

# The Child Trust Fund and Building Societies



**BUILDING  
SOCIETIES**  
ASSOCIATION



**The Child Trust Fund** is a savings and investment account for children. Children born since 1 September 2002 will receive a voucher for £250 to start their account and a further payment of £250 at age 7. The Government is considering a third payment when the child is at secondary school. The account belongs to the child and the money in it cannot be withdrawn until they are 18.

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This leaflet answers the main questions that parents or carers of young children may have about the Child Trust Fund. It comes from the Building Societies Association, the trade association that represents all the UK's building societies. All building societies offer reliable savings products, many of them suitable for children.

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## 1 What is the Child Trust Fund?

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It is a savings and investment account for children. It aims to give children a 'nest egg' they can use when they reach 18. The Government will make a starting payment – in the form of a voucher – soon after the child is born, a further payment when the child is seven and is considering another payment when the child is in secondary school. Family and friends will also be able to pay into the account.

## 2 Does my child qualify?

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Children born on or after 1 September 2002 in the UK qualify for a Child Trust Fund. If you receive child benefit for an eligible child, you will receive a Child Trust Fund voucher automatically. The voucher will enable you to open a Child Trust Fund on behalf of your child and will provide an opening balance of £250 or £500, depending on your circumstances.

## 3 How much will the Government contribute?

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The Government will provide £250 as an initial amount. If your family receives full Child Tax Credit (currently you get this if your annual family income is less than £14,155), then the Government will pay a further £250 into the Child Trust Fund after the end of the tax year in which the account is opened, raising the total initial Government contribution to £500. The Government will pay a further amount when your child reaches seven - this will be £250 or £500, depending on your circumstances - and is considering another payment when they reach secondary school age.

The Government will provide an extra £100 per year for every child who spends the year in care.

## 4 How much can I save and who else can save?

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Anyone can pay money into the account – you can make contributions as a parent or carer, as can others who have an interest in the child’s financial well-being, such as other family members, friends, godparents – or the child. The total that can be paid in to the account each year (running from one birthday to the next) is currently £1,200 – this is on top of the payment made by the Government when your child is born and when they reach seven. Money paid into or earned by the Child Trust Fund may not be withdrawn until the child is 18.

## 5 Where can I open a Child Trust Fund?

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HM Revenue & Customs will send you a full list of the financial institutions – including building societies – that offer a Child Trust Fund before you receive your child’s voucher. Also, it’s worth checking the website [www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk), as this has an up-to-date list of Child Trust Fund providers and distributors.

## 6 How do I apply?

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If you are over 16 and have parental responsibility for a child who qualifies for a Child Trust Fund, you can apply to open one. You can apply in person, by telephone, post or email, although some Child Trust Fund providers will accept only written applications.

## 7 What should I do with the voucher when it arrives?

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A few days before the voucher arrives in the post, HM Revenue & Customs will send you an information pack listing all the building societies, banks and other companies that are allowed to offer a Child Trust Fund account. When you have decided where and what sort of account

**7** you want to open, take or send your voucher to the building society or other financial institution of your choice from the list provided, and they will open the account for you. They can do this only when they receive the voucher. It is important that you give them your voucher with your application to open the account, or as soon as possible afterwards.

## **8 How much choice of account do I have?**

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A range of Child Trust Fund accounts is available. To select the one that is right for your child, you need to think about your attitude to risk. The least risky types of Child Trust Fund include building society cash-deposit accounts where any money you pay in is secure. Other Child Trust Funds – such as stakeholder accounts (*see question 11*) and others that invest in stocks and shares – may offer rates of return that can be higher than cash deposits, particularly over an 18-year period, but they involve a risk that some of the money invested in the account may be lost.

## **9 Can I exchange the voucher for cash?**

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No. The voucher must be paid into a Child Trust Fund for your child.

## **10 What should I do if I don't receive a voucher?**

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If your child is eligible for the Child Trust Fund, you should be sent a voucher by HM Revenue & Customs within a few months of the first time you claim child benefit. If you don't receive a voucher, you should contact HM Revenue & Customs – you can find their details at question 27.

## 11 What is a 'stakeholder' Child Trust Fund?

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All financial institutions that offer Child Trust Funds must offer 'stakeholder' Child Trust Funds. These are accounts invested in stocks and shares, at least until the child reaches 13. Between the child's 13th and 18th birthdays, investment will be shifted from stocks and shares to safer investments such as cash or government stock. For managing a stakeholder account, the most a provider may charge is 1.5% (£1.50 for every £100) of the value of the fund each year.

## 12 What is a non-stakeholder Child Trust Fund?

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Any Child Trust Fund that is not a 'stakeholder' is called a 'non-stakeholder'. Only some of the institutions that offer Child Trust Funds offer non-stakeholder accounts. Building society cash-deposit Child Trust Funds are 'non-stakeholder' accounts.

## 13 Are there charges for non-stakeholder Child Trust Funds?

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Building societies do not charge for managing cash-deposit Child Trust Fund accounts.

The managers of non-stakeholder Child Trust Funds invested in stocks and shares may make an initial charge or an annual charge or both. This may be higher than 1.5% (£1.50 in every £100) of the fund's value each year. Before applying to open a non-stakeholder Child Trust Fund account it is best to check the charges.



## 14 When can my child get hold of their savings?

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Your child cannot normally take out the money in their Child Trust Fund until their 18th birthday. Special arrangements apply in the unlikely event of their death or terminal illness.

## 15 What can my child do with the money when their Child Trust Fund matures?

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At age 18, your child's Child Trust Fund will be available for them to use in whatever way they choose. So they could use the money to help pay university tuition fees, say. But if they would prefer to spend it on something else, such as a new car or a holiday, or to carry on saving the money in a building society savings account, that is their decision.

## 16 What happens if I don't open a Child Trust Fund?

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The voucher is valid for only 12 months, so you won't be able to use it to open a Child Trust Fund after 12 months. If you fail to open a Child Trust Fund account within 12 months of receiving a voucher, HM Revenue & Customs will open a Child Trust Fund stakeholder account for your child. They will tell you which financial institution it has been opened with.

If you don't want the account to remain with the institution chosen by HM Revenue & Customs, or you don't want it to remain a stakeholder account, you will be able to move it (see questions 21 and 22). But remember that you won't normally be able to close it. Only in exceptional cases can it be closed before your child reaches 18.

## **17 If I change my mind about money I have paid in to a Child Trust Fund, can I get my money back?**

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No – any money paid into the account will be treated as a ‘gift’ to your child and cannot be taken out until the child is 18, at which point only the child will be able to withdraw it.

## **18 What about my other children, who don’t qualify for the Child Trust Fund?**

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Your building society will be able to offer other savings accounts suitable for children.

## **19 Will my child have to pay tax on the account?**

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No. All capital gains, interest payments and any other money (such as dividends) earned on a Child Trust Fund is free of tax. Even if your child becomes a taxpayer before 18 – for example if they get a job at 17 – they will not have to pay tax on any income or capital gains they earn on their Child Trust Fund.

## **20 Will I have to pay tax on the interest?**

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No. Normally, if a parent makes a gift to their child which provides income for the child of more than £100 a year (for example, interest on a building society account) the parent is taxed at their own rate of income tax. With a Child Trust Fund this does not apply.



## **21 What if my child is likely to need money at short notice?**

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Other accounts, such as a building society instant access account, will be better suited to the needs of a child who is likely to need money at short notice. They can still have a Child Trust Fund as well. But the Child Trust Fund must be used only for money that you are happy to be 'tied up' until your child is 18.

## **22 At what point can my child start to take responsibility for their Child Trust Fund account?**

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Although they can't withdraw money from the account until they are 18, children legally take control of their Child Trust Fund when they reach 16. This means they will be able to decide from the age of 16 what the account should be invested in (for example, stocks and shares or cash) and which building society or other financial institution it should be held with. But it is a good idea to get your child interested in the account at a much earlier age. In learning about the account and how it operates, they can develop an interest in their own financial well-being – this is important as they start to become more financially independent.

## **23 Will my child be able to keep their Child Trust Fund after their 18th birthday?**

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Under Government rules, when your child reaches 18 their account will stop being a Child Trust Fund. However, it will be possible for the account to be automatically converted to an individual savings account (ISA). This way, the money in the account will continue to be exempt from tax (for more details about ISAs see the BSA's ISA leaflet).

## 24 May my child have more than one Child Trust Fund account?

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No.

## 25 What if I change my mind about the account and want to move it to another provider?

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You will be able to do this. If your local building society offers a Child Trust Fund account, it will be able to tell you how to transfer a Child Trust Fund to it from another institution.

## 26 Can I change from a stakeholder Child Trust Fund to a non-stakeholder Child Trust Fund?

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Yes, but not all providers offer both types of account, so you may need to move the Child Trust Fund to another provider. Building societies that offer Child Trust Funds will be able to give you more details about what you need to do if you want to transfer your child's account to them.

## 27 Where can I find out more?

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**Look** on the Child Trust Fund website:  
[www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk)

**Call** the Child Trust Fund helpline 0845 302 1470  
between 8am and 8pm.

**Write** to:  
Child Trust Fund Office  
Waterview Park  
Mandarin Way  
Washington  
NE38 8QG



## Child Trust Fund

### Information on the Child Trust Fund is available in other languages

Visit the Child Trust Fund website  
[www.childtrustfund.gov.uk](http://www.childtrustfund.gov.uk) where factsheets are  
available in the following languages:

Arabic

بالعربية

Gujarati

ગુજરાતી

Bengali

বাংলা

Punjabi

ਪੰਜਾਬੀ

Chinese

中文

Tamil

தமிழ்

English

English

Urdu

اُردو

Welsh

Cymraeg

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