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Top Ten Tips: Giving

your children a financial head start

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By Arti Poddar

CHILD trust funds (CTFs) are no longer available, but there are several other ways in which parents and other relatives can boost a child's financial prospects. Arti Poddar, chief executive of Little Einstein's Kindergarten, which operates seven nurseries across Scotland, shares ten tips on giving your offspring a sound financial foundation.

1. Junior Isas

The annual child's individual savings account (Isa) limit of £1,200 will be raised to £3,000 when Junior Isas are launched in November this year. Parents won't be able to transfer a CTF to a Junior Isa but they can
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still contribute to existing CTFs. CTFs are liable for capital gains tax.

Children born after 31 August 2002 received a CTF. There were three type: shares-based (under which the money was invested in the stock market), stakeholder and cash.

In Junior Isas, the fund will be locked until the child reaches 18 and any child who doesn't already have a CTF will qualify. Junior Isas will be run on the same lines as adult Isas, with each child able to hold one investment-style Isa and one cash, and the annual limit can be split between the two. Unlike ordinary savings accounts, all interest and any growth on investments will be paid tax-free.

2. Child savings and tax

Being under the age of 18 doesn't mean you're not liable to pay tax - even babies are liable if they have enough income from other sources, such as savings and investments. But if the return they get on their savings and investments is less than the personal allowance they won't have to pay tax.

Children are allowed to have a certain amount of income each year before paying tax, with anything above that liable for tax. The tax-free amount is the same as for adults and during 2011-2012 - children will only pay tax if their income exceeds £7,475.

3. Claim your reliefs

When you open an account in your child's name, you can complete form R85 to make sure your child doesn't pay tax unnecessarily. Don't worry if you haven't done this already, if your child is paying tax for which they are not liable you can reclaim it for them using form R40. Both forms are available on the HM Revenue & Customs website at www.hmrc.gov.uk

4. Family values

Allow family members to open savings accounts jointly with your children's names. If you have a family member willing and able to save some money for your child, let them. Go with them to open the account, but don't put your name on it.

Allow that account to be their business, not yours.

5. Early pension

Contributing to a pension on behalf of your child is another tax-efficient saving option and an excellent way to save for the long term - but remember that your child can't access the money until they reach the minimum age for drawing a pension.

Up to £3,600 a year including tax relief can be paid into a pension for your child during the 2011-12 tax year. Because 20 per cent tax relief will be added to any contribution you make, you only have to pay £2,880 to get the maximum contribution paid into your child's pension.

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[ISAs for Children](#)

Junior ISAs - the new, tax-free way to save for children. More info

www.hl.co.uk/junior-isas

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