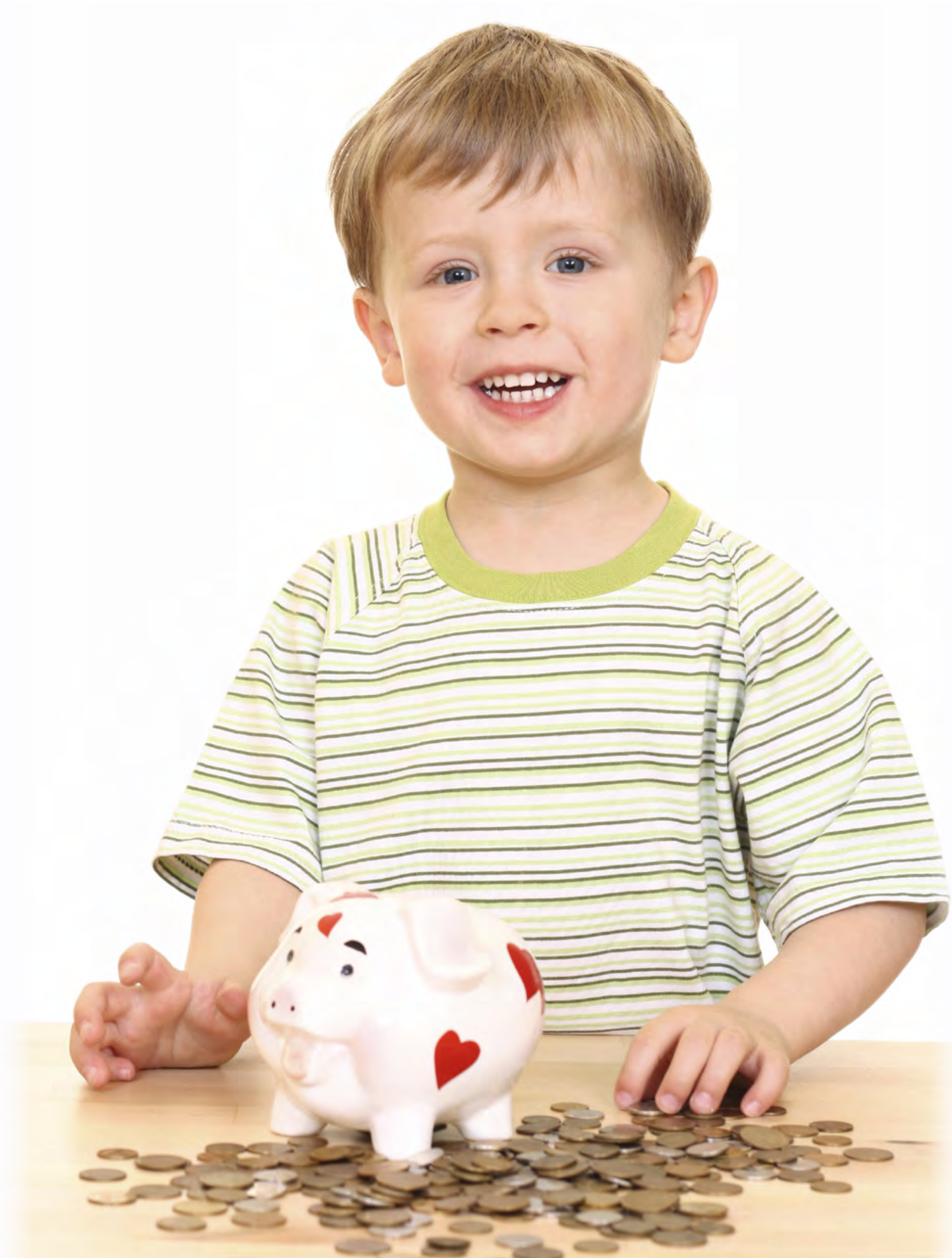
Foresters Guide to Children's Savings Plans

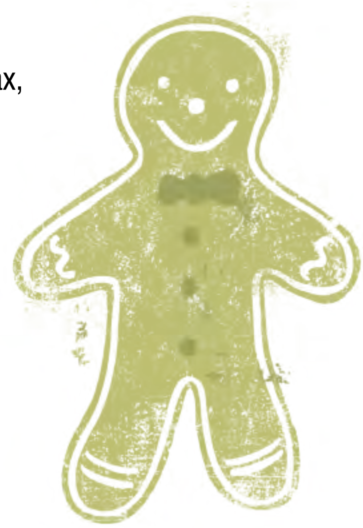
Taking a look at tax free options available for parents or grandparents wishing to start saving for their child's or grandchild's future.



We all want to give our newborn babies, children and grandchildren the best possible start in life, so it's good to know whether you're saving for a school trip, tuition fees, a wedding or a deposit on their first home, there are tax efficient ways to help you save regularly for your little one's future.

With houses to buy and university to pay for, it is important to start saving as early as possible and children's savings plans are designed for those wishing to do just that. The long-term nature of most plans gives savers the ideal opportunity to build, and potentially grow, a nest egg for their offspring. What better way to help your child or grandchild in the future when they need it most?

What are the benefits of Child Savings Plans?



1. **Tax efficient** ➲ ✓ Savings are free of both income and capital gains tax, which could mean even more money for your child.
2. **Potential for growth** ➲ ✓ Investing for the longer term means there is the potential for investment growth, with some children's savings plans offering bonuses.
3. **Give them a head start** ➲ ✓ Child savings plans are a great way to give your child or grandchild a head start when they need it most - providing them with a cash lump sum, for example to help towards university costs, a first car or a deposit on a property.

There are many children's savings plans available today, the most well known being Junior ISAs (JISAs) and Child Trust Funds (CTFs), but there are other alternatives such as the unique tax exempt children's savings plans offered by friendly societies. This guide examines these options in more detail.

Child Tax Exempt Savings Plans (CTESP)

One tax free way to save for your child or grandchild is through Child Tax Exempt Savings Plans, which are only available through friendly societies and also come with the benefits of friendly society membership.

Anyone under the age of 16 can have a CTESP, which can be held in addition to any other tax efficient plans, such as a Junior Individual Savings Account (JISA) or Child Trust Fund (CTF).

Affordable monthly saving ➲ You can save up to £25 a month with a Child Tax Exempt Savings Plan so saving for your child's future doesn't have to cost much today.

Minimum 10 year term ➲ You can decide how long you want to save for which, depending on provider, can range from at least 10 years up to 25 years or more.

More about how CTESPs work:

- It's important to note that as they are longer term plans, if you are unable to continue saving, what your child gets back will be affected and in the early years could be very little, if anything.
- The plan may attract bonuses, which are linked to the performance of the assets within the fund your plan is invested in. Many companies will invest in a range of different assets including shares, property, government and corporate Bonds, and cash. Although what has happened previously is no guarantee of what will happen in the future, it is always worth checking past bonuses.

"There's no doubt it will be an expensive time for her when she turns 18, and I hope the money will help towards her going to university."
David about his granddaughter Miranda & her Foresters Child Tax Exempt Savings Plan

Junior Individual Savings Account (JISA)

A JISA is another popular and tax efficient child savings scheme which allows you to save for your child free of income and capital gains tax.

Available to under 18s

- JISAs are available for any UK resident under the age of 18, who was born after the 2nd January 2011 or before September 2002, and therefore did not receive a CTF.

Flexible tax free saving

- JISAs do not receive any contribution from the Government, they are simply a flexible, tax free way to use your child's annual JISA allowance (£4,128 in 2017/2018 tax year) to build up a nest egg for their future.

Automatically rolled over

- At 18 the money within a JISA can be automatically rolled over into an Adult NISA, or the child can access the money from the plan.

Child Trust Funds (CTF)

A CTF is a long-term tax free savings account for children. CTFs are no longer available and have been replaced with JISAs. Existing policies carry on as normal offering an affordable and tax efficient way to save for your child's future.

You, your family and friends can contribute to your child's Trust Fund, so long as the total amount in any year does not exceed the annual allowance (£4,128 in the 2017/2018 tax year).

Please note that tax rules may change in the future to affect the tax status of your child's CTESP, JISA or CTF, and will depend on individual circumstances. Tax free means free of tax in the hands of your child, however tax is automatically deducted from UK share dividends and that tax cannot be reclaimed. Please remember that inflation will reduce the spending power of the money your child gets back in the future.

A few questions to ask yourself

Does my child have any savings?

➲ Many people aim to put some money aside into a regular savings plan for their children and, with a CTESP, you could save up to £25 a month to build up a nest egg for your child's future.

Have I used my child's JISA allowance?

➲ You can invest your child's annual JISA allowance into a JISA for tax efficient savings to help save for their future. You can also hold a CTESP in addition to a JISA for increased tax free savings.

Does my child have a CTF?

➲ If you are unsure, use the online HMRC form to find out if your child has a CTF. You can only use this form if you have parental responsibility for the child. Visit www.hmrc.gov.uk/tools/childtrustfundclaim/ctfaccount.htm

Conclusion

- Child Tax Exempt Savings Plans (CTESP) are available for all children under 16, giving you the opportunity to save for their future, in a tax efficient way. CTESPs can be held in addition to CTFs and JISAs.
- Although Child Trust Funds (CTF) are no longer open to new business, you can still contribute up to the maximum annual allowance to help your child's savings grow.
- Junior ISAs (JISA) are an alternative and tax efficient child savings plan that will allow you to put money aside for your child's future.
- If you want to give your child or grandchild something special for a big birthday, or to help towards their first home or car, why not start saving, tax free, for their future with a regular savings plan? You can put money aside each month with a CTESP, JISA or CTF to save for their future. If the plan is invested in stocks and shares your child may get back less than you have paid in.

This guide should not be considered to be advice. If you're unsure as to the suitability of any products you should seek advice from a Financial Adviser. You may have to pay for this advice.

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108/2016/CSG/03/16