Helping your kids buy their first home using super

If you want to give your children a head start on saving for their first home, the First Home Super Saver Scheme (FHSSS) is worth considering. It offers a tax-effective way for young people to grow a deposit more quickly and is open to anyone who meets the eligibility rules and has never owned property.

What is the First Home Super Saver Scheme?

The FHSSS allows first-home buyers to make voluntary contributions into their super fund and later withdraw those funds, plus earnings, to put toward a home deposit.

Here's how it works:

» They can contribute up to $15,000 per financial year, and up to a maximum of $50,000 across all years in voluntary contributions.

» These contributions can be either:

- Concessional contributions (CC) such as salary sacrifice or personal deductible contributions
- Non-concessional contributions (NCC) which is after-tax money contributed from their own savings for which no deduction will be claimed

Children 18 or over can apply to withdraw the total voluntary contributions up to $50,000, plus notional earnings (currently 6.61%) on these contributions, to buy their first home. Whilst children must be at least 18 to withdraw an amount for their first home, they can start saving earlier.

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This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

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Why use super to save for a home?

One advantage of using the FHSSS is the tax savings. Contributions made by way of personal deductible contributions or salary sacrifice reduce taxable income, which can mean less tax to pay.

In addition, any investment earnings on those contributions are taxed at only 15% inside super, compared to the saver's marginal tax rate. When the funds are withdrawn under the FHSSS, the assessable portion is taxed at the saver's marginal tax rate, but with a 30% offset applied. This means less tax and more savings to put toward a deposit. All this can mean more money is saved compared to saving in a regular bank account.

How parents can help

If your child is working and has a super fund, you can give them money, which they can then contribute themselves to their super fund. They may claim a tax deduction on the contribution and this may boost their after-tax income. Alternatively, they may choose not to claim a tax deduction. If your child is earning a low income and makes a personal after-tax contribution to super, they may be eligible for a government co-contribution of up to $500. Whilst this is a nice freebie, it cannot be withdrawn under the FHSSS, as it is not a personal contribution.

Important note: You cannot contribute directly on your child's behalf. The ATO requires the contribution to come from your child's own bank account to be eligible for the FHSSS withdrawal.

When your child is ready to buy their first home, they apply through myGov to find out the maximum amount they can access under the scheme. Once they have this determination from the ATO, they can then request to withdraw up to that amount to use as part of their deposit.

The FHSSS comes with strict eligibility rules and timeframes, so it's important to get the details right. If you're thinking about helping your child save a deposit this way, give us a call. With some forward planning and the right contribution strategy, your child could boost their savings, cut down their tax bill, and step into their first home sooner.

Tax on redundancy payments explained... cont

How are ETPs taxed?

ETPs can include payments like severance pay, golden handshakes, or unused sick leave. How these are taxed depends on your age and how much you receive.

If you're under 60, payments under the ETP cap ($260,000 in 2025–26) are taxed at up to 30%. If you're 60 or older, the rate drops to 15%. Anything above the cap is taxed at 45%.

On top of the ETP cap, there is also a 'whole-of-income cap' that applies to high income earners. This cap limits how much certain termination payments can qualify for concessional tax treatment.

Unused leave is taxed differently

Payments for unused annual or long service leave are taxed at different rates depending on whether your termination is a genuine redundancy or not. Generally, these are taxed at a maximum rate of 30% if it is a genuine redundancy. If you resign or retire, your unused leave payments will generally be taxed at your marginal tax rate, plus Medicare levy.

Some tips to reduce tax

You may be able to contribute part of your redundancy payment to super and claim a tax deduction, especially if you have unused concessional cap space from previous years. The catch-up rules allow you to use any unused portions of the concessional contributions cap (currently $30,000) from the past five financial years, as long as your total super balance was under $500,000 at the previous 30 June.

This strategy can help offset the taxable portion of your redundancy payment, lowering your overall tax bill while boosting your retirement savings.

Key message

Redundancy payments can be complex, with different components taxed in different ways. Knowing the rules and using strategies like super contributions can make a big difference to what you keep. If you're facing redundancy and want to understand your options, give us a call. We can help you plan ahead, minimise tax, and make the most of your payout.