Are you looking for detailed information regarding Child Trust Fund UK or CTF UK?

A Child Trust Fund, launched in January 2005, is a tax-free, long-term savings or investment account aimed at children in the UK. The then Government of the UK had introduced CTF to ensure that every child can have a good savings by their 18th birthday. This was primarily aimed to infuse a habit of savings within the children since their childhood and teaching the benefits of savings to reach long-term goals.

According to the CTF Policy, any children in the UK were eligible to receive an initial subscription from the Government of the UK in the form of a £250 voucher. Apart from their parents, friends and relatives were also allowed to contribute to this tax-free fund. This is not it, as they were also liable to take advantage of any interest or investment growth in CTF.

According to the policy, any children born on or after 1st September 2001 are eligible for this long-term savings account. But, CTF is no longer active, as by the Savings accounts and health in pregnancy grant act 2020. [1] In January 2011, CTF was replaced with Junior ISAs, but those who have existing accounts will continue to receive their benefits.

But that is just a small intro, as here in this article, we will tell you how CTF works, CTF Investment options, why CTF was replaced with Junior ISAs, how to retrieve CTF Fund at 18 and if you should switch to Junior ISAs or not.

If you want all this info, the article is merely a 5- minutes read – so, let's begin.

CTF UK or Child Trust Fund UK: How does it Work?

According to the reports of The Times, as many as 55,000 have been receiving their CTF benefits per month since September 2020, and this will continue to go on till 2029. [2] Though the Fund was abolished in 2011 and parents were suggested to move to Junior ISAs, more than 6.3 million CTF funds are still active today.

So, if you still have a CTF account, you may keep on contributing £9000/year, and your child will get the total when they are 18. [3]

So, how does CTF Fund works!

Since the inception of the CTF Fund, parents or official guardians received a check when a child was born in the UK.

As mentioned above, parents, friends, or relatives were free to make a limited contribution to the CTF Fund. Up until, 2019-20, the limit was fixed at £4368/ year, which was increased to £9000/year in 2020-21.

The CTF policy also states that any children, after crossing their 16th birthday mark are eligible to handle their funds, but cannot withdraw the funds until they reach 18.

However, there are exceptions.

If the child is terminally ill, parents or the official guardian is are eligible to take out the fund. If the child dies, the fund will be passed on to the person (mostly parents) who inherit their properties or estates. [4]

If your child is terminally ill, you may do the following to take out the amount:

- Find the form
- State that your child is terminally ill (with medical proof)
- State that you want to take out the money

If your child dies, you may do the following:

- Contact your CTF Provider
- Present the proof of death (Death Certificate)

CTF Investment Options

According to CTF policy, the Government of the UK started giving £250 to the children on their birth and again on the 7th birthday. The amount was £500 for lower-income groups.

There are 3 ways the parents or relatives of the children can invest in CTF Funds:

1. Cash Child Trust Funds, which is quite similar to the Junior ISAs, and offer tax-free savings interests.
2. Stakeholder Child Trust Funds where the savings were invested in the stock markets. The investment has certain rules to mitigate any financial risks.
3. Share-based Child Trust Funds where the savings were invested in the stock market according to the parent's choosing. But, unlike the previous one, this fund came with less protection.

To provide more lucidity, the Government of the UK has suggested the parents move to Junior ISAs in 2015, which is way cheaper and flexible.

But before we tell you how to move from CTF to Junior ISA, let us tell you how to retrieve CTF funds at 18 in the following segment.

How to retrieve Child Trust Fund when you are 18?

When the child becomes 16, they will be eligible to take control of the fund (not withdraw). From thereon, the child may switch to the CTF provider, and if it is a Share-based Child Trust Fund, they can choose different investment options. Apart from that, after 16, the child is also eligible to switch CTF to Junior ISAs.

If the child is not willing to take charge of the CTF Fund, they make keep their parents or guardian to be in charge until they turn 18.

So, what happens at 18?

When the child turns 18, they can withdraw the CTF Fund amount by connecting with their provider.

But even after maturity, they will have the following options:

- They may withdraw all the money or half or any amount they like
- If they have a Cash CTF, it would be transferred into cash ISA, and the same persists for Stakeholders Child Trust Fund and Share-based Child Trust Fund
- Switch the amount to adult ISA

Records you will need:

To withdraw your CTF Fund, keep the following papers with you [5]:

- The Unique Reference Number (Check the annual CTF statement)
- The account statements
- Details of the account type
- Details of the CTF provider

What if the child lacks mental capacity?

If the child lacks the mental capacity when they turn 18, parents or the official caretaker may apply at the court of Protection/COP to gain financial deputyship. [6] It will enable the parents or official caretakers to manage the child's money after maturity.

Why CTF Fund was closed?

On 24th May 2010, it was announced by the government officials that CTF Funds would be scrapped and no further vouchers (£250) will be provided to the newborns from the end of 2010. [7]

So, why CTF was closed!

Well, as mentioned above, CTF Fund was brought in to create nationwide savings awareness within the parents as well as the children. But, lately, it was found that only 1 out of 5 parents/ official guardians have any additional contribution to it. [8] Apart from that, when CTF was replaced with Junior ISAs, the interest rates have started it drops drastically. The investment charges of CTF were also higher compared to the Junior ISAs.

According to some popular opinions, Junior ISAs are a much better option with more flexibility.

But, is that true! – Let's find out.

CTF Vs Junior ISA: Is it better to switch!

Junior ISA

Quite similar to CTF, Junior ISAs also offer long-term savings accounts for children under the age of 18 and with UK citizenship.

How does it work?

There are two types of Junior ISAs,

1. Cash Junior ISA, where don't have to pay taxes for the amount you save
2. Stock and Share Junior ISA, where the amount is invested on the stocks, and the capital growth will be completely tax-free

Is it better than CTF?

If your child is under the age of 16 or 18, you may choose to switch to the Junior ISAs for the following reasons:

- You will have several Junior ISA options to choose from
- If you compare the charges of the investment, Junior ISA charges are much cheaper than CTF Investment. While the annual fee of Junior ISA is somewhere between .5%-1%, the charges of Share-based CTF is 1.5%
- Several CTF providers don't allow new investment options
- Junior ISA will not be mature until your child's 18th birthday

How to transfer money from CTF to Junior ISA?

You need to know that fact that you cannot have both savings options. As if you have a CTF Fund and your child is not 18 yet, you may switch to Junior ISAs of your choice. While doing that, you will have a 60-days window to transfer the CTF funds to the Junior ISA.

But before you transfer the funds from CTF to Junior ISA, talk to the CTF provider to learn the value and exit charges. After that, you need to choose between Cash Junior ISAs and Stocks and Shares Junior ISAs. Well, if you are striving to make an investment portfolio, the 2nd option would be a more viable choice.

After making the decision, fill in a Junior ISA form with all the necessary details. If you are choosing the Stocks and Shares Junior ISA, you will be asked to specify the investment venue. After the submission, it may take around a month/30 days for the CTF to be closed and the account to be transferred to Junior ISA.