



Child Trust Fund

Shariah Baby Bond[®]



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 will not be 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.

The good news is you now have a choice that will enable you to open, and contribute to, your child's account without compromising your religious principles. The Shariah Baby Bond® is designed to be entirely in keeping with Islamic law.

We have combined our expertise with Scottish Widows Investment Partnership, supported by the knowledge and understanding of the Shariah Advisory Board, to create the first Shariah CTF account. Now you have a CTF choice that could help your child prosper, but not at the expense of your beliefs. And if you already have a CTF account for your child, it's simple to switch.

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, to undertake a hajj, 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 voucher to open a CTF account for your child within a year, the Government will open a Stakeholder account for your child; this account will almost certainly not be in keeping with Islamic law. 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 CTF account:

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

You can find out more about these in the Key Features and Simplified Prospectus.

But of the options currently available, only our Shariah Baby Bond® has been specifically designed to be entirely in keeping with Islamic law.

The Shariah Advisory Board

Sheikh Nizam Yaquby Professor of Tafsir, Hadith and Fiqh

Dr Mohammed Imran Ashraf Usmani Islamic Jurisprudence expert and author

Mufti Abdul Kadir Barkatulla Imam, North Finchley Mosque

Mufti Mohammed Nurullah Shikdir Imam, Tunbridge Wells Mosque

What is a Shariah Baby Bond® Child Trust Fund account?

The Children's Mutual Shariah Baby Bond® is a 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 or suitable for every child in a Muslim family). Features include:

- Investment linked to a range of shares in companies whose business complies with Shariah principles, 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.



The Shariah Baby Bond® fully adheres to Islamic law by investing mainly in a fund that holds shares only in companies that are listed on the Dow Jones Islamic Market Index; the fund (and any investment made outside the fund) is approved by our Shariah Advisory Board for this purpose. No investment will be made in any organisation involved in pork related products; alcohol; weapons and defence; conventional financial services; or entertainment.

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 Shariah Baby Bond® invests in a fund that aims to match the performance of the widest range of Shariah compliant 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 Shariah 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 ups and downs in the value of your child's account over the years – as you'll see on the yearly statements – your child could end up with the kind of amount shown in the chart on page 7. The past, of course, isn't a guide to the future, and Shariah 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 Shariah 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. Under current regulations all investment growth, and the lump sum at age 18, are free from personal tax.

We open your child's Shariah 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 Shariah 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. Remember, if you already have a CTF account for your child, there's no charge for switching to a Shariah Baby Bond®.

How can my child get the best from their Shariah 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 £35,073¹.
- Average cost of a second-hand car is £2,995².
- An entry level City & Guilds plumbing course can cost £3,995³.
- Hajj or Umrah trip costs £6,150⁴.
- Average university student debt is £24,800⁵.

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 on below). 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. Based on a non-working trip. Includes return airfares from London, 5 Star accommodation based on double occupancy for 17 nights, transfers and some meals from www.haj.co.uk (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 Shariah Baby Bond[®] be worth?

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

This table assumes payment of the monthly contribution amount shown, into a shares-based plan every month from your child's first birthday for 17 years plus a government contribution of £50 on opening the account. The figures assume growth at 5%, 7% and 9% a year and charges of 1.5% of the account's value each year. They are only examples – what the child gets back could be more or less than this, or 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 do I open my child's Shariah Baby Bond®?

It's easy – and could take just 10 minutes to apply:

- online at [thechildrensmutual.co.uk](https://www.thechildrensmutual.co.uk), or
- call us on **0845 608 0045**; lines are open Monday to Friday from 9am to 5pm.
- If you have a £50 voucher from the Government, you can only apply by calling the number above.

Additional payment forms can be downloaded from our website for anyone – such as a friend or grandparent – to use to contribute to your little one's account.

Please read the Key Features as it contains more information about how Shariah Baby Bond® works, and the fund it invests in. If you'd like more information, visit our website, [thechildrensmutual.co.uk](https://www.thechildrensmutual.co.uk), or just give us a call on **0845 608 0045**.

We're here to help! If you're not sure whether Shariah Baby Bond® could be suitable for your circumstances, we'll even tell you where to find an independent adviser to advise you.



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 on the phone if you prefer. Why not visit our website thechildrensmutual.co.uk to find out more.

2. Escalator Direct Debit

Once the Shariah Baby Bond is open, you can choose to set up our Escalator Direct Debit. This means we will 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, for example, if you have started paying £10 a month by Direct Debit and then set up a £10 Escalator, your monthly contribution would increase to £20 from your child's next birthday, then to £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. You can also start Escalator even if you don't set up a Direct Debit straight away when you apply for the account. 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 you tell us you wish to apply Escalator, we won't start Escalator until their following birthday. To take advantage of Escalator, simply call the number on the back of this brochure once your child's account has been opened.

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 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 Shariah 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 section. 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 Shariah 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 Shariah 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 Shariah 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 Shariah Baby Bond® for your child:



Online: thechildrensmutual.co.uk
(Please note: if you have a £50 voucher you can't open the account online)



By email: mail@thechildrensmutual.co.uk



By phone: 0845 608 0045



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

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Baby Bond® is a registered trade mark of Tunbridge Wells Equitable Friendly Society Limited.

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.

