



Child Trust Fund

Take it easy



The
Children's
Mutual™



What is The Child Trust Fund?

The Child Trust Fund is about your child and their future. It's about giving your child a really worthwhile present at 18 that could help give them a flying start to their adult life.

Up until 1 August 2010, the Government gave each newborn child a voucher worth £250 when their parents registered for Child Benefit. For any children born from 2 August to 2 January 2011, this sum was reduced to a £50 voucher. Children born after this date are not entitled to a Child Trust Fund, and will therefore not receive a voucher. Your voucher must be used to open an account – called a Child Trust Fund (CTF) – on the child's behalf. You, your family and friends can all add to this account. The idea is that the account grows into a lump sum for your child to use when they're 18.

What could this mean for my child?

Just imagine the difference a lump sum when you were 18 would have made to your life. You now have the opportunity to make this difference to your child's future. Start adding to their account now, and at 18 your child could have a lump sum to go towards further education or vocational training, a car, a gap year, even a deposit on a home or the launch of their own business – whatever they want to do.

And, of course, they will be learning a valuable lesson from your example – you'll be showing them the value of saving. They'll see for themselves just how important it is to look to the future and plan for the life they want to lead.

What do I need to do?

Once you've received your child's voucher you'll need to decide where to invest the money – and the sooner the better. Every day it sits in a drawer your child could be missing out. It could be working for them – it could be growing.

If you don't use the money to open a CTF account for your child within a year, the Government will open a Stakeholder account for your child. So, if you want a say in how and where your child's money is invested from the start, you need to act now.

There are three kinds of account to choose from:

- Stakeholder accounts which invest in shares
- Non-stakeholder accounts which invest in shares
- Non-stakeholder savings accounts

There's more information about these on the following pages.

What is a Baby Bond[®] CTF account?

Baby Bond is The Children's Mutual's Stakeholder Child Trust Fund account. It's a shares-based account within the guidelines set by the Government, designed to produce a good outcome for your child, and to be suitable for families with little or no experience of investing (although, of course, its performance can't be guaranteed, and it isn't necessarily the best option for everyone). Features include:

- Investment linked to a wide range of UK company shares to take advantage of the greater potential for growth over a longer period.
- No high-risk investments.
- Yearly administration charge capped at 1.5% of the account's value.
- Gradually moving to lower risk investments or assets such as cash from your child's 13th birthday.

But why invest in shares? We agree with the Government's view that shares should produce better returns than cash deposit accounts over the longer term.

The Barclays Capital Equity Gilt Study 2011 shows that shares have historically outperformed cash deposits over most longer periods since 1899. However, past performance is not a guide to the future, and results for shorter periods can differ considerably. The Children's Mutual does not offer a cash CTF.



But can't the value of shares go down as well as up? Yes – that's why Baby Bond invests in a fund that aims to match the performance of the widest range of UK company shares, rather than just a few.

Investing during a period when share prices are low can be an advantage in the early years of a long-term investment, as the money you pay in will buy more shares in the fund. It's in the later years that low share prices are a disadvantage. That's why, in order to do our best to safeguard the value of your child's Baby Bond against a downturn in the later stages, we gradually move the money into lower risk investments as they approach 18.

So, while there may be some ups and downs in the value of your child's account over the years – as you'll see from your yearly statements – your child could end up with the kind of amount shown in the chart on page 9. The past, of course, isn't a guide to the future, and Baby Bond could pay out less than has been paid in.

Why choose The Children's Mutual?

- We were awarded the Moneyfacts 'Best CTF provider' four times.
- We have been helping people provide for their families for over 130 years, and are the only company in the UK specialising in savings for children.
- We have launched a Junior ISA for children who are not eligible for a CTF. For more information about this product, please visit our website.



How does Baby Bond work?

The aim is simple – to build up a lump sum for your child when they reach 18.

All the key share investment decisions are made for you by Scottish Widows Investment Partnership (SWIP), part of the Lloyds Banking Group. They are one of Europe's largest asset management firms who manage funds worth £147.32bn at 30 June 2011. The Foundation Growth Fund aims to track the FTSE* All-Share Index and achieve long-term capital growth. Under current regulations all investment growth, and the lump sum at age 18, are free from personal tax.

We open your child's Baby Bond account as soon as we receive your application, and then give you a short period in which you can change your mind before we invest any money. Have a look at 'Can I change my mind?' in the Key Features. We can't return any money once it's been invested, because it then belongs to your child.

Once the account is open, we can only discuss your child's Baby Bond with the Registered Contact. This must be someone with parental responsibility until the child reaches 16, from which age only the child can be the Registered Contact.

At any time the Registered Contact can choose to transfer the account to another provider, or another type of CTF account, and we don't make a specific charge for this.

* 'FTSE' is a trade mark of the London Stock Exchange Plc and The Financial Times Limited and is used by FTSE International Limited ('FTSE') under licence. All-Share is a trade mark of FTSE.

How can my child get the best from their Baby Bond?

The more you pay into your child's Baby Bond, the higher the final payment should be – which is very important when you think how much things cost today:

- Average deposit on a first time buyer's home is £35,073.¹
- Average cost of a second-hand car is £2,995.²
- An entry level City & Guilds plumbing course can cost £3,995.³
- A gap-year world trip can cost £8,199.⁴
- Average university student debt is £24,800.⁵

And with inflation, these costs will be much higher when your child is 18.

You, your child's family and friends – in fact anyone – can pay into your child's Baby Bond. The minimum amount is £10. The most that can be paid in overall from 1 November 2011 is £3,600 a year (or £300 a month). Each year runs from the child's birthday to their next birthday. If you paid in the maximum amount every year, this could mean a final payout of £99,300 or more – a sum that could really make sure your child gets that flying start (see table opposite). This assumes an investment growth of 7% a year and total charges of 1.5% of the account's value each year – of course, it's only an example and is not guaranteed. Your child could get back more or less than this, and may get back less than has been paid in.

Sources:

1. House price index from www.nationwide.co.uk indicates that the UK average house price for First Time Buyers is £140,292 (Q3 2011).
2. www.whatcar.co.uk. A typical 7-year old second hand car e.g. 2004 Vauxhall Corsa 1.0 12v Active 3dr (October 2011).
3. www.ableskills.co.uk. Plumbing course costs £3,995 (July 2011). This course leads to a City & Guilds qualification.
4. An option 1 round the world gap year ticket from www.realgap.co.uk including flights, some internal travel, activities and up to 12 months travel insurance (October 2011).
5. The National Union of Students estimates that the average student graduating and leaving university will have a debt of £24,800. This is based on a three year course starting in 2011 including tuition fees according to National Union of Students (July 2011).



What could my child's Baby Bond be worth?

Based upon an initial Government contribution of £50

Amount paid in each month	Total amount paid in (over 17 years, with £50 voucher)	Projected value in 17 years' time		
		Based on 5% growth each year	Based on 7% growth each year	Based on 9% growth each year
£0	£50	£88	£122	£167
£10	£2,090	£2,840	£3,420	£4,140
£25	£5,150	£6,980	£8,380	£10,100
£50	£10,250	£13,800	£16,600	£20,000
£100	£20,450	£27,600	£33,100	£39,900
£200	£40,850	£55,200	£66,200	£79,700
£300	£61,250	£82,800	£99,300	£119,000

We've used 17 years as our example period because the money can't be taken out until your child's 18th birthday. These figures assume growth of 5%, 7%, and 9% each year and total charges of 1.5% of the account's value each year.

They are only examples and are not guaranteed. Your child could get back more or less than this, and may get back less than has been paid in. Don't forget that inflation would reduce what you could buy in the future with the amounts shown. For more detailed information about possible payouts, please see the Key Features.

How can I add to the account?

You, your family, and friends can all help. The minimum payment is £10, but you can pay in as much as you feel you can afford as long as you don't contribute more than £3,600 a year (birthday to birthday) between you. Like many people, you may choose to pay in some or all of your Child Benefit.

1. By regular Direct Debit

The easiest way to add to the account is to set up a regular Direct Debit. You can set-up a Direct Debit online or over the phone if you prefer – simply visit thechildrensmutual.co.uk or call us on **0845 077 1899**.

2. Escalator Direct Debit

You can also opt for our Escalator Direct Debit. You set up an initial Direct Debit (minimum £10 a month), and we automatically increase the monthly amount we collect by £5 or £10 each year on the first collection date on or after your child's birthday. So, if you decided to start paying £10 a month and set up a £10 Escalator, your monthly contribution would be £10 until your child's next birthday, then £20 for the next year, £30 for the year after that, and so on until the plan ends, or the monthly amount reaches £300, or you tell us to stop, whichever happens first. It's a hassle-free way to keep increasing your payments into the account. If your child's next birthday is less than six months from the date the account is opened, we won't start Escalator until their following birthday. To take advantage of Escalator, simply select this option when you complete the enclosed application form.

3. One-off payments

You can also make one-off payments (minimum £10) into your child's account whenever you want, either by Debit Card (online or by phone) or by cheque. Family and friends often like to make one-off payments as birthday or Christmas gifts. We currently do not accept credit card contributions.

Please remember that all payments into the account belong to your child, and can't be returned to the payer should they change their mind. Your child can withdraw the money once they reach 18.

Your relationship with The Children’s Mutual

By applying for a Baby Bond Child Trust Fund account you are also entering into the following agreements with The Children’s Mutual. For the purposes of contract law, these agreements are between you (as Registered Contact on behalf of your child) and Tunbridge Wells Equitable Investments Company Limited, trading under the name The Children’s Mutual. The contract itself is governed by terms and conditions, which you will receive once your application is accepted. If you wish to see these before you apply, or if, once you have read these carefully, anything is not clear, please call us on the number on the back of this brochure. And if you don’t agree to the terms and conditions, you have the right to cancel the application as explained in the Key Features. For all purposes, your relationship to us will be as a ‘retail customer’. This means you will enjoy the highest level of consumer protection available under both European and United Kingdom laws and regulations.

1. Client agreement

This is the legal agreement which defines your relationship with us. It covers the following rights and obligations:

Your Rights	Our Obligations
<p>You have the right to be treated fairly with regard to:</p> <ul style="list-style-type: none"> • the ability of the product to match your need • the clearness and accuracy of any and all information we provide • how we describe what the product can do before and after you purchase it • our maintaining a good quality of support for routine administration and taking effective action if something goes wrong. 	<p>We promise to:</p> <ul style="list-style-type: none"> • provide fair and accurate descriptions of the product’s ability to meet your need • provide accurate, relevant and understandable information about our product and service • ensure the product you have performs in the way you have been led to expect • ensure the service we provide for you is of a good standard.
Your Obligations	Our Rights
<p>We think it is reasonable to expect you to:</p> <ul style="list-style-type: none"> • take reasonable care when giving us information or instructions • keep us informed of any relevant change in your circumstances, or those of your child • use the opportunities provided to become aware of, and try to understand, the aims of Baby Bond, and how we have described that these could be achieved. 	<p>We think it is reasonable for us to:</p> <ul style="list-style-type: none"> • rely and act on the information and instructions you provide • rely on the information we have about you as being up to date • act on our belief that you have made reasonable efforts to try to understand the aims of Baby Bond, and how you could help these to be achieved.

2. Initial service agreement

This agreement covers how we invest money we receive for payment into your child’s Baby Bond account, once it is open. You authorise us:

- to collect and accept payments into the account from you, or any other person;
- to invest payments in the way described in the brochure and Key Features;
- to the extent that investment is linked to shares, to invest payments into the fund described in the Simplified Prospectus section of the Key Features.

Here's how to contact us about a Baby Bond CTF for your child:



Online: thechildrensmutual.co.uk
(Please note: if you have a £50 voucher this route is not available.)



By email: mail@thechildrensmutual.co.uk



By phone: 0845 602 0352 (£50 voucher)
0845 077 1899 (£250 voucher)



By post: The Children's Mutual
PO Box 1137
Bishops Cleeve
CHELTENHAM
GL50 9QS

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The Children's Mutual provides information only about its own products and those of other selected providers; we do not offer advice.

This brochure has been prepared according to our understanding of current and announced future changes to UK tax law and practice as at September 2011.

The Children's Mutual is a trading name of the Tunbridge Wells Equitable Group, which includes Tunbridge Wells Equitable Investments Company Limited, registered in England under the Companies Act 1985, registered no. 4315370, FSA registered no. 208027. Authorised and regulated by the Financial Services Authority and a member of the Financial Ombudsman Service. Registered Office: Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8GN. You can check details of our authorisation on the FSA's website at www.fsa.gov.uk/register/home.do, or by contacting the FSA on 0845 606 1234.

The cost of calls to 0800 and 0845 numbers from mobile phones will vary according to your mobile phone network provider.

