

Are your young adults missing out on their Child Trust Fund?

HMRC says many teenagers are missing out on Child Trust Fund cash.

The first Child Trust Funds (CTFs) matured just over a year ago, at the start of September 2020. CTFs will continue to mature until January 2029 as their owners reach the magic age of 18. At present, about 55,000 CTFs mature every month.

HMRC has been looking at the CTFs that have already matured. Its interest is more than academic because over the life of the scheme, HMRC set up one million CTFs – about 15% of the total. HMRC took the CTF establishment role when parents or guardians had failed to do so within 12 months of receiving a CTF government voucher. HMRC randomly allocated an approved CTF provider to each such orphan.

In a recent press release, HMRC said “Hundreds of thousands of accounts have been claimed so far, but many have not”. Annoyingly – and perhaps deliberately – HMRC does not spell out specific numbers of non-claimants, but said if only 10% miss the date, that amounts to over 5,000 a month.

It should come as no surprise that many parents, guardians and children have forgotten that a CTF exists. To judge by data issued earlier this year, over 80% of CTFs are worth less than £2,500, with many probably only valued in the hundreds, having received no more than one voucher of £250 or £500 before government payments ceased.

If you want to find a ‘lost’ CTF, the best starting point is HMRC’s online tool (see <https://www.gov.uk/child-trust-funds/find-a-child-trust-fund>). To use this, you will need to create a Government Gateway user ID and password if you do not already have one.

CTFs that carry on beyond their owner’s 18th birthday continue to offer the same tax benefits as ISAs – no UK tax on income or capital gains. However, the underlying investments may be unattractive – deposits with minimal interest rates, for example. The same investment drawbacks can apply long before maturity, so it is worth reviewing any existing CTFs. A transfer to a Junior ISA (JISA) could be a better option than carrying on with a CTF.

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

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