

CHILD TRUST FUNDS: A BRIEF OVERVIEW

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Child Trust Fund

The Government has recently launched the Child Trust Fund in an attempt to encourage us to save for our children's future. The aim is that once our child turns 18 they have some money behind them. They could, for example, pay for driving lessons, training courses or whatever they choose.

The Child Trust Fund is a long term savings and investment account. Every child born on or after 1st September 2002 is entitled to a special savings voucher provided they are eligible for Child benefit and live in the UK.

This voucher is worth at least £250 and a further £250 may be credited to the Fund if you receive full Child Tax Credit at a later date. The voucher, once received, must be invested in a Child Trust Fund Account.

You don't personally have to add to the account but there is the option for you, your family and friends to contribute up to £1,200 per year to the account. The incentive to do so is that all interest and capital gains are not taxed. Therefore a small amount saved each year can add up to a significant amount by the time your child reaches the age of 18.

For example, £40 a month paid into this account could pay for a deposit on a first home of approximately £15,000. £10 a month could pay for a trip around the world, or a first car costing around £4,000.

Once your child is aged seven there will be a further payment into the account by the Government. The amount of this further investment will be announced by the Chancellor at a later date. Again, lower income households will receive a larger payment.

Although the account will belong to your child, a parent, or anyone with parental responsibility can open a CTF account. This person will be responsible for managing the account until the child is 16, at which point they are responsible for managing it.

The Inland Revenue have provided a list of approved CTF account providers on their [website](#). There are three types of CTF account that you can open: a savings account, an account that invests in shares and a stakeholder account.

In a savings account the money is secure, whatever is invested the



child will receive when they are 18. Historically, accounts that invest in shares generally perform better than savings account by investing in shares in companies. When the value of the shares go up, so does the value of the CTF account (but if the value of the shares go down, the CTF accounts value goes down also.)

Stakeholder accounts also invest money in shares but the Government has implemented certain rules to reduce the risk of investing in shares. For example, once your child is 13 money is moved from shares to funds that carry less risk. Unlike the other accounts, the annual charge on this account is restricted to 1.5% per annum.

Of course you are free to manage the account as you see fit and you can switch between these account types at any time. For further information please see the links at the bottom of this page.

This article is intended to give a brief overview only of the Child Trust Fund Account. The information contained in this article is correct at the time of production but we cannot guarantee its future accuracy. The reader should verify the information before acting upon it. The examples shown above are for illustrative purposes only and are based on estimated growth rates and charges. All links stated below are provided as a convenience to our users. John M Taylor & Co do not have control, claim no responsibility and cannot guarantee the accuracy or any other aspect of the content found on these external websites. The provision of a link to an external website should not be considered as an implied endorsement by us of the content of these websites or of the services that may be provided.

Sources of further information

1. <http://www.childtrustfund.gov.uk>
2. Child Trust Fund Helpline Tel: 0845 302 1470
3. CTF Providers will be able to give full information about the CTF Accounts they offer. ([List of CTF Providers](#))
4. Your local Citizens Advice Bureau (To find your local Citizens Advice Bureau please visit <http://www.citizensadvice.org.uk>)
5. To find an Independent Financial Advisers please visit <http://www.searchifa.co.uk>.