



## Introducing the Child Trust Fund

### What is the Child Trust Fund?

The Child Trust Fund (CTF) is a long-term investment and savings 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 when they can decide how to use it. The idea is to teach children the benefits of saving so that when they reach early adulthood, they have some money behind them to give them a good start to their adult life.

A voucher for at least £250 will be sent to all eligible children after Child Benefit has been awarded. You can only use this voucher to open a CTF account for your child. Children in families receiving Child Tax Credit with income at or below £13,480 (the current income limit for 2004/2005) will receive an additional £250 paid directly into their CTF account. There will be a further payment when children turn seven, again with a higher amount for children in families on lower incomes. The amounts will be decided nearer the time. Anybody is able to pay money into the account, up to the account limit of £1,200 each year, and any gains and/or interest in the account will be tax-free.

### Is my child eligible for a CTF account?

Your child will be eligible if they were born on or after 1st September 2002, they are living in the UK, you have been awarded Child Benefit for them, and they are not subject to immigration restrictions.

### What do I need to do if my child is eligible?

All you have to do is claim Child Benefit. You do not need to make a separate application for the CTF.

The Inland Revenue will start to send out information packs and CTF vouchers in early 2005 to the person who claims Child Benefit for the eligible child.

### What should I do when I receive a voucher?

You will receive an information pack that explains what you need to do up to one week before you receive your voucher. This will tell you about the CTF, how to open an account, and the different types of account.

You will need to decide who will open the CTF account. This has to be someone over 16 with parental responsibility, either a parent or someone else with the rights and duties of a parent. Then you can decide which CTF account you want to open, and with which CTF provider. The voucher will expire after 12 months. If you do not open an account before it expires, the Inland Revenue will open a stakeholder CTF account for your child. It is better if you open the account before then so that your child's money has more time to grow.

### How much will my child get?

Eligible children will receive a voucher for £250. However, if your child was born between 1st September 2002 and 5th April 2005, they will receive slightly more than £250 as CTF accounts are only available from April 2005.

If your child is part of a household receiving Child Tax Credit (CTC) with a household income at or below the Child Tax Credit income limit (currently



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£13,480) when Child Benefit is first awarded, your child will receive an extra £250. You do not need to make a claim for this payment; the Inland Revenue will make the payment automatically once you have finalised your CTC claim for that year.

## Where can I open a CTF account?

You can open an account with different organisations. There is a list of CTF providers with the information pack and on the website at [www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)

## What sort of CTF account can I open?

There will be different CTF accounts available to suit people's different needs. CTF providers will offer different accounts, such as savings accounts and accounts that invest in shares. All CTF providers will be making available a stakeholder CTF account.

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 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. This is true for every 18 year period in the last 40 years. But although accounts that invest in 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.

The stakeholder CTF account works by investing your child's money in shares to take advantage

of the potential for higher growth that this kind of investment offers. Once your child turns 13, money in the account starts to be moved to lower risk investments or assets (such as cash).

All CTF providers are required to publicise their policy on ethical investing. So you may wish to ask providers about this when you are considering which account and provider to choose.

You will be able to change the type of account or CTF provider if you need to. There will be no cost for this unless there are some costs involved in buying or selling investments to make the change.

## What can I do if my child is not eligible?

There is a wide range of other suitable saving and investment accounts on the market which can be used for children. There is more information about saving for older children on our website, [www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)

## Where can I find out more?

To find out more about Child Trust Funds, please visit our website [www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)

If you cannot find the information you require online, you can call the Child Trust Fund Helpline on 0845 302 1470 between 8.00am and 8.00pm, 7 days a week. If you do not speak English, you can make an appointment to speak to somebody in your own language. If you prefer to speak in Welsh, you can call 0845 302 1489 between 8:30am and 5:00pm, Monday to Friday.

CTF providers will be able to give you information about the CTF accounts they offer. Alternatively, you could talk to an Independent Financial Adviser who will be able to advise you about the best CTF account for your circumstances. There might be a charge for this advice.