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Child Trust Fund

A Stakeholder Child Trust Fund (TFCTF) - Key facts & features

Who is the Transport Friendly Society (TFS)?

TFS is a non-profit making mutual organisation that is run by public transport people for the benefit of public transport people. We were formed over 100 years ago to help people working in the public transport industry maintain their standards of living in times of sickness.

For the first time in its history TFS is allowing people who have no link to the transport industry to join the Society via our Stakeholder Child Trust Fund.

What is a Child Trust Fund (CTF)?

- Child Trust Fund (CTF) is a tax-free savings and investment account for children designed to encourage children, their families and friends to save for the future.
- Children born on or after 1 September 2002 are eligible if child benefit has been awarded for them and they live in the UK.
- The money in the CTF belongs to the child and can only be taken out when he/she reaches the age of 18. There is no access to the money until then. The exceptions to this are if unfortunately the child becomes terminally ill or dies.

Are there different types of CTF?

- **Savings** -This is the basic kind of CTF and the most secure. Your child will get back the amount put in, together with any interest. But the downside of this being the most secure CTF is that, while it pays interest, it is less likely to grow as much over the long term as a CTF that invests in shares.
- **Shares** - This CTF carries more risk than a savings CTF as the money will be invested in stocks and shares and the value of those investments may go down as well as up
- **Stakeholder**- invests in the shares of a number of companies when it is opened, but when your child is 13 the money in the CTF begins to be moved to lower risk investments (called Lifestyling). This means that although your child's money may not benefit if the stock market is performing well, it is protected from stock market losses as they approach age 18.

What type of CTF is the TFCTF?

TFCTF is a Stakeholder CTF:-

- Charges can be no more than 1.5% per annum of the value of your child's CTF.
- Your child's money will be invested in a wide range of investments including equities.
- Exposure to any of the risks involved in investing in equities must be reduced once your child reaches age 13.
- Contributions of £10 and above are accepted and can be paid by cash, cheque, direct debit or standing order

Who can open a CTF?

- A person with parental responsibility for an eligible child who has a CTF voucher for that child can open a CTF for that child and will be the Registered Contact until they reach age 16.
- HM Revenue & Customs will open a stakeholder CTF for a child if a CTF is not opened by a person with parental responsibility

Who can pay into a CTF?

- The Government – currently pays £250 when a child is born and a further £250 on the child's 7th Birthday
- Parents, Family and Friends – can pay £10 or above, either as a one off or as a regular amount up to a total of £1,200 per year per child.

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How does a CTF work?

- The CTF and the money in it belong to the child, although it is managed by a person with parental responsibility until the child is 16. When children reach 16 they will manage their own CTFs.
- When a child reaches the age of 18 there will be no restriction on how he/she uses the money in the CTF.
- Initially Transport Friendly Society invests the money with Legal & General Investment Management with the objective to track the capital performance of the UK equity market (FTSE All Share Index). Once the child reaches age 13 the money invested in the CTF is gradually moved towards less risky assets such as Government Bonds and Fixed Interest securities. This is called lifestyling.

How is a CTF Taxed?

All investment growth generated by CTF investments is exempt from income and capital gains tax. Any tax reclaimed is reinvested into the CTF.

Can I take money out of my child's CTF?

No, once money has been put into the CTF it can only be taken out by your child when they reach age 18.

Can money ever be withdrawn before my child reaches age 18?

If your child dies before reaching age 18 the money would be payable to his/her estate.

If your child were to become terminally ill it may be possible to withdraw money subject to a claim being agreed by the Child Trust Fund Office.

What is Lifestyling?

When your child reaches age 13, unless you tell us not to, we will start to reduce the amount of the fund that is invested in the stock market and put this money into Government Bonds, fixed interest securities and cash. This is designed to reduce the risk of your child's CTF losing value before they reach 18.

Can I Transfer to another provider?

Yes, if you write in we will arrange for your CTF to be transferred to another provider within 30 days of receiving your request.

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TFCTF Fund Aims

To provide a fund for your child that grows in to a tax-free cash lump sum for them to use when they reach age 18

Your Commitment

- The Government will provide £250 (£500 if you are receiving full child tax credits) upon the birth of your child and again on their 7th Birthday. You agree to pay the CTF vouchers you receive from the Government into the account.
- You, your family or friends can top up your child's fund by £10 or more, either as a one off payment or on a regular basis, to a total of £1,200 per year

Risk Factors

- The value of your child's fund will depend upon the investment performance of the TFS Stakeholder CTF and is not guaranteed.
- Investment values can fall as well as rise and your child could get back less than you paid in
- Past performance is not necessarily a guide to future performance of investments
- Once money has been put into your child's CTF it is not possible to get it out until your child is 18 years old
- Once you, your family or friends put money into your child's CTF it becomes the child's money
- The tax advantages of the CTF may change. If this happens the growth potential of the CTF may change.

How does TFCTF work?

When vouchers or money are paid into your child's CTF we will allocate a number of units based on the unit price at the time the money is received.

This unit price is re-calculated on a weekly basis and can increase or decrease depending on how our investments have performed. At anytime the value of a TFCTF will be the number of units held multiplied by the current unit price.

A statement will be sent out every year on your child's birthday and this will give the current value of the CTF together with details of all payments made into the CTF during the year.

What might my child get back?

The examples in the illustration of benefits below are designed to show you how the total charges and expenses affect the value of your child's investment and gives you an idea of how much the child's investment could be worth in the future. The examples assume that the term is until the child's 18th birthday. The final amount will depend on how much is invested on behalf of the child and the actual rate at which investments grow. What the child could get back at 18 if investments grew at:

5% pa	7% pa	9% pa
£ 781	£ 981	£ 1,230

- These figures are only examples and are not guaranteed, they are not minimum or maximum amounts
- What the child might get back depends on how the investments grow and on the tax treatment of the investments
- The child could get back more or less than this
- All firms use the same rates of growth for projections but their charges vary -
- Do not forget that inflation would reduce what could be bought in the future with the amounts shown
- The illustration allows for Lifestyling to occur from age 13 onwards. This means the child's fund is switched into a lower risk investment. The corresponding growth rates used for the lower risk investments are 4%,4.5%,5%, instead of 5%,7%,9%.

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The effect of deductions for charges, assuming a growth rate of 7%:

At the end of Year	Investment to date	Effect of deductions to date	What the child might get back
Early Years			
1	£250	£3	£261
2	£250	£8	£275
3	£250	£13	£290
4	£250	£18	£305
5	£250	£24	£322
Later Years			
10	£500	£86	£728
15	£500	£188	£921
18th B'day	£500	£237	£981

What are the deductions for?

The deductions include expenses, charges, any surrender penalties and other adjustments. The last line in the table shows that over the term of the CTF the effect of the total deduction could amount to £237. Putting it another way, if growth rates were to be 6.5%, which is in no way guaranteed, this would have the effect of reducing it to 4.9% a year.

How much will the advice cost?

Transport Friendly Society does not give any advice and will not pay commission to your financial adviser.

What are TFCTF charges?

Transport Friendly Society cannot charge more than 1.5 % of the value of the TFCTF per year. The charges will be deducted from the Fund when the unit price is calculated. There will be no other charges made.

Complaints

If you wish to complain about any aspect of the service you receive from the TFS please contact us at the address below. If the complaint is not dealt with to your satisfaction you can refer your complaint to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR (telephone 0845 080 1800). Complaining to the ombudsman will not affect your legal rights.

Compensation

If Transport Friendly Society is unable to meet its liabilities, compensation may be payable by the Financial Services Compensation Scheme on 020 7892 7330 (www.fscs.org.uk).

Law

In any legal disputes the law of England and Wales will apply

The TFS is authorized and regulated by the Financial Services Authority (IRN 110020) and registered and incorporated under the Friendly Societies Act 1992 (Reg.No.434F). When you take out a policy the child becomes a member of the Society and is subject to its rules which are available on request.

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