

2 December 2004

## CHILD TRUST FUND CONSULTATION ON AGE 7 TOP-UP PAYMENTS

The Child Trust Fund, announced in Budget 2003, is a new savings and investment account for children. Its aim is to ensure that all children have a financial asset behind them when they reach the age of 18. It will help encourage a savings culture for both families and children.

All children born since 1 September 2002, who live in the UK and have Child Benefit claimed for them, will receive at least £250 as an initial endowment; children from lower income families will initially receive £500. Family and friends can contribute up to £1,200 per year to each account. There will be no tax on any money earned in the account. Child Trust Fund accounts will become fully operational on 6 April 2005.

Following extensive consultation<sup>1</sup>, the Government published its detailed proposals for the Child Trust Fund in October 2003<sup>2</sup>. This included an announcement that the Government will make a further top-up payment to every Child Trust Fund account when the child reaches the age of seven, based on the principle of progressive universalism – a flat rate payment to all children and an additional payment to children in families on lower incomes.

As well as helping the accounts to grow, the top-up payment at age seven will encourage additional saving by family and friends and reinforce and support the delivery of financial education in schools by providing a relevant and practical example of saving.

In its detailed proposals document in 2003, the Government confirmed that:

- eligibility for the age seven payment would be the same as that for the initial endowment and based on the child living in the UK and being subject of a child benefit award at their seventh birthday;
- there will be no need for a child's parent or guardian to make a separate claim for the top-up at age seven. The top-up payments will be made directly into the child's Child Trust Fund account;

<sup>1</sup> In *Saving and Assets for All*, HM Treasury, April 2001 and *Delivering Saving & Assets*, HM Treasury, November 2001

<sup>2</sup> *Detailed proposals for the Child Trust Fund*, HM Treasury and Inland Revenue, October 2003

- the Inland Revenue will make special arrangements with local authorities to ensure that looked after children do not miss out on the age seven payment.

In today's Pre-Budget Report, the Chancellor announced that the Government will now consult on the following issues:

1. Value of the universal age seven payment into Child Trust Fund accounts.

When the Child Trust Fund was announced in Budget 2003, the value of the initial endowment to all children was set at £250. The Government would welcome views on whether £250 is also the correct value for the universal top-up payment at age seven.

2. Value of the additional payment to children lower income families at age seven.

In Budget 2003, the Government announced that the value of the higher initial endowment to children in lower income families would be £500. Around 40% of all children will receive this higher payment - those children in families eligible for the full Child Tax Credit (with household income at or below £13,480 - the limit in 2004-05).

Additionally, the Government has said that children in low income families who qualify for full Child Tax Credit at the child's seventh birthday will qualify for the higher payment at age seven. The Government would welcome views on whether £500 is the correct value for the higher payment to children in lower income families at age seven.

3. Ratio of progressivity.

Based on initial endowments of £250 for every child and £500 for poorer children, the ratio of progressivity for the initial endowment into Child Trust Fund accounts is 1:2. The amounts the Government is consulting on for the age seven payment would imply a ratio of progressivity of 1:2. The Government would welcome views on whether 1:2 is the correct ratio of progressivity for the top-up payments at age seven.

HM Treasury invites views from industry, consumer organisations, charities and other stakeholders on these issues.

The value of the age seven top-up payments that will be announced will take into account the responses to this consultation.

Respondents are asked to reply by e-mail to:

[CTFage7payments@hm-treasury.gov.uk](mailto:CTFage7payments@hm-treasury.gov.uk)

or in writing to:

CTF Age 7 payments consultation  
Assets, Savings and Wealth team  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

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Please direct all media enquiries to HM Treasury Press Office on 020 7270 5238.

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For general information on the Child Trust Fund please visit:

[www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)

or call the Child Trust Fund Helpline on 0845 302 1470 open 8am to 8pm, 7 days a week, excluding 25th December and 26th December and 1st January.

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