

Child Trust Fund

A tax-efficient
investment
for their
future

The Grandparents' Guide

Give a gift
that will last
a lifetime



Home of the Child Trust Fund

A gift that could change their life

Of course, like all grandparents you'll want the best for your grandchildren. You'll want to help them realise their dreams for the future. And you can make a start now to help them with whatever that future holds.

The government's Child Trust Fund (CTF) has been set up to help give children that important boost at 18, just when it really matters. It's a tax-efficient way to invest for a child's future

And getting together as a family to help build their CTF account will help teach your grandchild about the importance of savings and investments.



What is a Child Trust Fund?

The government introduced Child Trust Funds to encourage families to invest for their children's future. Every eligible child born on or after 1 September 2002 has been given a £250 voucher which must be used to open a Child Trust Fund (CTF) account on their behalf. The government will make a second contribution of £250 when the child is seven.

All companies authorised to distribute CTFs must offer a stakeholder account (a shares-based account within the guidelines set by the government). This is because the government believes that investment linked to stocks and shares is likely to produce higher returns for children over the longer term. The Barclays Capital Equity Gilt Study 2008 shows that shares have outperformed cash deposits for all but one 18-year period since 1899. Of course, this may not be repeated in the future.

Your grandchild's CTF is a stakeholder account called Baby Bond®, which is provided by The Children's Mutual.

And who are The Children's Mutual?

Your grandchild's CTF is invested with us. We have been helping people provide for their families for over 125 years, and are the only company in the UK specialising in savings for children.

In 2008 we were awarded the Moneyfacts 'Best CTF Provider' award for the third year running. And by the end of December 2008, over 600,000 CTF accounts had been opened with us.

We have brought together all our experience and expertise to create Baby Bond - our stakeholder CTF account.



What can I do to help my grandchildren?

You probably treat your grandchildren to something special for their birthdays and at Christmas – maybe the latest game or book. But what if you had the opportunity to give them a more lasting gift – something that could help make a real difference to their future?

You can – by contributing to their Child Trust Fund account.

Contributions can be made by regular Direct Debit, or one-off gift payments, and can be from as little as £10 each time. Together you can top up the account by up to £1,200 a year (from birthday to birthday).

Any money paid into Baby Bond will belong to your grandchild straight away so – whatever may happen in the future – you can rest assured that only they can access it, and then only when they reach 18.

Of course, if they don't need the money at 18, it can be reinvested until they do. The government has recently announced that it will allow Child Trust Fund accounts to roll over into ISAs on maturity without affecting their ISA allowance for that year.

"When Sophie's parents started paying into her CTF account, we wanted to contribute too. We put in £10 a month, purely so it'll give her a little start at 18. If it goes towards university costs we'll be really happy. As well as her parents, we top up Sophie's account, because the more she gets at 18 to carry her through university the better."

Pat H, a grandmother from Kent




Can I really make a difference?

The short answer is 'yes'. The government's initial £250 voucher is a start, but parents and grandparents can make a big difference.

Up to £1,200 a year in total can be added to your grandchild's Baby Bond on top of the government contributions, which means the whole family can get together to help give the account a better chance to grow into a meaningful amount for the child when they are 18.

If just the government's contributions are invested, the account could be worth around £1,090 after 18 years. But if parents and grandparents together added the extra £100 a month allowed over the 18 years, the account could be worth around £37,100 by the time your grandchild is 18 – that's a huge difference!

The figures used as examples here are based on assumed investment growth of 7% a year and charges of 1.5% of the account's value each year and are not guaranteed.



"We want to help our grandchildren with their future, especially with the costs of further education. We realise things are not getting any easier and it's going to cost a lot more for parents in future. Together with their parents and other grandparents, we top up their accounts to the maximum amount. It's so much more manageable when you all chip in."

Kathleen R from Lincoln, grandmother of five

What could my grandchild receive at 18?

Your grandchild's money is invested initially in a fund that holds a broad range of UK company shares to spread the risk. Then, starting on the child's 13th birthday, the money will be gradually moved into lower risk investments such as cash or bonds. This is designed to limit the effect on the value of the account of a sudden fall in the stock market as your grandchild approaches their 18th birthday.

A tax-efficient way to build for the future

There is no income tax or capital gains tax for you or your grandchild to pay on any growth in the value of the Baby Bond CTF account. And, provided the child is resident in the UK when the Baby Bond ends on their 18th birthday, they will have no tax to pay on the amount paid out.

Amount paid in each month	Total amount paid in (including government contributions of £250 at start and age 7)	Possible value of Baby Bond® Stakeholder account in 18 years' time		
		Based on 5% growth each year	Based on 7% growth each year	Based on 9% growth each year
£0	£500	£821	£1,090	£1,440
£15	£3,740	£5,280	£6,500	£8,040
£25	£5,900	£8,260	£10,100	£12,400
£50	£11,300	£15,700	£19,100	£23,400
£100	£22,100	£30,500	£37,100	£45,400

The figures used as examples here are based on assumed investment growth of 7% a year and charges of 1.5% of the account's value each year and are not guaranteed.

While there may be some ups and downs in the value of your grandchild's account over the years – your child could end up with the kind of amount shown here. The past, of course, isn't a guide to the future, and Baby Bond could pay out less than has been paid in.

And what could they do with the money?

We can't know exactly what our grandchildren might want to do – but whatever it is – they'll have you to thank for helping to make it possible.

Here are some current costs of the sort of thing your grandchild might need. Of course, with inflation, these costs are likely to be a lot higher by the time your grandchild reaches 18.

- Average university student debt is £20,000¹.
- Average deposit on a first time buyer's home is £32,183².
- Average cost of a new first car is £8,220³.
- 12-week plumbing course costs £6,795⁴.
- Gap-year world trip costs £7,434⁵.

You can see why it's important to help them take that first step!

Sources:

1. Based on a three-year course including tuition fees, The National Union of Students estimates that the average student graduating and leaving university will have a debt of £20,000.
Source: www.fairinvestment.co.uk at March 2009.
2. Based on a 25% deposit on the UK average first-time buyer's home costing £128,732.
Source: www.nationwide.co.uk at July 2009.
3. A typical first new car, such as a Daihatsu Sirion, Fiat Panda, or Citroen C2 costs £8,220.
Source: www.whatcar.co.uk at June 2009.
4. A 12-week course leading to a City & Guilds qualification. Source: www.ableskills.co.uk at June 2009.
5. A round-the-world ticket lasting 364 days including flights, travel insurance, and daily living costs.
Source: www.realgap.co.uk at July 2009.



The Direct Debit Guarantee

- This Guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the Scheme is monitored and protected by your own Bank or Building Society.
- If the amounts to be paid or the payment dates change, The Children's Mutual will notify you 10 working days in advance of your account being debited or as otherwise agreed.
- If an error is made by The Children's Mutual or your Bank or Building Society, you are guaranteed a full and immediate refund from your branch of the amount paid.
- You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to The Children's Mutual.

Child Trust Fund Contribution Form

You can use this form to make a single lump sum payment or to set up a new Direct Debit.

To set up a Direct Debit please complete all sections of this form. To make a one-off payment you will only need to complete sections 1, 2 and 3. If you are sending a cheque, please make it payable to 'The Children's Mutual, for the account of <child's name>' and write your child's name and URN account number clearly on the back. When making a one-off payment, please complete your personal details in order for your name to appear on the child's yearly statement alongside the amount you've paid in. Please use a ballpoint pen to complete the form and write in BLOCK CAPITALS.

Step 1

Child's Details Please ask the child's parent/guardian for the Unique Reference Number (URN) from the CTF voucher.

First Name

Surname

Date of Birth Child Trust Fund URN
(as on child's CTF voucher)

Step 2

Payer's Details

Title Mr Mrs Miss Ms Dr Other (please specify)

First Name

Middle Name(s)

Surname

Gender M F Date of Birth

Telephone Number (home) Telephone Number (work)

House Number/ Name

Address

Postcode

Your relationship to the child Grandparent Other (please specify)

Email

Only provide your email address if you are happy to receive email communications from The Children's Mutual.

Step 3

Payment Details Please note that any money you pay is a gift to the child. This means that once the money is paid in, it cannot be returned to you if you change your mind.

Payment Amount

Payment Method Monthly (complete Direct Debit instruction below) Lump Sum

(cheques should be made payable to 'The Children's Mutual, for the account of <child's name>' - please write the child's URN number on the back of the cheque)

Step 4

INSTRUCTION TO YOUR BANK OR BUILDING SOCIETY TO PAY BY DIRECT DEBIT

Originator's Identification Number



**Please fill in the whole form and send it to:
Freepost RLRZ-ZAZZ-GACY, The Children's Mutual, PO Box 2067, Gloucester GL4 3YU.
No stamp is required.**

Name and full postal address of your Bank or Building Society

To: The Manager Bank/Building Society
 Address
Postcode

Bank/Building Society Account Number

Branch Sort Code - -

Name(s) of Account Holder(s)

Reference (INTERNAL USE ONLY)

Instruction to your Bank or Building Society

Please pay The Children's Mutual Direct Debits from the account detailed in this Instruction subject to the safeguards assured by The Direct Debit Guarantee. I understand that this Instruction may remain with The Children's Mutual and, if so, details will be passed electronically to my Bank/Building Society.

Signature

Date

Banks and Building Societies may not accept Direct Debit Instructions for some types of account.

Data Protection Act 1998 (the Act)

The information on this form will be used to process your payments to the CTF account and for marketing analysis purposes. This information will be available to members of the Tunbridge Wells Equitable Group, their associates and agents and (for marketing purposes only) selected third parties, but will not be passed to any other party without your consent, unless we are required to do so by law or regulation. It may also be shared with other financial services companies to help fraud prevention. The data may be used to provide you with details of other products or services. If you do not wish to receive these, please cross the box below. Please do not provide details of other products/services to me . We will not keep your details after the CTF account ends or is transferred to another CTF manager. The Act confers rights of access to information we hold. Details are available on request.

Money Laundering and Fraud Prevention

International regulations require that we sometimes check certain details about customers. To do this we may use an agency to carry out a search to verify a customer's identity. These details may be used by the agency to check against other databases (public or otherwise) that are available. The details may also be used in the future to help other organisations to verify the customer's identity and confidential records would be retained. By signing this form, you give us authority to do this.

PLEASE SEND COMPLETED FORM (you don't need a stamp) TO: **FREEPOST RLRZ-ZAZZ-GACY, THE CHILDREN'S MUTUAL, PO BOX 2067, GLOUCESTER GL4 3YU**

To the parent/guardian: please write your child's or children's account number(s) here – see the top of your yearly statement or your original CTF voucher:

Account 1 URN _____ Account 2 URN _____

I'd like to help – what should I do now?

It's easy to add to a Baby Bond. You can choose to make a one-off gift payment or set up a regular Direct Debit into the account. Either way, you'll need to provide the account number (called a Unique Reference Number, or URN) so we can credit the right account. You should find the URN(s) written above – but if not please ask the parent or guardian for details.

There are three easy ways you can make your payment – whether you'd like to set up a regular Direct Debit or make a one-off gift:



to make a payment by debit card or set up a Direct Debit online, go to thechildrensmutual.co.uk/topup and follow the instructions, or



call us on **0845 077 1899** quoting reference **UCM5689** (lines are open Monday to Friday, 8am to 8pm and on Saturday from 9am to 1pm and calls are recorded for security and training purposes)



or complete the form and post to:
**Freepost RLRZ-ZAZZ-GACY, The Children's Mutual,
PO Box 2067, Gloucester GL4 3YU**
(if you'd like to help more than one child and would like more forms, just call us on 0845 077 1899).

Or to find out about investing for a grandchild who doesn't qualify for a CTF account, call **0845 077 1899**.

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

The Children's Mutual provides information about products of the Tunbridge Wells Equitable Group only.

This leaflet has been prepared according to our understanding of current and announced future changes to UK tax law and practice as at June 2009.

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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 members of the Financial Ombudsman Service. Registered Office: Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8GN. You can check the details of our authorisation on the FSA's Register by visiting www.fsa.gov/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.