Child Trust Fund (CTF) FAQs

September 2018

1. How does Child Trust Fund work?

A Child Trust Fund ("CTF") is a savings (Cash) or investment (Stocks and Shares) account that launched in January 2005 and was available for children born between 1st September 2002 and 2nd January 2011. CTF preceded Junior ISA ("JISA") and was initially a government incentivised scheme, whereby free savings vouchers for £250 (up to £500 for low income families) were issued to each child.

CTF is exempt of tax, which means any interest or capital gains on the account is completely tax free. The CTF holder, registered contact or other third parties (i.e. grandparents/friends), have a tax-free subscription limit allowance for 2018 ("allowance") of up to £4,260, that can be contributed to a CTF account.

The allowance year runs from the child's birthday to their next birthday.

2. How to open a CTF?

You can't open a CTF account because the scheme is now closed to new applicants. You can however apply for a JISA instead.

3. When was CTF introduced?

The CTF was launched in January 2005 and was available for children born between the 1st September 2002 and 2nd January 2011.

4. When did CTF end?

New applications into the CTF closed on the 2nd January 2011. Existing accounts remained open beyond this date and CTF holders, registered contacts or other third parties (i.e. grandparents/friends), continued to have the ability to make tax free payments up to the subscription limit allowance ("allowance").

5. Who gets a CTF?

A CTF is a long-term tax-free savings account for children. New applications into the CTF closed on the 2nd January 2011 and have since been replaced with the Junior ISA (JISA).

6. Can I withdraw from my child's CTF account?

No. Only the child can withdraw their money in the CTF when they reach the age of 18, and this has to be in totality. There are no partial withdrawals permitted.

Should the child become terminally ill before age 18, the registered contact will need to apply to HMRC for authority to withdraw the money. Where the child has passed away the CTF is payable to the child's personal representatives subject to appropriate evidence of death.

7. Where is my CTF?

It is possible to find out where a CTF is held if you don't know the provider. Follow the below link and fill in the form online to ask HM Revenue and Customs (HMRC). You'll need to **sign in to your Government Gateway account** or register for one – you can do so **here**.

HMRC will contact you for more information if you've adopted the child or a court has given you parental responsibility for them.

8. Who to contact regarding my goneaway CTF?

You can find out where a CTF is held if you don't know the provider. Follow the below link and fill in the form online to ask HM Revenue and Customs (HMRC). You'll need to **sign in to your Government Gateway account** or register for one **here**.

HMRC will contact you for more information if the registered contact has adopted the child or a court has given you parental responsibility for them.

9. Can I transfer to another CTF provider?

Although you can no longer open a new CTF, you can transfer an existing CTF to another CTF provider or switch to a JISA.

10. How to change CTF providers?

You can transfer a CTF to another CTF provider, a JISA with another provider or to a JISA with your existing provider. You need to contact the provider you want to transfer to in order to arrange a transfer.

11. Can CTF be transferred to Junior ISA?

A CTF can be transferred to a JISA. This could be to a JISA provided by your current CTF provider (check your provider facilitates this) or to a different JISA provider.

The funds held in a JISA can be automatically rolled into an 'adult ISA' on maturity (when the account holder reaches the age of 18), outside the normal ISA subscription limits.

While this is not currently the case for a CTF, the government has indicated that they intend to introduce legislation allowing this before the first accounts' mature on 1 September 2020 however there has been no confirmation from HMRC as of yet.

12. Can I switch to an ISA?

A CTF can be transferred to another CTF provider, a Cash JISA or a Stocks and Shares JISA prior to the child's 18th birthday. The child and/or the registered contact will be contacted prior to the child's 18th birthday outlining the options once the child reaches 18, of which one could be to transfer into an adult ISA however this is still to be confirmed from HMRC.

13. Why transfer a CTF to JISA?

In terms of tax incentives, CTF and JISA are similar.

When deciding, a number of factors should be considered such as type of products provider offers, risk appetite of the customer and the fees charged.

If unsure, you should seek professional advice.

14. Can I close my CTF?

A CTF cannot be closed once opened however the CTF will automatically close from the date of the child's 18th birthday. The child and/or the registered contact will be contacted prior to the child's 18th birthday outlining the options.

The only exception is in the unfortunate event that the child passes prior to their 18th birthday, in which case the providers' will handle as part of their deceased process.

15. Can I access my CTF?

No. Only the child can withdraw their money in the CTF when they reach the age of 18, and this has to be in totality. There are no partial withdrawals permitted. Once the child turns 16 they can contact their CTF provider and organise to take over the ownership of the account. However, they are not permitted to take the money until their 18th birthday.

16. Can I hold a CTF and JISA?

A child cannot hold a CTF and a JISA simultaneously, so if a CTF is transferred out, the whole account must be transferred and the CTF provider must close the account. A CTF can be transferred to a Cash JISA, Stocks and Shares JISA or CTF with another provider.

17. Where to invest my CTF?

You can transfer your CTF to a provider that meets your requirements. When deciding where to invest, you should consider the advantages and disadvantages of both a Cash and Stocks & Shares ISA.

You can find a list of approved CTF providers **here**.

18. Which CTF should I invest in?

When deciding what to do, you have two options:

- **Savings (similar to Cash JISAs)**
  Low risk option that works like a normal savings account. It's likely you'll get back the money that you put in, plus interest on top.
- **Investing (similar to Stocks and Shares JISAs)**
  Investing generally means the potential for higher gains but there's also the chance of a higher risk of losses. You may not get back the money you invested. When investing in stocks & shares it is usually recommended to invest for a minimum of 5 years.

19. Why invest in Stocks and Shares rather than Cash?

During low interest rate environments, returns on Cash are generally lower and inflation can erode away earning potential, so some investors prefer to take on a little more risk for potentially higher returns. It's important to remember that regardless of the level of risk, stocks and shares is a capital markets based investment and the value of the CTF can go down as well as up and your child may get back less than was invested.

20. How much can I invest in a CTF?

The CTF holder, registered contact or other third parties (i.e. grandparents/friends), have an allowance for 2018 (subject to annual review) of up to £4,260 a year combined that can be contributed to a CTF account.

The allowance year runs from the child's birthday to their next birthday.

21. How to invest in a CTF?

Depending on your provider, existing customers may be able to add money by:

- Cheque;
- standing order (check your provider facilitates this);
- direct debit;
- one off top up payment.

Note that any money invested by a third party, grandparents etc. should be considered gifted to the child and cannot be returned.

22. Can a child take over CTF at 16?

Once your child turns 16, they can either:

- take over the account by contacting the CTF provider;
- leave the registered contact in charge of the account.

When the child turns 18, they will automatically take over the account and can take out the money.

23. How does a child take over at 16?

If the child wishes to take over the account at 16, they need to contact their CTF provider who will advise them on what they need to do. The child will not be able to withdraw the money until the age of 18. The parent is not able to stop this.

24. What happens when a CTF matures?

When the child turns 18 the account will cease to be a CTF. The child will be sent a communication prior to maturity outlining their options upon maturity, which will consist of either rolling over into an adult ISA (subject to HMRC confirmation) or taking the money.

25. What control does a parent have throughout the life of a CTF?

If you're the main contact for the CTF account you're called the 'registered contact'. You have certain responsibilities until the child turns 18, unless the child chooses to take control of their own account at age 16.

Your responsibilities as the registered contact are to ensure the following:

- the CTF is with a provider that provides an appropriate Cash CTF or Stocks and Shares CTF that meets your desired risk appetite;
- the address and other personal details are correct and up to date;
- switch to another provider should your circumstances change and your current provider does not have an appropriate product offering;
- Any investment decisions whilst the registered contact.

26. What is lifestyling?

Lifestyling means the funds the CTF is invested in change once your child reaches the age of 15 so that they are less volatile. This is intended to provide some protection against the risk of significant changes in the fund value as the child approaches age 18. Firms are no longer required to provide this and you must check with your provider if they offer this facility.

27. Does the CTF affect benefits?

Money in your child's CTF account will not affect any benefits or tax credits you receive, and neither you nor your child will pay tax on money earned in a CTF account.

If you have any questions regarding the CTF not already covered in this document, or require additional information, please get in touch with us at TISA via email at enquiries@tisa.uk.com

About TISA

TISA is a unique, consumer focused membership organisation. Our aim is to improve the financial wellbeing of UK consumers by aligning the interests of people, the financial services industry and the UK economy. We achieve this by delivering innovative, evidence-based proposals to government, policy makers and regulators; the proposals provide practical solutions to major consumer issues.

TISA goes beyond just the provision of consumer focused policy and has a growing reputation of delivering industry solutions to support its proposals.

TISA's growing membership comprises over 190 firms involved in the supply and distribution of savings and investment products and services. These members represent all sectors of the financial services industry, including the UK's major investment managers, retail banks, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTech, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

TISA's current strategic policy and industry solution developments include:

- **Guidance**: developing a framework to make guidance more widely available to the estimated 42 million UK citizens who will rely on it when making financial decisions
- **Digital ID:** development of a digital identity for consumers of financial services: following successful earlier feasibility work, a project with members has now been established to develop and test a pilot of the Digital ID.
- **Digitalisation**: building on the successful launch of TeX, TISA has initiated a range of member projects developing open standards that support the growth of FinTech and increase consumer access to financial services, while lowering costs for providers.
- **Financial education**: helping to make young people aware of the impact of finance on their life including the KickStart Money project – a £1million three-year programme delivering financial education to 18,000 primary school children.
- **Retirement saving**: strategic policy focused on the needs of millennials and the self-employed and the use of property to supplement retirement income.
- **ISAs**: working with government, the simplification/improvement of this key savings regime
- **The TISA and KPMG Savings Index:** a biannual measure of typical household savings and debt in Great Britain.
- **Consumer engagement:** alongside our financial education and guidance work, we are also considering how the industry can improve how they identify and interact with vulnerable customers, and encourage greater financial capability for UK consumers.

TISA - Providing technical solutions for its members

TISA also provides support on a range of operational and technical issues targeted at improving processes, standards of good practice and open standards, alongside the interpretation and implementation of new rules and regulations, including:

- MiFID II: The publication of good practice guides and open standards, and an industry solution to the collection of target market data and costs & charges.
- CASS/Client Assets: The publication of good practice guides and work on unbreakable term deposits.
- Tackling financial crime, data standards, SM&CR and GDPR.
- Brexit: developing proposals for government that will enable the savings and investments sector to prosper on a global scale to the benefit of UK plc.

TISA - Supporting industry developments

Our work to improve industry infrastructure includes:

- TeX: an industry utility, providing the legal framework and governance necessary for the use of electronic messages facilitating transfers.
- Support for the Transfers & Re-registration Industry Group (TRIG)
- Support for the UK Fund Trading and Settlement initiative (FTS).

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