The Child Trust Fund key features

Important info you need to read

If you are wanting to top up an Ethical Child Trust Fund, please read the Key Features, which you'll find on the next few pages.

The Key Features explain how the plan works, its aims, terms and conditions and will help you decide if it's suitable for you. It also includes information on bonuses and how we aim to grow your money.

This section is full of really important information and will hopefully answer any questions you might have.

The Key Features of the Ethical Child Trust Fund

The Financial Conduct Authority (FCA) is a financial services regulator. It requires us, Foresters Friendly Society, to give you this important information to help you to decide whether our Ethical Child Trust Fund is right for your child. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Its aims

To invest your contributions in the ethical section of the Foresters Friendly Society with profits fund, across a spread of assets (property, equities, fixed interest and cash). The Foresters Friendly Society Ethical Child Trust Fund (Ethical CTF) aims to provide the named child with:

- A tax-free cash sum on their 18th birthday.
- Additional tax-free bonuses added to the value of the fund on a yearly basis, with a possible final bonus paid on maturity at the end of the term of the contract.
- At least the money that has been contributed into their Ethical CTF when he or she turns 18.

Your commitment

- Anyone can put money into the Ethical CTF, providing total contributions into each child's fund do not exceed £4,260 per policy year (excluding Government contributions).
- All money put into the fund immediately becomes the child's and cannot be returned to the contributor, so contributions should be seen as a gift to the child.
- To start the Ethical CTF we must have been in receipt of an original copy of the child's Child Trust Fund voucher that was sent to the parent(s)/guardian of eligible children by the Government after the child was registered for child benefit.

Risks

- Bonuses will depend on the future investment performance of the ethical section of the with profits fund, as well as any deductions and how Foresters Friendly Society decide to distribute any profit.
- The addition of bonuses is not guaranteed and therefore it is possible that the Ethical CTF might not receive any annual and/or final bonus.
- The rules and legislation covering the operation of Child Trust Funds may change which could affect the tax status of your child's Ethical CTF.
- Your circumstances may change, forcing you to stop making contributions.
- Our deductions may turn out to be higher than expected.
- A Bank or Building Society account has greater certainty of growth than the Ethical CTF. Also a Bank or Building Society account allows ready access to funds whereas the Ethical CTF may not allow the child access to the funds until he or she is 18.
- The fund benefits can only be paid to the child.
- You should be aware that inflation will reduce what the child can buy in the future with the cash sum.
- The Ethical CTF is unsuitable as a short term investment. Only the child will have access to the money and not until they reach 18. It will be locked in until then.
- If you transfer your Child Trust Fund to another provider in adverse investment conditions the fund may be subject to a Market Value Reduction. If used this would reduce the value of the Child Trust Fund. However, the transfer value will not be less than the total of all contributions paid.

Your Questions Answered

What is a Child Trust Fund?

Child Trust Funds were introduced by the Government in 2005 and subsequently new ones were closed by the Government to children born after 31st December 2010. All money saved into a Child Trust Fund account is gifted to the child and cannot be accessed by the child until his or her 18th birthday. All Child Trust Fund accounts enjoy special tax-exempt status meaning that the money the child gets back will be free from Income Tax. The parent/guardian of every eligible child was sent a Child Trust Fund voucher by the Government with a minimum value of £250 in order to encourage them to open a Child Trust Fund account.

Who is eligible for a Child Trust Fund?

Every child receiving child benefit born in the United Kingdom between 1st September 2002 and 31st December 2010 was eligible for a Child Trust Fund account.

It was the parent/guardian's responsibility to open a Child Trust Fund in the child's name. The only way to open a Child Trust Fund was for the parent/guardian to send the original copy of the Government voucher to their chosen product provider who retained it. The amount shown on the voucher would have been used to open the Child Trust Fund account. In this way, only one Child Trust Fund could be opened in the child's name.

Who controls the Child Trust Fund account?

The parent/guardian controls the Child Trust Fund throughout the child's childhood, by being the 'Registered Contact'. The parent/guardian does not necessarily have to contribute any money to the fund, but they are responsible for making sure that the total contributions do not exceed the maximum allowed – £4,260 per policy year which runs to the child's birthday excluding any Government contributions.

What makes the Child Trust Fund ethical?

The Ethical Child Trust Fund invests in the ethical section of the with-profits fund. The fund will exclude investments in a company (equities or fixed interest) that does not meet the fund's ethical criteria. It will also exclude investments in companies renting properties to a company that does not meet the fund's ethical criteria. The ethical section of the with profits fund will exclude a company:

Animal Testing

- which has tested (or not disclosed otherwise) its cosmetics products on animals in the last five years, or since they had a fixed cut-off date policy
- which has tested (or not disclosed otherwise) its cosmetic intermediates on animals in the last five years

Gambling

- which derives more than 10% of their annual turnover from gambling

Health and Safety Convictions

- where any part of the company has been convicted following Health and Safety Executive prosecutions more than once in the last three years

Human Rights

- with operations in at least five countries listed in EIRIS* 'Category A'

Intensive farming

- which derives any turnover from intensive pig or poultry farming

Military – nature of involvement

- where its products or services constitute strategic parts of a weapons system
- which have been involved in the sale or production of strategic goods or services for products or services which constitute nuclear weapons systems
- where its products or services constitute the sale or production of nuclear weapons systems
- which have been involved in the supply of strategic services for nuclear bases
- which is a major international provider with military sales (or sales activities) in specific countries

Nuclear Power

- which owns or operates nuclear power stations

Pornography and Adult Films

- which publishes or wholesales pornographic magazines or newspapers
- which distributes cut 18 certificate films or videos

Tobacco

- which derives more than 10% of their annual turnover from the production or sale of tobacco

Sustainable Timber

- which EIRIS* identified as having an annual usage of over 100,000 cubic metres of timber with limited evidence of sustainable timber sourcing standards

Water Pollution

- which has breached a discharge consent for a 'Red List' substance during the last three years**
- which has exceeded their discharge consents in the last year more than 10 times

* EIRIS is a leading global provider of independent research into the human rights, social, environmental and ethical performance of companies operating within countries with oppressive regimes.

** Environmental Protection (Prescribed Processes and Substances) Regulations 1991. Sets out a list of prescribed substances requiring close monitoring and control before they can be discharged to water.

Where is the money invested?

Any money put into the Ethical CTF is invested in the ethical section of Foresters Friendly Society's with profits fund. By spreading the money paid into the fund across a number of different types of investments the child benefits from the exposure to a range of asset classes which may include stocks and shares, property, fixed interest and cash. A further advantage of this approach is that if the return of any one particular asset type is very poor, the child's investment may be protected from the full impact of this fall as the other assets forming part of the overall investment may perform better. Thus the fall in value of one asset class (e.g. shares) may be cushioned by the potentially better performance in another asset class (e.g. property).

Who can make contributions into the Ethical CTF?

Anybody can make contributions into the Ethical CTF whether they are directly related to the child or not. This could be grandparents, parents, friends, aunts/uncles, godparents or later even the child him or herself. There are no restrictions on who contributes, providing the total yearly contribution limit is not exceeded.

How much can be contributed into the Ethical CTF?

The maximum contribution in any one policy year is currently £4,260, excluding any government contributions. The Ethical CTF is designed to be as flexible as possible. It can accept either regular monthly contributions from any number of contributors subject to a minimum of £5 per month, per contributor by Direct Debit or ad-hoc lump sum contributions subject to a minimum payment of £50 by cheque. As an example, any money a child receives at Christmas or on a birthday could be pooled by the parent(s) and provided it totals at least £50 it can be sent to us to be added into the child's Ethical CTF – thus ensuring the gift has a lasting benefit for the future.

How are Bonuses decided?

Depending on how the underlying assets in the fund perform, and the costs incurred, at the end of each year we aim to declare an annual bonus. In addition, when your Foresters Friendly Society Ethical CTF matures we may add a final bonus depending on the overall investment growth that has been achieved and expenses incurred. This is different from a Bank or Building Society account where only interest is added, because the growth of the investment depends on the performance of the underlying fund and not the interest rate on the account. Although in some investment conditions the growth in the Foresters Friendly Society Ethical CTF might not be as great as that of an interest only account, investing in this way means that there is the potential for growth over and above the level which might be achieved on interest only accounts.

What happens if anyone stops making contributions?

Any money already invested will remain in the child's Ethical CTF until the child's 18th birthday. Anyone making monthly contributions into the fund can stop and start their payments at any time, without restriction. However, you should be aware that the more money that is invested, the higher the amount the child will get back at age 18.

An example of how the Ethical CTF could work out:

This depends on the amount of money that is saved into the fund from the time of commencement to the child's 18th birthday and the tax-exempt status of the investment. A typical example of how the Ethical CTF could work out for the child is shown below.

The example given is for a child aged 6 months when the Ethical CTF is started and assumes that monthly contributions of £25 are received until the child reaches age 18.

Initial Government contribution (via CTF voucher):	**£250**
210 Monthly contributions of £25	**£5,250**
Additional Government contribution at age 7	**£250**
Total contributions received	**£5,750**
Minimum amount guaranteed at age 18	**£5,750**
If investments grew at 5% a year the child would get back	£8,030
If investments grew at 7% a year the child would get back	£9,800
If investments grew at 9% a year the child would get back	£12,000

- The above figures are shown after deduction of our charges To illustrate the effect of our charges on your benefits, if no charges whatsoever were made under your policy then, assuming 7% per annum growth, the projected Maturity Value would increase from £9,800 to £11,400.
- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What the child could get back depends on how much is actually invested and for how long, how the investment grows and on the tax treatment of your investment.
- The child could get back more or less than this.
- The guarantee is that, subject to scheduled contributions being paid when due, at maturity the child will not get back less than the basic sum assured which will be at least the sum of contributions.
- All Friendly Societies use the same rates of growth for illustration but their charges vary.
- Do not forget that inflation would reduce what the child could buy in the future with the amounts shown.

What charges are made in the Ethical CTF?

There is an annual charge currently of 1.5%of the value of the funds you accumulate. If the fund is valued at £250 throughout the year, this means that we will deduct £3.75. If your fund is valued at £500 throughout the year, this means we deduct £7.50 that year. Charges are deducted before bonuses are declared. The deductions include the cost of our expenses and charges associated with running the Ethical CTF.

What are the differences between a stakeholder and non-stakeholder Child Trust Fund?

The Ethical CTF is a non-stakeholder Child Trust Fund. Stakeholder Child Trust Funds do exist but are not currently provided by the Ethical CTF. The differences between the requirements of a stakeholder Child Trust Fund and the Ethical CTF are summarised in the table on the next page.

What happens if someone paying into the Ethical CTF dies?

Any money already invested will remain in the child's Ethical CTF until the child's 18th birthday. If anyone contributing dies before the child reaches 18, then their contributions simply stop and when the child turns 18 he or she benefits from the contributions already made. Alternatively contributions can be maintained by another person.

What happens if the child dies or becomes terminally ill?

If the Department of Work and Pensions informs us that the child has died before they reach the age of 18, an amount not less than the contributions paid will be paid to the child's estate.

Further Information

Cancellation rights

After your application is accepted you will receive a statutory notice of your right to cancel. You will then have 30 days from the commencement date of the plan, or the date the notice is received, whichever is later, in which to change your mind. If you choose to change your mind a full refund of all monies will be paid. You can do this by completing and returning the cancellation form to us at Foresters Friendly Society, Foresters House, 29-33 Shirley Road, Southampton SO15 3EW.

Transfers

You are able to transfer your policy to another CTF provider or Junior ISA provider. The transfer value will be based upon contributions received to date plus any bonuses, less any Market Value Reduction.

Advice

We do not offer financial advice. You should contact an Independent Financial Adviser if you have any doubts about this policy's suitability. You may have to pay a fee for this advice.

STAKEHOLDER CTF REQUIREMENTS	FEATURES OF THE ETHICAL CTF
Only certain types of investments can be included in stakeholder CTFs.	As the Ethical CTF is a with profits investment it cannot be stakeholder.
Management charges cannot exceed 1.5%per year.	Our management charges are currently 1.5%per year.
Minimum contribution level must be no higher than £10.	Our minimum regular monthly contribution is £5 and our minimum lump sum contribution is £50.
Contributions must be accepted by Direct Debit, cheque, standing order or direct credit.	Monthly contributions must be paid by Direct Debit. Lump sum contributions must be paid by cheque.
The stakeholder CTF must have some exposure to equities (shares).	Our fund contains a spread of investments, some of which are linked to the stock market.
The stakeholder CTF must offer a spread of investment risk.	The nature of this with profits investment means that this CTF offers a spread of risk.
From age 13-18 a reduction in risk in the underlying portfolio must normally take place to reduce exposure to potentially adverse effects of investment volatility.	As a with profits investment, exposure to investment volatility is reduced by the smoothing of bonus rates. In adverse investment conditions, should you wish to transfer to another provider, it may be necessary to apply a Market Value Reduction to the contract. The value of the fund will never fall below the total of all contributions paid.

Tax

The tax treatment of the proceeds received from this fund is determined by the rules governing the operation of all Child Trust Fund accounts. These rules and the tax legislation may change in the future.

The money invested in this fund is currently invested in a tax-exempt fund, although dividends earned on equities within the fund will have been taxed at source and that tax can not be reclaimed.

On maturity this means that the proceeds of the plan are free from all personal tax such as Income and Capital Gains Tax.

If the child becomes non-UK resident the CTF cannot be closed. It remains open until the child's 18th birthday, and contributions subject to legal maximums can still be made, although Inland Revenue contributions have ceased. You should check the tax treatment of the accumulation of bonuses and the lump sum payment at 18 in any countries which claim an entitlement to tax the child on his or her 18th birthday.

Market Value Reduction (MVR)

This is a deduction we may make if you transfer your CTF to another provider. We will not apply an MVR on death, maturity or terminal illness. Its purpose is to be fair to both members leaving the fund and those staying by ensuring that the transfer value is not unfairly higher than the market value of the policy's assets and that a fair share is left for the remaining members.

Law

The law applicable to the formation and performance of this fund is that of England and Wales. The language of the fund is English. We will communicate with you in English. Our Head Office is in the United Kingdom.

Legislation

All or any of the benefits, the premium or the Plan Conditions may be adjusted as deemed appropriate:

- If there is any change in law or taxation affecting the plan.
- If any levy is imposed on Foresters Friendly Society under statute or statutory authority.

Three months' notice would be given of any such adjustment.

Queries and Complaints

For further information or queries on Foresters Friendly Society products or services please contact the Member Services Department, by Tel: 0800 783 4162, email: memberservices@forestersfriendlysociety.co.uk or at the address at the back of this document.

If you wish to complain about any aspect of the service you have received, please contact Foresters Friendly Society. If a complaint is not dealt with to your satisfaction you can then complain to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR. Tel: 0845 023 4567. Making a complaint will not prejudice your right to take legal proceedings.

Compensation

The Financial Services Compensation Scheme (FSCS) covers this plan. You may qualify for compensation from the Scheme if we are unable to meet our obligations. You can get further information from us or from the FSCS.

Client Categorisation

We are required under the Financial Conduct Authority (FCA) rules to categorise our clients/members. All of our clients members are categorised as 'Retail Clients', which affords our clients/members the highest level of protection under the FCA Rules.

Top up now to support your child's future

Send your completed form to:

Foresters Friendly Society
FREEPOST RLST-SJZE-BACC
29-33 Shirley Road
Southampton
SO15 3EW

Telephone: 0800 783 4162

Visit: www.forestersfriendlysociety.co.uk

Email: memberservices@forestersfriendlysociety.co.uk

Monday - Friday, 9am - 5pm (excluding Bank Holidays)

Information, including a copy of this document, is available in large print, audio and Braille upon request.

Foresters Friendly Society

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