

Adulthood 101 (Money Matters!)

This document contains a summary of the information provided to High School students in presentations held in August and September 2024.

The information presented to you and contained in this summary are of general nature only and have been provided to assist you as with some general ideas in relation to your personal financial and tax affairs. The ideas should not be relied upon without seeking professional advice in relation to your own circumstances.

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1. Your First Job

A – Understand Your Contract

Read and understand the employment contract before signing – ask questions! This document provides the rules and conditions of your employment. Make sure you understand:

- What your role includes – what will you actually be doing in this job, day to day?
- **Terms** of your employment, could be:
 - Casual – hours change from week to week, no paid sick leave or holiday pay, or
 - Permanent (part time or full time) – work the same hours every week, entitled to paid sick leave and holiday pay
- **Pay rate & award** – Your rate must meet the relevant award minimum rates and conditions. Industrial awards dictate minimum employment standards, the award that relates to your role may be a State or Federal award, check which one you are employed under. Conditions may also be set out under another set of rules, such as an Enterprise Bargaining Agreement. If you are not covered by an award, you come under the National Employment Standards.
- Any **entitlements or conditions** of your employment – e.g. allowances for driving your car, what you should wear to work, access to your phone while working, any trial or probation period rules.
- **How to accept the job**, start date, how the job can be terminated (by you or them).



NOTE – It's less common for young people, but you could also be a Contractor, which is a type of business. You would be a Sole Trader and need to have an Australian Business Number (ABN). Contractors can negotiate fees and working arrangements, they can work for more than one client at a time. Contractors receive no pay for holidays or sick days.

Information you may need to provide to your employer before starting:

- **Personal data** (full name, date of birth, address, bank details for pay to go to, next of kin/contact person)
- Complete a **Tax File Number declaration form** – you may need a Tax File Number
- Complete **Superannuation Choice form** – provide your Superannuation Fund details
- You will receive a **Fair Work Information Statement** from your employer.

B – Tax File Number

Quick background on Income Tax...

The Federal Government (which is the Government of Australia as a whole country) collects tax from everyone who earns money in Australia. They use these funds to pay for national programs such as health care, education, emergency services, defence forces and the welfare system.

When you earn money from a job, your employer needs to work out if they should withhold any income tax from your wages, which they then forward on to the Government via the Australian Taxation Office (ATO).

What you receive in the bank will be your net wages, which is your wages with any income tax already taken out. If you only work casually or part time and your income for a year is less than \$19,000, you may not need to pay any tax.

A **Tax File Number (TFN)** is a personal reference number issued to all Australian workers by the Government, to help the ATO track who has paid tax and how much they have paid/need to pay.

- You only get one, you keep it for life.
- Your TFN must be kept safe! Scammers can do major damage with your TFN. Never send it via email (not a secure method of sending sensitive data) and only provide your TFN to those who need it such as:
 - Employers
 - Your bank
 - Your Superannuation fund
 - The ATO
 - Your accountant
 - Centrelink or other Government agencies

Who needs a Tax File Number:

- People over 18 and earning income, and
- People under 18 and earning over \$18,200 per year (or \$350 per week).

How to get a Tax File Number – it's free to apply!

- Apply online if you are aged 15 or over and have a passport – <https://www.ato.gov.au/individuals-and-families/tax-file-number/apply-for-a-tfn>
- Otherwise apply at the post office.
- The ATO will send you your TFN in the mail.

C - Superannuation Fund

The Australian Superannuation system (a.k.a. Super) was established by the Australian Government to help people save money throughout their working lives to fund their retirement.



Workers need to set up a Super Fund Account so they can take part. The managers of your super fund account will invest the money in your super account for you, so the funds will grow over your working life.

- Employers must make compulsory contributions into your super fund, based on a percentage of your pay, while you are working for them, so they need to have your super fund account details to do this.

- You can set up your own superannuation fund account, or your employer may be able to set one up for you, using their default fund.
- When choosing a fund, do some research. We suggest speaking to a trusted person (e.g. parent). You can try googling “top performing super funds” to find some of the more common and well performing ones.
- It’s best to only have one superannuation account to keep all your super savings in one spot, so if you change jobs remember to give the same super fund details to the next employer.

Who needs a super fund account

- Anyone who is over 18 and working, and
- Anyone under 18 but working more than 30 hours in a week.

If you are under 18 and work less than 30 hours per week, your employer does not have to make superannuation contributions for you, so you won’t need a super fund.

2. Managing Your Money – Adulting Tips!

A - Budgeting

Estimating what costs you need to pay over a future period, and making plans to ensure you will be able to afford them.

1. List of all the items you spend money on regularly such as board or rent, fuel, loan payments, phone bills, clothing, food and entertainment.
2. Then consider the big-ticket items you pay less often such as car rego and insurance. Estimate how much you would spend per month on each item.
3. Savings goals. Do you want to go on a holiday? Buy a new car? Save for a house? Factor in how much you want to save and how long you want this to take. For example, if you wanted to buy a car for \$3,000 in 12 months, you will need to save \$250 per month.
4. Add your monthly budgeted spending together with your savings goal.
5. Compare this to the income you get from your job, allowances you might receive, Birthday money and other money you receive.



Will you have enough to cover everything??

Yes – Got more than you need? Consider putting the extra money towards long goals such as buying a house or investing in something.

No – You will need to make some choices about how you plan to spend your money, or find ways to increase your income, to change this outcome.

Handy budgeting template - <https://moneysmart.gov.au/budgeting/budget-planner>

B - Setting Up Bank Accounts for Success

Choosing a bank – do some research to choose a bank that will suit your needs. Consider:

- Do they have a branch near you, if you like to actually go into the bank?
- Do they have ATMs available nearby?
- Do they charge fees for setting the account up, do they have transaction, account keeping and withdrawal fees?
- How good is their banking app and internet banking facility?

Setting up your account(s) – Contact the bank to find out what you will need. You will likely need to provide ID documents. While under 18, you may need to take a parent or guardian with you with their ID.

Set yourself up to save for the future. We recommend opening a couple of bank accounts, at least two, potentially even three, depending on your savings goals.

First main bank account – will be your everyday spending account. Your pay should go in here, then you can use it to pay all your regular expenses like fuel, entertainment and food.

Second bank account – a short-term savings account. Put aside some of your income to pay bigger bills when they come around, such as your car registration and insurance. Work out from your budgeting how much to transfer from your spending account into your short-term savings account each week/fortnight/month to make sure you have enough put aside.

Third account – use this account to save for longer-term goals (holiday, car, house).

Tips

- ❖ *Banks sometimes offer higher interest rates for savings accounts, which means your money could be working for you as you save.*
- ❖ *Try not to have an EFTPOS card attached to your second and third accounts to resist temptation to just spend those funds on a whim. When you need to pay for the big-ticket items, you can transfer the money to your spending account and pay from there.*



C - Credit Cards & Afterpay (and other forms of credit)

Using credit facilities can seem like an easy way to get things you want now, then just pay them off later. HOWEVER, things can go wrong and could end up costing you a lot if you don't use credit cautiously.

Using credit cards and credit facilities such as Afterpay in the wrong way can affect your ability to borrow money from the bank when you are older – for example when you want to buy a house.

Credit cards – how do they work

You apply to your bank to be eligible for a credit card. A credit card allows you to buy things with the bank's money, up to a set limit, say for example \$1000. You then need to repay the bank. Once repaid, you can use that money and repay it again over and over.



Important things to note:

- Banks give you a set number of days, usually 30 or 55, to pay the money back each time you spend it without charging you interest. If you take longer than 30 days to repay, that's when they then start charging you, and often at very high interest rates.
- It is compulsory to at least make minimum monthly repayments off your credit card debt, which are set by the bank. If you don't make these minimum payments, this can damage your credit score. Your credit score is a permanent record accessed by banks when you apply to borrow money.
- **Having a black mark against your name could result in you not being able to borrow funds later when you really need them.**



Afterpay – how does it work

Afterpay is a fairly new concept, shops who provide this facility let you take items home straight away, but you pay them off over time (for example 6 weeks).

This all sounds great provided you can definitely afford to make the payments. But... if you get stuck and can't make the payments the penalties can be very high and again this can also affect your credit score.



It's easy to let the spending get away from you when you have these facilities, several small purchases can add up quickly to an amount that you can't repay.

We are not saying no one should ever have a credit card or use Afterpay, however we recommend that only those with **steady income** consider it and only if they **understand** what the repayments will be BEFORE making purchases. Consider saving up to buy the things you want/need, it's a far safer option!

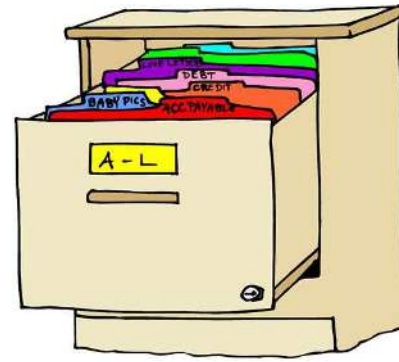
Another option to consider is a bank loan – for example if you are looking to buy a car or something significant. You can apply to a bank to loan you funds for a specific purchase, which you pay back over time with interest added. If you are doing this, ensure you understand the terms of your loan and that you can afford the repayments.

D - Keeping Good Records

As you head into adult life, you will need to keep track of all sorts of important documents and information. Consider setting up a system to make this easier!

Important records to keep may include:

- **Any work-related expense receipts** for your tax returns – for example work tools, uniforms, education costs. These need to be kept for five years after you lodge your tax return.
- **Investment information** – for example share purchase and sale documents, share dividends, cryptocurrency trading information. These need to be kept until five years after you sell the investments.
- **Car documents:**
 - Maintenance records & registration papers will be needed if you sell your car.
 - Insurance paperwork for if you have an accident.
- **Copies of your bank statements**
- **Your Tax File Number and related tax documents**
- **Superannuation fund information**



You don't need paper copies of the above, you just need to produce them when required. Instead of paper copies, you could scan documents and save them or take a photo and email it to yourself. You could also consider an app such as myDocuments (provided by the ATO) to keep records relating to your tax return. https://www.ato.gov.au/online-services/online-services-for-individuals-and-sole-traders/ato-app/mydeductions?=-redirected_myDeductions



ID documents – passport, birth certificate, driver's license –you need to keep the originals of these document safe! It is also a good idea to save a copy of them somewhere in case they get lost.

3. What the Tax?!

A - Tax System Basics

The Australian Income Tax System is how the Federal Government collects funds, to pay for programs such as Social Security (welfare payments), Medicare and the National Defence Force.

We have a progressive tax system, which means the more money you earn, the higher percentage of tax you pay to the Government out of that income.

If your income is under \$18,200 for a year, you will not need to pay any tax. The highest tax rate (which you pay if you earn over \$190,000 per year) is currently 45%.

On top of your income tax, you may also need to pay:

- Medicare Levy – an extra tax that funds our national health care system
- Student Loan repayments (e.g. HECS/HELP debts).

When you are working, your employer should calculate the appropriate amount of tax (including any Medicare Levy and student loan repayments), withhold this from your pay and send it off of to the Australian Taxation Office (ATO). Hopefully at the end of the year, you will have paid the right amount of tax. If you earn investment or business income, you need to put aside money to pay the tax yourself later.

Each year, Australian workers lodge an income tax return to work out if they have paid the correct amount of income tax. When you lodge your Income Tax Return, you will:

- Work out your Assessable Income, which may include:
 - Wages & salary
 - Bank interest
 - Dividends from shares
 - Rent you received from a rental property
 - Business income
- Deduct any Allowable Deductions, which may include:
 - Donations to charity
 - Work or investment related expenses
 - Prior year accountant fees
- Taxable Income = Assessable Income less Allowable Deductions
- Calculate how much tax you owe on your Taxable Income
- Work out how much tax you have already paid during the year



If you have paid too much, the ATO will give you a tax refund. If you have not quite paid enough, you will get a tax bill for the difference.

B - Who Needs To Lodge A Tax Return

If you have a Tax File Number (TFN), you need to either lodge a tax return each year or let the ATO know that you don't need to lodge that year.

You need a TFN if:

- People over 18 and earning income, and
- People under 18 and earning over \$18,200 per year (or \$350 per week).

You can let the ATO know that you don't need to lodge a tax return if your taxable income was under \$18,200 for the year, and you did not have any tax withheld from your pay.

If you carry on a business, you must lodge a tax return each year, even if your income was under \$18,200.

When talking about tax and reporting your income for a year, we look at a **Financial Year, which is 1 July through to 30 June.**

Taxpayers are required to lodge their income tax returns by:

- 31 October that year – if lodging themselves via myGov
- 15 May following year – if using an Accountant

C - How To Prepare A Tax Return – myTax



If your affairs are straightforward, it is easy to lodge your own tax return yourself for free, using myTax. If you need help or your affairs are more complicated, you can pay an Accountant to help you lodge your tax return.

myTax is an online, Government run services which you access via your myGov account. It is designed to be a simple way for you to prepare and lodge your own tax return. **myGov is an online portal that brings all government services to one place**, such as Centrelink, Medicare and the Australian Taxation Office.

These links provide great instructions on how to access myGov and link to myTax.

- myGov - [myGov Home | myGov](#)
- Create a myGov account and connect the ATO - <https://www.ato.gov.au/online-services/online-services-for-individuals-and-sole-traders/ato-online-services-and-mygov/create-a-mygov-account-and-link-it-to-the-ato?redirected> URL
- How to lodge your tax return - <https://www.ato.gov.au/individuals-and-families/your-tax-return/how-to-lodge-your-tax-return>

The beauty of myTax, is that most of your information is already there ready for you, prefilled by the ATO. This includes:

- Income from your employers
- Bank interest
- Government payments (e.g. Youth Allowance)
- Private health insurance details

You will usually need to provide information about your allowable tax deductions.

Although it is tempting to do your tax return as soon as 30 June passes, you should wait until at least the 14th of July, as employers have until then to send your income information to the ATO. Other information such as bank interest may not prefill until mid July either.

D - DIY v Using An Accountant

You don't need to be a tax expert to lodge your own tax return! The system is designed to make it easy for you to get it correct. It has built-in checks to prevent most errors. However, you also have

the option to pay an accountant to prepare your tax return if you can't quite work it out or you have more complex affairs.

- **myTax Benefits** - completely free, provides clear instructions.
- **myTax Drawbacks** – can be time consuming, people can sometimes miss out on tax deductions or misinterpret ATO rules.
- **Accountant Benefits** – professional advice can help to minimise tax you pay, help when you are stuck doing it yourself.
- **Accountant Drawbacks** – you pay for this service.

E - Tax Deductions

A tax deduction is an expense you incurred during the financial year, which can be used to reduce your taxable income which in turn, reduces how much income tax you pay.

The ATO are quite strict about what you can claim as a tax deduction, there are many items that are strictly forbidden to claim.

GOLDEN RULES! To claim an expense as a deduction:

- It must be an allowable deduction
- You must have spent the money yourself and not been reimbursed
- The expense must directly relate to earning your income
- You must have records to prove it (usually receipts)

Most common work-related tax deductions:

- ✓ Work uniforms (must have logo)
- ✓ Protective clothing (e.g. steel cap boots, high-vis clothing, sun protection)
- ✓ Laundry costs of washing the above clothing
- ✓ Work tools and equipment (e.g. stationery, desks & chairs, hand tools, power tools, computers) NOTE – tools over \$300 need to be claimed over their useful life, usually a couple of years. This is called depreciation)
- ✓ Work related use of your car – note specific methods of calculating this apply
- ✓ Work related use of your phone
- ✓ Working from home costs
- ✓ Union fees
- ✓ Seminars
- ✓ Subscriptions



Any expenses that are only partially for work and partially for private purposes must be apportioned, and only the work-related proportion claimed.

You must keep the proof of your deductions for 5 years after you lodge the tax return. You don't need the original receipt, you can take a photo and save it or use something like the ATO myDeductions app to keep the information.

Expenses that are never tax deductible:

- Regular clothing, even if your employer requires you to wear it (includes suits, black pants, jeans, shorts, socks, sneakers)
- Personal grooming costs
- Reading glasses
- Medical expenses
- Food & drink
- Driving to and from work
- Fines (speeding or parking)
- Social functions
- Childcare costs
- Drivers licence
- Newspapers



Tax Deduction Basics - https://www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/deductions-you-can-claim?=/Redirected_URL

4. Other

A - Running A Business

Whether it's a full-time gig or side hustle, from working as a brickie contractor, performing as an independent musician to making candles to sell at markets. You could run your own business.



This a big topic that is mostly outside the scope of what we have time for in our session, however, here are some key issues.

- **Business v Hobby**, here is some useful information - <https://business.gov.au/planning/new-businesses/difference-between-a-business-and-a-hobby>
- If you are running a business in Australia, you will need an **Australian Business Number (ABN)**. This is what the Government uses to identify businesses. You can apply for one online, for free.
- If you are in business on your own and your business is quite small, you will most likely be a **Sole Trader**. If your business is more complex, earns a significant amount of income or involves others, you should get advice regarding your business structure, so you set it up correctly from the start. An Accountant can help with this.
- **Consider getting advice** regarding any registrations, insurances and tax compliance obligations that are relevant to your situation before you start your activity.

B – “Cashies”

Don't do it, it is Illegal!

A “Cashie” is a term used for a deal where goods and services or employment are paid for in cash, with no receipts or official paperwork in place. People/businesses generally do this to avoid paying tax to the Government or avoid paying super and other employer costs in relation to employees.



The Government is really cracking down on this, it is fraud and a criminal offence. Besides breaking the law, if you work for someone under this type of arrangement you may miss out on benefits you are entitled to. You could also find that you are not covered by insurance, and this can have serious consequences.

C - Government Support

The Australian Government offer all sorts of support services for young people moving into independent living. These include both financial support and the provision of services that may include:

- Health
- Study/Education
- Getting into the workforce
- Parenting
- Community Support

Financial support provided may include:



- ❖ Youth Allowance,
- ❖ Jobseeker,
- ❖ Rent Assistance, and
- ❖ ABSTUDY.

All these benefits are applied for via Centrelink – which is the Government agency that provides payments to those that qualify. Most Centrelink benefits are means tested, which means your eligibility is determined by how much other income you or your family earns.

There is some great **information and resources for teens and young adults** at this Department of Social Services link – <https://www.dss.gov.au/our-responsibilities/families-and-children/benefits-payments/transition-to-independent-living-allowance-tila/support-services-for-young-people-moving-to-independent-living#:~:text=Centrelink%20provides%20payments%20and%20information,as%20Youth%20Allowance%20and%20ABSTUDY.>

D - Security & Scams

A scam is when someone deceives you into providing personal or financial information so they can steal from you. Unfortunately, scammers are getting smarter and more sophisticated every day! As a society we need to be aware of this and keep our personal information secure.



Keep your info safe!

- **Bank Details** – Only give these to those who need them, for example employers, the ATO. If others owe you money, consider using PayID or similar, where you need to provide your phone number only.
- **ID Documents** (passport, driver's license, birth certificate) – Don't lose them! You will need these for the rest of your life. If they get into the wrong hands, they can be used to steal your identity.
- **Tax File Number** – NEVER email this to anyone! Only provide it to your employers, the bank, the ATO, your share registry, your accountant or similar who actually require it and have a legal right to request it.
- **Credit card details** – Don't provide credit card details over the phone unless you have called a provider yourself or you are confident you are speaking to a legitimate business you own money to! If a business calls you and you are not sure they are who they say they are, call the business back on an official listed phone number (not the one they called you on) to be safe. Don't lose your credit cards or debit cards, these can be used by others to make purchases using tap and go, and online with your funds.



If it sounds too good to be true, it probably is. Statements or situations you need to be wary of include:

- ❖ “It’s an amazing opportunity to make money”
- ❖ “Someone you have never met needs your help” (and money)
- ❖ Emails or text messages with links – don’t click them!! They could be phishing scams.
- ❖ Someone asks you to pay them in an unusual way, such as with gift cards or vouchers, such as iTunes cards.
- ❖ Someone asks you to set up new accounts or PayIDs just to pay them or receive payment.

If you think you have been a victim of a scam, act quickly! Contact your bank straight away.

<https://www.scamwatch.gov.au/stay-protected/how-to-spot-and-avoid-scams>

5. Helpful links and apps

Employment

- Fairwork (Federal Gvt employment rules) - <https://www.fairwork.gov.au/>
- State Employment Rules - [Labour Relations | Department of Energy, Mines, Industry Regulation and Safety \(commerce.wa.gov.au\)](https://www.commerce.wa.gov.au/labour-relations)
- Superannuation Basics - <https://www.ato.gov.au/other-languages/information-in-other-languages/super/your-superannuation-basics>
- Choosing a Superannuation Fund - <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/choosing-a-super-fund>

- What is a TFN - <https://www.ato.gov.au/individuals-and-families/tax-file-number/what-is-a-tax-file-number>
- Apply for TFN - <https://www.ato.gov.au/individuals-and-families/tax-file-number/apply-for-a-tfn>

Tax Returns

- How to lodge your tax return - <https://www.ato.gov.au/individuals-and-families/your-tax-return/how-to-lodge-your-tax-return>
- myGov - [myGov Home](#) | [myGov](#)
- Create a myGov account and connect the ATO - <https://www.ato.gov.au/online-services/online-services-for-individuals-and-sole-traders/ato-online-services-and-mygov/create-a-mygov-account-and-link-it-to-the-ato?=redirected> URL
- Tax Deduction Basics - <https://www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/deductions-you-can-claim?=Redirected> URL
- Medicare and Private Health Insurance <https://www.ato.gov.au/individuals-and-families/medicare-and-private-health-insurance>
- MyDeductions App - <https://www.ato.gov.au/online-services/online-services-for-individuals-and-sole-traders/ato-app/mydeductions?=redirected> myDeductions
- Individual Tax Rates - <https://www.ato.gov.au/tax-rates-and-codes/tax-rates-australian-residents#ato-Australianresidenttaxrates2020to2025>

Money Management

- Budgeting Template - <https://moneysmart.gov.au/budgeting/budget-planner>
- Government financial support information - <https://www.dss.gov.au/our-responsibilities/families-and-children/benefits-payments/transition-to-independent-living-allowance-tila/support-services-for-young-people-moving-to-independent-living#:~:text=Centrelink%20provides%20payments%20and%20information,as%20Youth%20All%20owance%20and%20ABSTUDY>.
- Money management advice <https://moneysmart.gov.au/student-life-and-money>
- Centrelink study payments - <https://www.servicesaustralia.gov.au/doing-higher-education-study?context=60078>
- Services Australia (Jobseeker etc) - <https://www.servicesaustralia.gov.au/work>
- Avoid scams - <https://www.scamwatch.gov.au/stay-protected/how-to-spot-and-avoid-scams>



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