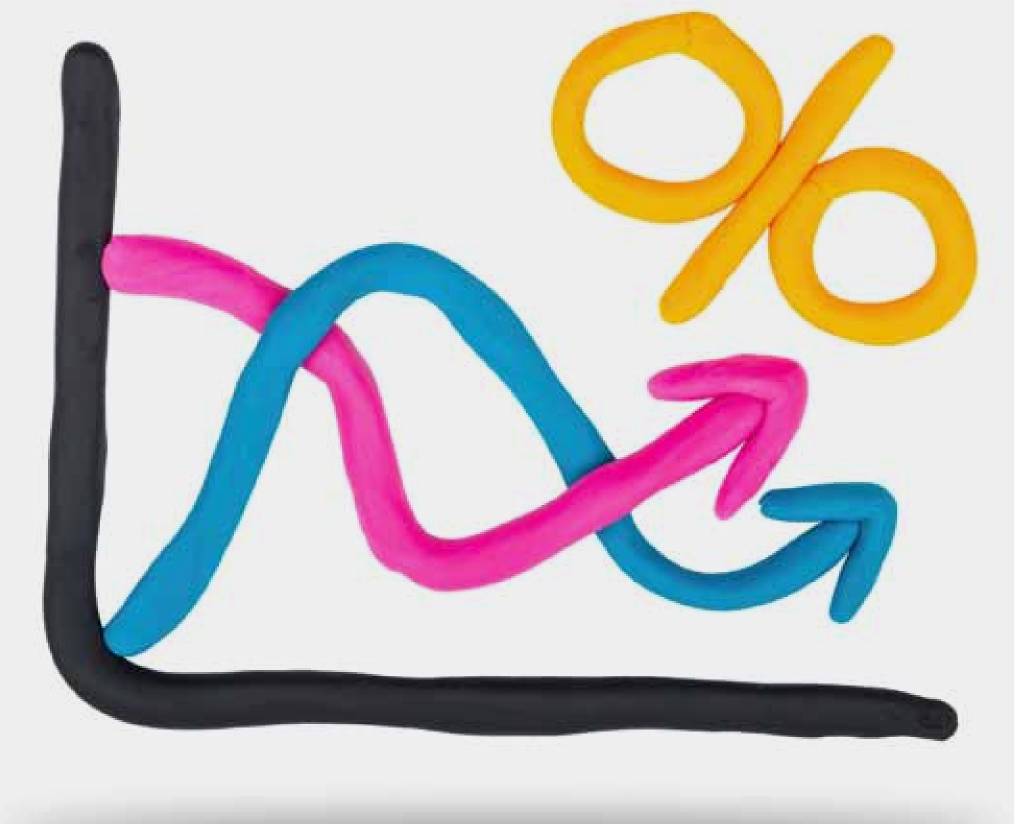
GUIDE TO

INVESTING FOR CHILDREN

BUILDING A NEST EGG TO PROVIDE FOR THEIR FINANCIAL FUTURE

FINANCIAL GUIDE



GUIDE TO INVESTING FOR CHILDREN

Building a nest egg to provide for their financial future

Investing and saving for your children or grandchildren is a great way to give them a good financial start in life. Even small amounts can really add up if you save regularly from a child's birth, and there are many ways to invest on behalf of a child.

You need to take into account how much you can comfortably put aside, and how much you'll need at the end of the period and if you're saving for something sizeable, such as helping them through university or onto the property ladder. You may want to opt for an option that has the potential for more growth – even if this can't be guaranteed. Investing and saving for your children or grandchildren typically means taking a reasonably long-term view.

Give your children or grandchildren the best start in life, and with some early financial planning, you could help them:

- **Fund a university education** – university fees, student living and the costs of accommodation can all add up
- **Enjoy a gap year** – after school, college or university, many young people opt to volunteer abroad, or simply want to see some of the world. The returns from an investment could help make this possible
- **Put down a deposit** – a maturing investment could help them take their first step on the property ladder

Junior Individual Savings Account (ISA)

The first and easiest option to choose is a Junior Individual Savings Account (ISA), if the child is eligible. Junior ISAs are flexible, tax-efficient and can only be accessed by the child when they reach the age of 18. Parents and other relatives can save up to £4,080 in the 2015/16 tax year in a Junior ISA, and like adult ISAs, Junior ISAs can be held in cash or stocks and shares, or you can divide the allowance between both.

Child Trust Fund (CTF) transfer into a Junior ISA

Changes to CTF regulations now mean investors can choose to transfer existing Child Trust Funds into Junior ISAs. Junior ISA tax advantages may depend on your individual circumstances, and tax rules may change in the future.

Your existing CTF provider may make a charge for carrying out a transfer. If your child does not qualify because they have already used their Junior ISA allowance for the current tax year, or they have a CTF that they do not wish to transfer into a Junior ISA, then there are other options you could consider.

NS&I Children's Bond

If you are a parent, grandparent, great grandparent or legal guardian, you can invest between £25 and £3,000 tax-free for five years at a time until the child reaches 16, at which point they will gain control of the bond. The interest rate is guaranteed, so you'll know how much the investment will earn at the end of the five-year term.

But if you need access to the money before the end of the five years, you'll face a penalty – the equivalent of 90 days' interest on the amount you cash in.

Regular savings

If you're able to commit to making monthly contributions, then you can often benefit from higher rates of interest with a regular savings account.

They're ideal for savers who are saving for something specific and wish to drip-feed cash into their account in a disciplined way, but these accounts will usually limit the number of withdrawals you can make each year and restrict the amount of money you can invest each month.

Be careful not to miss a payment or exceed the limit on withdrawals, as doing so can cost you interest.

Complete an R85 form

In the 2015/16 tax year, each child is entitled to a tax-free allowance of £10,600. Make sure you complete an HM Revenue & Customs form R85, so that any interest will be paid free of tax.

If you haven't done this, you can reclaim it for them using form R40.

However, if you give your children money and it makes more than £100 a year before tax in interest (or £200 if both parents give money), all this income (not just the income over £100) will be taxed as if it were your own. This limit applies to income from gifts from parents only, not other family members.

Start investing

When investing for children, it is a good idea to go for something that gives you exposure to a broad spread of companies and sectors. It is important to get the right balance between good growth potential and not taking too much risk.

You can hold investments on behalf of your child in a bare trust or a designated account. A designated account will be earmarked for your child but will be in your name and treated as your investment, and, as such, any income of over £100 will be taxed at your rate, whereas a bare trust will be treated as your child's for tax purposes. The trustees of a bare trust have legal control until the child reaches the age of 18 (age 16 in Scotland).

Set up a pension

A Stakeholder Pension Plan for a child is available, and anyone can contribute (whether it is a parent, aunt, uncle or grandparent), usually having to invest as little as £20 gross. When the child reaches their 18th birthday, they take ownership of the pension plan and make the decisions on its management.

Any money in the child's pension plan is tied up until they can actually take their benefits, which currently could be any time from age 55 (rising to 57 in 2028).

Questions to ask when you're choosing how to save or invest for your children or grandchildren

- How much risk are you prepared to take?
- How much growth do you need?
- Will you need the money before your child or grandchild reaches their 18th birthday?
- Are you happy for your child or grandchild to have control of the investment?
- Are you saving enough to have to worry about tax issues?

GIVE A WONDERFUL GIFT FOR THEIR FUTURE

Saving for children or grandchildren today is a wonderful gift you can make for their future. Not only can they start their adult lives with some funds in hand, but getting them involved early with saving and investing also helps them learn important lessons about money. To find out more about the different options available, please contact us for further information.

"INVESTING AND SAVING FOR YOUR CHILDREN OR GRANDCHILDREN IS A GREAT WAY TO GIVE THEM A GOOD FINANCIAL START IN LIFE. EVEN SMALL AMOUNTS CAN REALLY ADD UP IF YOU SAVE REGULARLY FROM A CHILD'S BIRTH, AND THERE ARE MANY WAYS TO INVEST ON BEHALF OF A CHILD."

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

WILL YOUR CHILDREN OR GRANDCHILDREN NEED YOUR FINANCIAL HELP?

Whichever route you choose to take, the best time to start saving and investing for your children or grandchildren is now. It's all about the long term to give their savings and investments as much time as possible to grow. For more information or to discuss your requirements, please contact us today – we look forward to hearing from you.

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