Press Release

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One-off Junior ISA investment could deliver a comfortable retirement pot for your child

TISA, the cross-industry financial services membership body, today reveals that a one-off investment of £9,000 into a Junior ISA on the birth of a child could now deliver a savings pot of over £270,000* by the time the child reaches retirement age at 70 years old.

This fund would allow them to reach the single person's moderate income level, as set by the PLSA, of £20,000 for 20 years (or age 90) when factoring in a basic income tax calculation and assuming a full state pension entitlement, demonstrating the power of saving over a long period of time.

The calculations by TISA come after the Chancellor announced that they were raising the annual subscription limit for Junior ISAs and Child Trust Funds to £9,000 per year from £4,368.

Not everyone can afford that level of investment, but smaller sums can also deliver big returns using the power of compound interest. Selecting the right investment is also critical as the table below shows. £1,000 in an investment such as cash, delivering just 1% annual growth provides just £2,000 after 70 years, whereas an investment delivering 5% annual growth returns 15 times as much at £30,000.

5% is also the average return from the FTSE 100 over the last 119 years, so this level of growth is very achievable. Emerging markets are delivering even higher averages and very young people are well placed to have higher risk tolerances over the long term.

Put another way, if parents and grandparents managed to put £9,000 into a JISA at the birth of their child, who then contributed to Auto-Enrolment during their working life, the combined pension savings could boost their retirement income from Modest to Comfortable, £33,000 per year.

One off deposit at birth	% growth per year	Return after 70 years
£1,000	1%	£2,000
£1,000	3%	£4,000
£1,000	5%	£30,000

Carol Knight, Chief Operating Officer at TISA, commented: *"It is a lot easier to build a substantial sum of money when investing over a long period of time. The Government sent a strong message about the importance of saving from a young age when the Chancellor announced a significant rise to the annual subscription limit of Junior ISAs and Child Trust Funds from £4,368 to £9,000 in the Spring Budget.*

"While the increase in the annual subscription limit isn't expected to cause waves in the market, as the full allowance cannot be taken advantage of by most - the average subscription into a JISA is currently just £994 – this rise may encourage more banks, building societies and other financial institutions to offer JISAs. This is because they could become more valuable, especially when the account holders turn 18 and consider transferring these savings into an ISA.

"We would also like to see the Government encourage and nudge families to take a closer look at the benefits of early savings, given the enourmous advantages a little early financial planning can deliver."

Ends

*Based on today's money and the ssumption of 5% annual growth

A moderate income level in retirement as set by the PLSA is: in addition to the minimum lifestyle, more financial security and more flexibility. For example, you could have a two-week holiday in Europe and eat out a few times a month. Savers would have the opportunity to do more of the things they want to do.

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Notes for Editors

TISA's ambition is to improve the financial wellbeing of UK consumers by bringing the financial services savings industry together to promote collective engagement, to deliver solutions and to champion innovation for the benefit of people, our industry and the nation.

We do this by focusing on good consumer outcomes and harnessing the power of our broad industry membership base to deliver practical solutions, new digital infrastructure and by devising innovative, evidence-based strategic proposals for government, policy makers and regulators. This holistic approach to address the major consumer issues uniquely positions TISA to deliver independent insight, promote innovation and facilitate good practice.

TISA's rapidly growing membership is representative of all sectors of the financial services industry. We have over 200-member firms involved in the supply and distribution of savings, investment products and associated services, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our current strategic policy focus includes making financial guidance more widely available; financial education for young people; retirement savings and addressing consumer engagement, particularly for the vulnerable. These will form essential elements of - *Vision 2025* - TISA's strategic policy roadmap towards delivering a material impact in enhancing consumers' financial wellbeing.

Complementing our development of consumer policy and thought leadership, TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives (TeX/STAR, Digital ID, MiFID II and Open Savings & Investment). This reflects TISA's commitment to open standards and independent governance.

TISA is also recognised for the support it provides to members on a range of operational and technical issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations. This work currently includes MiFID II, CASS, SM&CR and addressing cybercrime.

www.tisa.uk.com