



## Child Trust Fund

### What is the Child Trust Fund?

In April 2005, the Government launched the Child Trust Fund, a new long-term savings and investment account for children. The Child Trust Fund (CTF) is designed to give children a financial head start in life and to help teach them the value of saving. The money in the CTF account belongs to the eligible child only. 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.

### Is Your Child Eligible?

Your child is eligible for a Child Trust Fund account if:

- your child was born on or after 1<sup>st</sup> September 2002
- your child lives in the UK
- you receive Child Benefit for your child
- your child is not subject to immigration control

A voucher for £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 £16,040 (the current income limit for 2009/2010) will receive an additional £250 paid directly into their CTF account.

All eligible children will receive a further payment from the government of £250 into their CTF account at age seven. Children in families who qualify for full Child Tax Credit with an income below the CTC threshold on the child's seventh birthday will qualify for an additional £250. Family, friends and the child can make contributions to the account, up to a total maximum of £1,200 each year. Neither the parents nor the child will pay tax on the account.

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

All you need to do to get started is claim Child Benefit then the Inland Revenue will send out an information pack.

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

The information pack, which should arrive about one week before the voucher, explains everything. It will tell you about the CTF, how to open an account, and the different types of accounts.

### **Where can I open an 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 are three main types of CTF account;

- Savings accounts
- Accounts that invest in shares
- Stakeholder CTF account

There are other types of accounts too! More information can be seen on the website above. Before deciding on the type of account you want to open you may benefit from contacting a selection of individual CTF providers to receive answers to any questions you have prior to presenting your child's voucher. Your child's money will be in a very safe account if in a Savings account but the return on the money might not be so high. You might choose to take a small risk to try and get a higher return by choosing an account that will invest in shares.

After you've chosen the type of account, you will need to decide on the CTF provider; just as there are different accounts, there are different CTF providers.

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. Once you've selected a provider, you can use the £250 voucher to open the account.

You will find further comprehensive information at [www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk) or you can call the CTF Helpline on 0845 302 1470.

*This fact sheet is based on the information provided by the Inland Revenue and a fuller comprehensive guide is to be found on the child trust fund web site.*