

Child Trust Fund Podcast - Transcript

HARTIGAN I'm James Hartigan and I've come to HMRC's offices to find out more about the Child Trust Fund. I'm joined by Clare Merrills from HMRC. Hi there, Clare.

MERRILLS Hi.

HARTIGAN So, what is a Child Trust Fund?

MERRILLS Well basically, the Child Trust Fund – it's a savings and investment account for children. And children that were born on or after the 1st September 2002, just get a two hundred and fifty pound voucher to start their accounts. The account belongs to the child and it can't be touched until they get to eighteen. So what it means is, when they actually get to eighteen, they've got some money behind them to start their adult life.

HARTIGAN So all children get these vouchers, it's not means tested at all?

MERRILLS Every child that has child benefit awarded to them and they live in the UK, and they're not subject to immigration restrictions, will automatically get this voucher sent to them – to their parents – with a pack of information explaining exactly what they need to do next.

HARTIGAN And what form do these vouchers take, what do they look like?

MERRILLS Well they're paper vouchers that come through the post, with an information pack explaining exactly what you need to do next. And you would take those along to whoever you decide to open the account with, and they will open an account for you.

HARTIGAN And what happens if the voucher isn't invested immediately – how long is it valid for?

MERRILLS The voucher itself is actually valid for 12 months and, if you don't go and open that account for your child, we'll send you a couple of reminders along the way saying, you know, have you thought about opening it, this is what you need to do. But if you don't open it within 12 months, we will automatically open an account on behalf of the child, let you know exactly what we've done, where we've opened it, who the account is actually held with. And then you can make a decision at that point whether you want to keep it with that particular provider or whether you want to change it to somebody else.

HARTIGAN What's your message for parents who haven't invested their voucher yet?

MERRILLS The most important message that I think I can give to people is that you really do need to have a look at the information pack that we send with it, have a look at the different accounts and decide which one is actually right for you and for your family. There's three different types of account. There's the stakeholder account which invests in shares, but there's certain rules in there that mean that as the account gets nearer to the time that the child's actually going to benefit from it – at the age of 18 – the risk in those shares is actually reduced, because it's moved to safer investment. There's a second type, which is purely an investment in shares, and the third type which is a savings account. So you need to decide how much risk you're prepared to actually take because, if you're investing in either of those accounts that invest in shares, then you've also got that risk that the value of shares goes up and down, so you need to work out for yourself which is the best route for you. But my biggest tip would be: do it sooner rather than later. The sooner that's actually invested, the sooner it starts to grow for your child.

HARTIGAN And where can parents get information about the different providers?

MERRILLS If parents have a look in the pack of information that comes along with the voucher itself, there's a list in there. But a really good place to have a look and to help you make your decision about which account you want to make, and where you want to place it, is on our website which is www.childtrustfund.gov.uk. And the bit that helps you decide which sort of account you want is ctfhelp.com.

HARTIGAN So do you just get that initial voucher – are there any more contributions along the way?

MERRILLS Well, the government actually will give you an extra two hundred and fifty pounds when your child reaches the age of seven. And for families in lower income situations, they will also get a top up of £250 with the first payment, and also again with the second payment at the age of seven.

HARTIGAN And can the parents add money to the investment?

MERRILLS Yes, they can. Parents, friends, grandparents, family can invest up to £1,200 per annum and that's totally tax free. That's tax free when the money goes in, it's tax free when the child gets it at the age of 18.

HARTIGAN So just to be clear – no one else can have any say over that money. It belongs to the child when they turn 18?

- MERRILLS That's right. The parents can pay money in, family can pay money in, but it's not until the age of 18 that anybody can actually get hold of that money, and that is only the child themselves who can get hold of it.
- HARTIGAN And over the years leading up to that, how do you know how the account's performing?
- MERRILLS Well, each year the person that you've invested it with will send you a statement around about the time of the child's birthday, just basically explaining how it's gone on over the last year, how the investment has grown. And then that's an opportunity as well for parents to think about, well, do I actually want to put this into a different account because I think it might do better somewhere else. So that gives you the opportunity to check that and, of course, you can speak to your provider at any time and they'd be able to tell you what's going on anyway.
- HARTIGAN What should parents do if they accidentally lose the voucher?
- MERRILLS If the voucher is lost, what you need to do is give us a call. We have a helpline which is 0845 302 1470. If you give us a call we can actually cancel the original and send you a replacement, so that you can then go on and get it invested.
- HARTIGAN And if people want more information about the Child Trust Fund, is that phone number the best place to call?
- MERRILLS They can call that helpline number if they actually want to speak to someone, but there's loads and loads of information at our website address which is www.childtrustfund.gov.uk. And for parents that are perhaps wanting a little bit more help with which account they want to open, there's actually a special page just for people wanting help with making that decision and that's www.ctfhelp.com.
- HARTIGAN Clare Merrills thank you very much for your time. A reminder of those website addresses – www.childtrustfund.gov.uk and www.ctfhelp.com.