



Child Trust Fund



Child Trust Fund

What will yours grow into?

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World Cup hero?



Zoologist?



Prima ballerina?

You don't know what your child will become,
but you can help them become it.

Having some savings can be a real help in life. But it can be hard to save.

The Government has introduced The Child Trust Fund (CTF) to help you save for your child's future. The idea is that when your child reaches 18, they should have some money behind them to give them a start to their adult life.

At 18 they can choose to carry on saving or use the money for other things. Driving lessons, computer equipment and training courses are just a few examples of what they could put the money towards.

But the hardest part of saving can be getting started. That's why you will soon receive a £250 voucher for your child. The voucher will kick-start your child's account and help teach them the benefits of saving.

What's more, neither you nor your child will pay tax on the interest and gains made.

What is the Child Trust Fund (CTF)?

- A long-term savings and investment account for children born on or after 1st September 2002.
- The money in the CTF account belongs to your child and your child alone. But it cannot be taken out until they turn 18.
- The Government will send you a £250 voucher to start the account.
- Children from lower income families will receive an extra £250.
- There will be a further payment when your child turns seven.
- You, your family, friends and in time, your child can between you add up to £1,200 a year to the account.
- There will be no tax on any interest or gains made on the money in a CTF account.
- At 18, young people with CTF accounts will be able to decide for themselves how to best use the money.

How much will my child receive?

Your child will receive a £250 voucher.

If you have a finalised award of Child Tax Credit for the date you first received Child Benefit for your child, and the household income is at or below £13,910 (the limit in 2005-06), your child will get an additional £250.

You do not have to make a claim to get this payment. HM Revenue & Customs (HMRC) will know when your Child Tax Credit award is finalised and will make the payment automatically. But you must finalise your Child Tax Credit award by sending in details of your income. Once the money has been paid into your child's account, you will get a confirmation letter.

Your child will receive a further payment when they turn seven. Again, children who are part of a lower income household will receive more.

Every child born on or after
1st September 2002 will
receive a £250 voucher.
Children from lower income
families will receive more.



What should I do next?

You don't need to do anything at the moment. There is no form to fill in to get your child's voucher - it will be sent automatically. If you don't get a voucher within 14 days of receiving this pack, please call the Child Trust Fund Helpline on 0845 302 1470.

What do I need to do when I get the voucher?

Once the voucher arrives, you will need to decide who will open the Child Trust Fund (CTF) account and where to open it. You'll find more information on where to open an account further on in this booklet.

You don't need to put in any of your own money when you open a CTF account - you just need the voucher. You may be required to show ID when opening the account. Please check with your chosen CTF provider for details.

Who can open a Child Trust Fund account?

Although the Child Trust Fund (CTF) account will belong to your child, only a parent (if 16 or over), or someone else with parental responsibility for the child (a legal term meaning someone with the rights and duties of a parent), can open a CTF account.

Please bear in mind that this is an important decision because that person has the right to manage the account until your child's 16th birthday, when they take control of their own account.

What happens if I don't use the voucher?

The sooner you open the account, the sooner it begins to grow. If you don't open an account by the expiry date on the voucher, HMRC will arrange for a CTF provider to open one for your child, but their money will have missed out on up to a year's worth of growth.

HMRC will send you the details of the account they have opened. It's then up to you to manage it. You can change this account or the provider if you wish, but it would be best for your child if you choose the account before the voucher expires.

What should I do if I lose the voucher?

Call the Child Trust Fund Helpline on 0845 302 1470 and you will receive a new one within a month.

Choosing a Child Trust Fund account

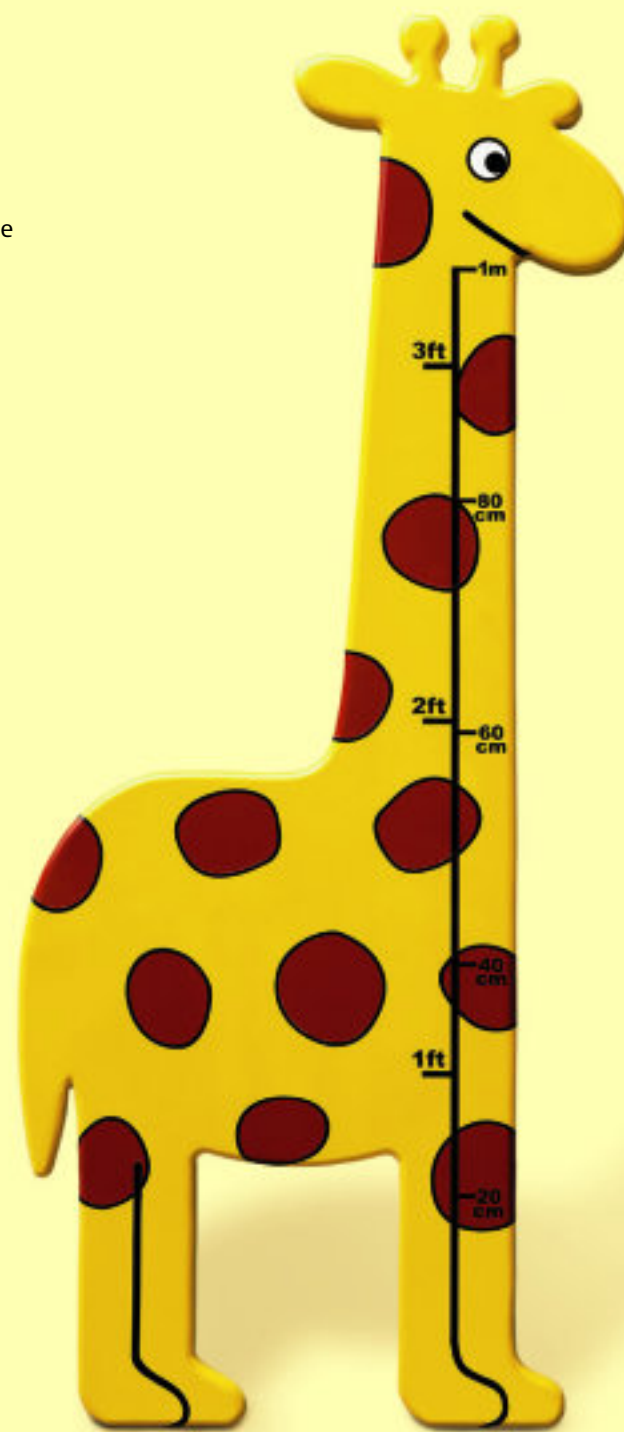
Where can I open a Child Trust Fund (CTF) account?

There is a range of Child Trust Fund providers offering different types of CTF account.

You'll find a list of them in this pack to help you. This list will be updated regularly on the website www.childtrustfund.gov.uk or you can call the CTF Helpline on 0845 302 1470 for the latest paper version - it'll be updated quarterly.

Don't forget to check out your high street as CTF accounts are also available from some supermarkets and shops.

The sooner you open a Child Trust Fund account, the more time the money in it has to grow.



What types of Child Trust Fund accounts are there?

You can only use the voucher to open a Child Trust Fund (CTF) account. Here is a summary of the different types of CTF account:

Savings Accounts

With a savings account any money that you invest is secure. For instance, if you invest £500 your child will get that sum of money back as well as earning some interest.

However, savings accounts do not always perform as well as accounts that invest in shares over the long term, especially when inflation is taken into account.

Accounts that invest in shares

These types of account invest your child's money by buying shares in companies. You can make money when those companies do well and the value of the shares goes up.

When investing money for a long time, accounts that invest in shares almost always produce a better return than savings accounts. In fact, this has been the case for every 18 year period in the last 40 years.

Although investments based on shares have performed well in the past this does not mean that they will do so in future. You must also remember that shares can fall in value as well as rise.

Stakeholder Accounts

Stakeholder accounts invest in shares in companies and the Government has made certain rules for these accounts to reduce the risk of investing in shares.

One of the ways risk is reduced is that, when your child turns 13, money starts to be moved from shares to funds that are safer. All CTF providers must offer the stakeholder CTF account. They are free to choose whether they also offer other types of account.

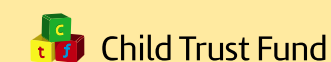
Can I change the type of account or CTF provider when I want?

Yes you can. You might change your mind about your choice of account. After some time you might not be satisfied with how your child's money is growing or with the charges for managing the account. There will be no charge for the transfer, but you may have to pay for the cost of buying and selling shares - so check with your provider first.

"It's mine!"

Toy cars. Dolls. Beakers. Children like to feel that some things are theirs and theirs alone.

The Child Trust Fund account belongs to your child and no-one else. What's good about this is that it builds a sense of ownership which should hold their interest right up until they are eighteen.



Child Trust Fund

How can I decide on the right Child Trust Fund (CTF) account for my child?

How you invest your child's money is very much down to you. You may wish to seek advice but the information on these two pages can help you to make a decision. Below you'll find more information about different types of Child Trust Fund accounts. CTF providers will be able to give you details about the accounts they offer. It's worth remembering that you can change the type of account or provider at any time.

Please be aware that your chosen CTF provider will charge you for running your child's account. This applies to all types of CTF account.

Savings Accounts

If you don't want to invest in shares, you could choose a savings account for your child.

But please be aware that, although your money earns interest in a savings account, it might not grow as much as it would if it was invested in shares. And, although savings accounts earn interest, money in the account can lose value because of inflation. This is because prices usually rise each year which is why £20 won't buy as much today as it did ten years ago.

As with all accounts, CTF providers will charge you for the costs of running a savings account. With a savings account however, you will not see this charge on your statement because providers will cover these costs when deciding how much interest to pay you.

Accounts that invest in shares

Some accounts invest in shares. Investing in shares can be more risky than putting money in a savings account as shares can lose value because companies are not performing well.

However, when investing money for a long time, accounts that invest in shares almost always produce a better return than savings accounts. This is because poor performance of shares in some years may be made up for by good performance in other years.

Nobody can promise that shares will continue to be the best long-term investment but in the past this has usually been the case. In fact, this has been true for every 18 year period in the last 40 years. However, you must remember that shares may go down as well as up and although these types of investment have performed well in the past this does not mean that they will do so in future.

The charge on this type of account is usually a percentage of its value. You should check how much this will be with your chosen CTF provider.



There are three main types of Child Trust Fund accounts: savings accounts, accounts that invest in shares and stakeholder accounts.

Stakeholder Accounts

Stakeholder accounts invest your child's money in shares in companies when the account is opened but the Government has made certain rules for these accounts to reduce the risk of investing in shares.

Your child's money is not put into just one company, as they could lose out if that company does badly. Instead, it is invested in a number of companies to reduce the risk.

Once your child is 13, money in the account starts to be moved to lower risk investments or assets. CTF providers will consider how well shares are performing to decide how much to move over into safer assets and how quickly. This means that although your child's money may not benefit if the stock market is performing well, the effect of any stock market losses is reduced as they approach their 18th birthday.

Once the account is open, all providers must accept a minimum contribution of £10 into a stakeholder account - but they can accept less if they wish.

The charge on the stakeholder account is limited to no more than 1.5 per cent a year - which means the charge can be no more than £1.50 for every £100 in the account. The charges on all other types of CTF account are not limited in this way.

The stakeholder account is the one HMRC will open if you don't use the CTF voucher before it expires.

Will there be accounts offering ethical investments?

Some people don't like to invest money in businesses they don't agree with such as companies involved in arms, tobacco or alcohol. And some people prefer to invest in businesses they support such as companies that work to protect the environment.

All CTF providers are required to publicise their policy about social, ethical and environmental investments, if they have one. So you may wish to ask providers about this when you are considering which account and provider to choose.

"A valuable lesson."

Savings and the Child Trust Fund are subjects your child will learn about at school. But you may want to talk to them too. You can explain how having a lump sum at eighteen can be very useful. It could help to pay for anything from a computer to driving lessons or they could decide to carry on saving.

What else do I need to think about?

You don't have to put money into the account, but some CTF providers may require minimum or regular payments. You should also check the charges made for the account - remember the maximum charge for a stakeholder account is 1.5 per cent a year but other accounts may have higher charges.

Where can I find out more?

There are a number of places where you can find out more about the Child Trust Fund (CTF):

- The website www.childtrustfund.gov.uk : here you will find more detailed information about the Child Trust Fund and other ways to save.
- The Child Trust Fund Helpline on 0845 302 1470, open 8am to 8pm, 7 days a week, excluding 25th and 26th December, and 1st January: here you can talk to someone who will be able to answer your questions about how the CTF works.
- If you would prefer to speak to someone in another language, please phone the Helpline on 0845 302 1470 and you will be called back at a time that suits you. If you prefer to speak in Welsh the number is 0845 302 1489, open between 8:30 am and 5:00 pm Monday to Friday.
- The textphone number (for those with speech or hearing difficulties) is 0845 366 7870, open 8am to 8pm, 7 days a week, excluding 25th and 26th December, and 1st January.
- CTF providers will be able to give full information about the CTF accounts they offer (see list enclosed).
- Independent Financial Advisers will be able to advise you about the best CTF account for your circumstances. There might be a charge for this advice.
- Voluntary organisations such as Citizens Advice Bureaux.

“Nearly all children are gifted nowadays.”

On birthdays and special occasions children are sometimes given money by friends and relatives. Why not encourage your child to think about spending some and saving some? A Child Trust Fund account is an ideal place for them to put their money.



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Opening a Child Trust Fund account

Can I open a CTF account by phone, post or online?

You will be able to do this with some CTF providers. But you will need to send them the voucher as, without it, they cannot open the account.

Do I need to have a bank account?

No. But some providers may ask for ID when you fill in the application form. Please check with the CTF provider you choose.

I am a parent under 16 - can I open a CTF account?

No, because by law under 16s cannot invest in shares. You should contact the CTF Helpline on 0845 302 1470 and they will open a CTF stakeholder account on your behalf.

HMRC will let you know where the account has been opened and then you can put additional money in it. Once a year, the CTF provider of your child's account will send you a statement so you can see how it is doing.

When you are 16, you will be able to manage this account for your child. Then, if you decide to, you can change it to a different type of account or to a different provider.

Can I open a CTF account for my other children who were born before September 2002?

No. CTF accounts can only be opened for children born on or after 1st September 2002.

But there are many other savings and investment accounts for children. You can find out more about these on our website www.childtrustfund.gov.uk

If your other children don't have any savings of their own, you could consider opening an account for them. Banks and building societies usually take tax off interest earned on accounts. Most children don't have to pay this. Please ask for the form 'Getting your interest without tax taken off (R85)' wherever you open the account.

You can open a Child Trust Fund account in lots of different places. You'll find a list of CTF providers enclosed with this brochure.



Managing a Child Trust Fund account

Will I have to pay tax on money in the Child Trust Fund account?

No. Neither you nor your child will pay tax on money earned in the CTF account.

Will money in my child's CTF account affect family benefits?

No. If you are eligible for family benefits or tax credits, you will continue to receive them.

Can I take money out of the CTF account?

No. All the money in the account belongs to your child. Only they can withdraw money from the account and then only after their 18th birthday. Once they turn 18, they can decide how best to use their money.

When will my child manage the CTF account?

When they turn 16. Then they can decide to change the type of account or the provider if they wish.

The money in a Child Trust Fund account is locked away until your child turns 18 years. And there is no tax on any interest or gains.



How will I know how much money is in the CTF account?

Each year, your chosen CTF provider will send out a statement - this will be around the time of your child's birthday. This will show the value of the account and how much has been paid in during that year.

Can I pay money into the account?

Yes. The maximum amount that can be put into the account each year is £1,200. Government contributions do not count towards this limit.

The start date for each year is your child's birthday, except in the first year.

In the first year the start date is the day the account is opened, and the end date is the day before your child's next birthday.

When opening your account, think about how you and others will want to contribute to it. You might want to set up a regular payment to pay something in each month e.g. by standing order, or you may prefer to pay in now and again e.g. on birthdays or special occasions.

Who can contribute?

Anyone can contribute. Grandparents, other family members, friends and your child can put money into the account.

"Interest on their savings and interest in their savings."

A good way to help children learn more about savings is to get them involved in their Child Trust Fund account. Why not go through their yearly statement with them when they are older? This will tell them how the account is doing, how much has been put in, and how much interest has been earned.

Do I have to put money into the account?

No you don't have to, but even small amounts saved regularly can grow into something substantial.

Think about the money you need for other things before deciding how much to save in the account. And remember that any money in your child's CTF account is locked away and can only be touched by your child when they reach 18.

Small amounts saved regularly can add up to something worthwhile over 18 years. Anyone can contribute to a Child Trust Fund account but remember the maximum amount each year is £1,200.



For more information:

Visit www.childtrustfund.gov.uk

Call the Child Trust Fund Helpline on 0845 302 1470, open 8am to 8pm, 7 days a week, excluding 25th and 26th December, and 1st January

If calling from abroad the number is 00 44 1355 359002

Textphone 0845 366 7870, open 8am to 8pm, 7 days a week, excluding 25th and 26th December, and 1st January

Contact CTF Providers - see list enclosed

Speak to Independent Financial Advisers (there may be a charge for this)

Ask at voluntary organisations such as Citizens Advice Bureaux

If you would like a copy of this booklet in large print, Braille or audio form, or if you would like a Welsh language version, please call the Child Trust Fund Helpline on 0845 302 1470