

## SAVE, SAVE, SAVE

---

### Eligible families urged to make the most of Child Trust Funds

Parents of 18 to 30-year-olds are warning families of younger children to start saving now to fund the future<sup>1</sup>, with nearly a third (28 per cent) saying that they have either remortgaged or are planning to remortgage to fund their child's adulthood<sup>2</sup>. As the Coalition Government threatens to cut the Child Trust Fund (CTF), The Children's Mutual is urging parents whose children are eligible for the accounts to make the most of them while they can, citing parents of adult children who say if they had their time over they would have saved<sup>3</sup>.

David White, Chief Executive of The Children's Mutual, said: "Saving for your child is a necessity not a nice-to-have. Parents of today's 18 to 30-year-olds are having to find an average of £30,000<sup>4</sup> to fund their adult children the hard way – by remortgaging or borrowing further. We believe the only way that most families will be able to help fund children to fulfil their potential going forward is by saving regularly over the long term. We are appalled that the new government is seeking to cut the CTF – the most successful savings scheme in the UK – and believe this short-term view will cost our children dearly in the future.

"We remain committed to achieving the best possible outcome for families and for those who are fortunate enough to already have or still be eligible for a CTF, we believe it is an excellent vehicle for saving for children's futures. We intend to put the full weight and experience of our 129 years in the field of family savings behind the CTF until the very last fund matures and we urge the parents of CTF holding children to not be disheartened or confused by the Coalition's proposal. The Government has confirmed that for existing customers, the accounts will remain as they are; meaning that the families of the five million CTF holding children across the UK can continue to save up to £1,200 a year tax efficiently to help give their child a much needed springboard into adulthood.

"We believe that children stand the best chance of fulfilling their potential if money isn't an insurmountable barrier to their choices and decisions. The CTF has been a phenomenal success with families investing more than £5 million every week for their children<sup>5</sup> and we urge parents to make the most of it."

---

**For more info see [thechildrensmutual.co.uk](http://thechildrensmutual.co.uk) or contact us . . .**

#### Consolidated Communications

Elspeth Rothwell    Tel: 020 7781 2366    Mob: 07811 375998    E: [pressoffice@thechildrensmutual.co.uk](mailto:pressoffice@thechildrensmutual.co.uk)  
Katie Donlan        Tel: 020 7781 2376    Mob: 07980 928560    E: [pressoffice@thechildrensmutual.co.uk](mailto:pressoffice@thechildrensmutual.co.uk)

#### The Children's Mutual PR Managers

Wendy Roberts        Tel: 01892 775337    E: [wendy.roberts@thechildrensmutual.co.uk](mailto:wendy.roberts@thechildrensmutual.co.uk)  
Stephanie Quantick    Tel: 01892 775348    E: [stephanie.quantick@thechildrensmutual.co.uk](mailto:stephanie.quantick@thechildrensmutual.co.uk)

The Children's Mutual is experiencing a significant uplift in calls to its customer services team from parents concerned and confused by this week's announcement and is seeking to reassure parents. The most frequent questions being asked are:

Q: I'm an existing customer and currently save regularly via direct debit – has all my hard work been in vain? What happens to the account now?

A: Your hard work certainly has not been in vain. The Government has confirmed that existing CTF accounts will continue to run as previously so you will be able to continue your fantastic work in saving for your child's future.

Note: The average direct debit payment made by parents into CTFs held with The Children's Mutual is £24 - if this amount were paid monthly throughout the life of the account, it could result in a lump sum of £9,750 upon maturity after 18 years.<sup>6</sup>

Q: I have a child under the age of one but haven't yet placed my voucher, is it now worth doing this?

A: Yes absolutely. The Government has confirmed that children who are issued with a voucher before 1<sup>st</sup> January 2011 will be able to place it with a licensed provider and take full advantage of tax-efficient saving of up to £1,200 a year. This is the most generous tax efficient allowance available for saving for children and we urge families who can afford to save to take full advantage of this.

Q: My child is due to turn seven in the near future, will they still receive the additional payment promised by the Labour Government?

A: The Coalition has confirmed these payments will continue until 1 August 2010, so if your child turns seven before then they will be one of the fortunate ones.

For further information on the changes to the Child Trust Fund, please visit:

<http://www.thechildrensmutual.co.uk/child-trust-funds/child-trust-fund-faqs.aspx>

For further information on The Children's Mutual, please visit [www.thechildrensmutual.co.uk](http://www.thechildrensmutual.co.uk)

- ENDS -

#### Notes to editors

According to The Children's Mutual, since April 2005 parents of five million<sup>7</sup> children who now have a CTF have used them as a means to change their savings habits:

- Currently 1.4m parents, family and friends are contributing to their children's accounts with in excess of £22m being added every month<sup>8</sup>
- Nearly three quarters of parents choose to proactively open their child's CTF, which is a significantly higher engagement rate than ISAs and pensions<sup>9</sup>

The proposed changes to the CTF mean that for existing customers the accounts remain as previously, with an annual tax-efficient top up allowance of £1,200, albeit without the Coalition Government's additional contributions. From 1 August 2010 the initial government payment will reduce from £250 to £50 (from £500 to £100 for low income families) and the Age 7 payment will be withdrawn. This reduced voucher will be issued from 1 August 2010 until 31 December 2010 only at which point this payment and the additional payments to disabled children will cease. These accounts will also qualify for the annual tax-efficient top up allowance of £1,200.

#### About The Children's Mutual

- The Children's Mutual's mission is to help parents, grandparents, family and friends fulfil their hopes for today's children.
- The Children's Mutual specialises exclusively in family-focused finance products and is currently the choice of 1 in 3 parents for their child's Child Trust Fund, with nearly 800,000 accounts.
- The Children's Mutual has won The Moneyfacts Award for Best Child Trust Fund Provider every year since its 2006 launch.
- The Children's Mutual, as experts in savings for children, made a significant contribution to the former Government's Child Trust Fund consultation process.
- This expertise has led several financial institutions and family-focused high street retailers to choose The Children's Mutual as their CTF partner including ASDA, Boots, The Co-operative, Lloyds TSB, Mothercare and regional bank and building societies across the UK.

<sup>1</sup> 72 Point Cost of Children Research for The Children's Mutual – Jan 2010 - Question 20

<sup>2</sup> 72 Point Cost of Children Research for The Children's Mutual – Jan 2010 - Question 18

<sup>3</sup> 72 Point Cost of Children Research for The Children's Mutual – Jan 2010 - Question 20

<sup>4</sup> 72 Point Cost of Children Research for The Children's Mutual – Jan 2010 - Question 12

<sup>5</sup> Figures extrapolated from TISA – Sept 2009 CTF commentary document [http://www.tisa.uk.com/statistics.html?stat\\_type=ctf](http://www.tisa.uk.com/statistics.html?stat_type=ctf)  
£22,000,000 invested each month x 60 (months in 5 years) = £1.3billion / 1825 days (number of days in five years = £723,000 per day x 7 days per week = £5.061m.

<sup>6</sup> Based on contributions of £24 per month from parents. This future projected value is based on money being invested every month plus the Government's initial £250 voucher and another £250 at age 7 for 18 years in a Stakeholder Child Trust Fund Account. We're assuming an investment return of 7% a year, and charges of 1.5% of the CTF account value each year. The projected values aren't guaranteed because the value of shares goes up and down. So the final payout could be more or less than this. This figure reduces to £9,306 if the government's Age 7 payment is not made.

<sup>7</sup> HMRC quarterly stats as at 16 March 2010 – [http://www.hmrc.gov.uk/stats/child\\_trust\\_funds/ctf-mar2010.pdf](http://www.hmrc.gov.uk/stats/child_trust_funds/ctf-mar2010.pdf)

<sup>8</sup> TISA – September 2009 CTF commentary document [http://www.tisa.uk.com/statistics.html?stat\\_type=ctf](http://www.tisa.uk.com/statistics.html?stat_type=ctf)

<sup>9</sup> HMRC 2009 statistical report <http://www.hmrc.gov.uk/ctf/stats.htm> compared to 40 per cent of the adult population has a private pension (ONS data - Family Resources Survey, Department for Work and Pensions – published May 2009 [http://www.statistics.gov.uk/downloads/theme\\_compendia/pensiontrends/Pension\\_Trends\\_ch07.pdf](http://www.statistics.gov.uk/downloads/theme_compendia/pensiontrends/Pension_Trends_ch07.pdf)) and 30 per cent have an ISA estimate based on TISA April 2009 [http://www.tisa.uk.com/statistics.html?stat\\_type=isa\\_pep](http://www.tisa.uk.com/statistics.html?stat_type=isa_pep) which show £14 million ISAs in the UK. Average population over 16 = 49.1m therefore estimate one third of population with ISA.