6000 in savings. He is trying to work out whether or not to open a First Home Saver Account and how much to put into it.

Pte Wall plans to save \$250 a month (\$3000 a year). Because a Government contribution is only available on the first \$5000 saved each financial year, he decides to put \$2000 in savings as the initial deposit and to add \$250 a month for the rest of the year. He keeps the other \$4000 to top up the First Home Saver Account in the next financial year. By doing this he maximises the Government contribution.

Now single, Pte Wall hopes to start a family one day. He uses the calculator at [www.fido.gov.au/firsthomesaver](http://www.fido.gov.au/firsthomesaver) to see how long it would take to reach some savings goals. The calculator showed that after 12 years the account would have a balance of about \$66,700.

When Pte Wall does start a family, both partners can access the money in their respective First Home Saver Accounts (assuming they both have one). Couples saving for their first home can each open a First Home Saver Account and get the Government contributions for both accounts. When the time comes to buy or build your first home, only one of you needs to meet the four-year "rule" to access your funds.