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Key Features of the Stakeholder Child Trust Fund

Child Trust Fund



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The Financial Services Authority is the independent financial services regulator. It requires us, Healthy Investment, to give you this important information to help you to decide whether our Stakeholder Child Trust Fund is right for your child. You should read this document and the Terms and Conditions carefully so that you understand what you are buying, and then keep them safe for future reference.

Its Aims

- To provide a method of saving for a child by investing Government contributions and additional amounts.
- To produce a lump sum for the child at age 18.

Your Commitment

- You do not have to make any further payments above what the Government pays.
- If you do make any payments yourself, they then belong to the child and you cannot get them back.
- Once money has been paid into the CTF, it is locked in and cannot be taken out by the child until he or she reaches 18.

Risks

- What the child gets back will depend on how well our investments do.
- Our charges may increase.
- Tax rules for CTF's could change.

Questions and Answers

Who should consider this plan?

- You might consider this plan if you already have savings in a bank or building society and you are now looking to put some money into a tax free investment for the child which has some risk that the child might get back less than has been paid in.
- You should see this as a long term investment as generally no money can be taken out until the child is 18.
- If you have any doubt whether the plan is right for you contact your financial adviser.

What is a Child Trust Fund?

- It is an investment account for children born on or after 1st September 2002.
- The Government will make payments into the account and other people can also pay money in.

Are there different types of Child Trust Funds?

Yes, there are 3 types:

- Stakeholder CTF.
- Non-stakeholder CTF Share accounts.
- Non-stakeholder CTF Savings accounts.

What type does Healthy Investment offer?

- This is a Stakeholder Child Trust Fund.
- We also offer a Non-stakeholder CTF Share account.

What does “Stakeholder” mean?

- A “Stakeholder” CTF must meet a number of conditions. These are shown in the table below:

Charges	<ul style="list-style-type: none">• Charges cannot be more than 1.5% of the value of the account each year• There can be other charges
Investment	<ul style="list-style-type: none">• Investments are mainly stock market based• Investments are spread across shares in a range of companies
Payments	<ul style="list-style-type: none">• The minimum payment we accept is £10• You can pay by cheque, direct debit, direct credit or standing order
Lifestyling	<ul style="list-style-type: none">• The account must offer lifestyling (we explain lifestyling a bit further on)

While our CTF account meets the stakeholder minimum standards, it does not automatically mean that it is right for the child or that there is any guarantee of its value.

What about the other types of CTF?

- Non-stakeholder CTF's don't have to meet the conditions in the above table.
- The value of savings accounts depends on how much interest is added to the money which has been paid in.

Who can apply for a CTF?

- The account can only be opened by a person responsible for the child.
- This person becomes the “Registered Contact” which is explained in the definitions section of the Terms and Conditions.

How much can be invested in a CTF?

- You can invest up to £1,200 in a year.
- This limit runs from the child's birthday in one year to their next birthday.

Who can pay further money in?

- Anyone can make payments into the account subject to the maximum of £1,200 in total in any year.

Where is the money invested?

- The money is invested in our UK All Share Index Tracker Fund.
- This fund is spread over a range of stocks and shares in UK companies.

What is Lifestyling?

- Around the child's 13th birthday, we will start to move the money into lower risk investments.
- This process will continue until all of the money is invested in lower risk investments by the child's 18th birthday.
- This is to try to protect the value of the account over the last 5 years, although it also reduces the potential for the account to increase in value.
- There is no guarantee that its value won't fall over the last 5 years.
- Lifestyling will happen automatically unless you tell us otherwise.
- The figures below show the proportion of units bought and the fund switched:

Age	How payments will be invested		Proportion of value switched to lower risk investments
	Tracker Fund	Lower Risk Investments	
Age 0-12	100%	0%	0%
Age 13	80%	20%	20%
Age 14	60%	40%	25%
Age 15	40%	60%	33%
Age 16	20%	80%	50%
Age 17	0%	100%	100%

How long does the account run for?

- Your child can't take any money out until they are 18.
- Once the child reaches age 18 the money will be paid to the child tax free or reinvested in an appropriate product e.g. an ISA.

Can I transfer my CTF account from or to another provider?

- Yes. The money can either come from or go to any other type of CTF account or provider.

What could my child's Stakeholder CTF account (with lifestyling) be worth in the future?

- 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. These examples assume that the term is for 17 years. The final amount will depend on how much is invested on behalf of the child and the actual rate at which the investment grows.

Table 1

Type of payment	What the child could get back at age 18 if investments grew at		
	5% a year	7% a year	9% a year
Initial Government contribution of £250 at birth plus a further £250 at age 7	£781	£995	£1,260
Initial Government contribution £250 at birth plus a further £250 at age 7 plus voluntary regular payments of £50 a month	£14,200	£16,600	£19,600

- These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. What your child will receive depends on how the investment grows and the continued favourable tax treatment of CTF accounts. Your child could get back more or less than this.
- All CTF managers use the same rates of growth for illustrations but their charges may vary. Healthy Investment's actual charges have been deducted in calculating the figures shown.
- Don't forget that inflation will reduce what can be bought with the value of your child's CTF fund in the future.

Table 2

Initial £250 Government payment, plus a further £250 at age 7			
At end of year	Investment to date	Effect of deductions to date	What the value of the account might be
The Early Years			
1	£250	£3	£261
2	£250	£8	£275
3	£250	£13	£290
4	£250	£18	£305
5	£250	£24	£322
The Later Years			
10	£500	£86	£728
15	£500	£189	£926
18th Birthday	£500	£240	£995

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 17 years the effect of the total deductions could amount to £240. Putting it another way, if the growth rate were to be 6.6%, which is in no way guaranteed, this would have the effect of reducing it to 5.0% a year.

Table 3

Initial £250 Government payment, plus a further £250 at age 7 plus voluntary contributions of £50 a month			
At end of year	Investment to date	Effect of deductions to date	What the value of the account might be
The Early Years			
1	£850	£8	£878
2	£1,450	£28	£1,540
3	£2,050	£60	£2,240
4	£2,650	£104	£2,980
5	£3,250	£164	£3,760
The Later Years			
10	£6,500	£771	£8,640
15	£9,500	£2,050	£14,300
18th Birthday	£10,700	£2,760	£16,600

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 17 years the effect of the total deductions could amount to £2,760. Putting it another way, if the growth rate were to be 6.5%, which is in no way guaranteed, this would have the effect of reducing it to 4.9% a year.

What happens to the CTF account if the child dies before age 18?

- 101% of the value of the account will be paid to the child's estate.

What happens if the child becomes terminally ill?

- If this happens before the child is 18, then it may be possible to draw money out of the account for their benefit.
- We explain this in more detail in section 12 of the Terms and Conditions.

What about tax?

- Money held in a CTF is not subject to tax, see section 23 of the Terms and Conditions.
- The child will not have to pay tax if they draw the money out of the account when they are 18.

Will my family benefits or tax credits be affected by the CTF?

- No, these are not affected.

How will I know how the CTF is doing?

- We will issue a statement each year showing what has been paid in and what the account is worth.
- You can also write to us at any time and ask for a valuation.
- We also publish the price of units on our website www.healthyinvestment.co.uk or you can ring us on Freephone 0800 731 2422.

Can I change my mind?

- Once we have accepted your application, you'll receive a welcome pack. You will then have fourteen days to change your mind and tell us at the address shown at the end of this document. After that we will invest your Voucher and open the account.

Further Information

Law

- In legal disputes the law of England and Wales will apply.

Complaints

- If you wish to complain please get in touch with us. Our full contact details are shown below.
- If we cannot deal with your complaint to your satisfaction you can refer it to:

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR
Tel: 0845 080 1800

- Making a complaint does not affect your right to take legal proceedings.

Compensation

- We are covered by the Financial Services Compensation Scheme, see section 26 of the Terms and Conditions.
Their contact details are:

Financial Services Compensation Scheme
7th Floor, Lloyds Chambers
Portsoken Street
London
E1 8BN
Tel: 020 7892 7300



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