

## The Child Trust Fund

**The Child Trust Fund (CTF) is a long-term savings and investment account set up by the Government, and is for all children living in the UK born between 1 September 2002 and 31 December 2010 inclusive.**

There are three main types of CTF account, available from providers approved by HM Revenue & Customs, either direct or through their distributors:

- Savings accounts
- Accounts that invest in shares
- Stakeholder CTF account (charges no more than 1.5% a year)

The choice depends on various factors, such as attitude to risk and return, and the charges involved, but essentially the first type of account is a form of deposit account, paying interest, while the others involve a stock market investment.

The only way to open a CTF Account is by using the voucher which represents the Government's initial £250 contribution. Before parents or carers can receive the voucher, they must first claim and be awarded Child Benefit. Deciding who will use the voucher to open the account is an important decision as that person – known as the *registered contact* – is responsible for managing the account until the child is 16. The Government has announced that HMRC will stop issuing new vouchers from 1 January 2011.

If no one with parental responsibility has opened an account by the time the voucher expires (one year from issue), HM Revenue & Customs will open a stakeholder CTF account on the child's behalf.

When children reach the age of 16, they are entitled to manage their own CTF accounts. When they register with the provider as the new registered contact, they will receive the annual statements and will be able to move the account or change the type of account. But they will not be able to withdraw money from the account until their 18<sup>th</sup> birthday, at which stage the account stops being a CTF account and the funds become unconditionally available to spend or continue investing.

Children who are in families that receive Child Tax Credit and have an annual income at or below the income limit (£16,040 in 2010-11) will be paid a further £250 in addition to the starting contribution of £250.

When the child is seven, the Government will make a further contribution of £250 (£500 for children in low income families). These contributions will stop from August 2010. In addition, family and friends can contribute at any time, up to a maximum of £1,200 in any one year (the CTF year starts on the child's birthday).

Although there is no tax relief for payments into the CTF, any growth in the fund is free of both income tax and capital gains tax. In addition, the special rule affecting children's income in excess of £100 from capital provided by parents does not apply.