UK'S WWW.MONEYSAVINGEXPERT.COM FREE TO USE FREE OF ADS CONSUMER REVENGE

Guide to the

Child Trust Fund

MoneySavingExpert Guide to the Child Trust Fund
By Martin Lewis and Jennifer Bailey

What would you do if you were promised at least £250 of tax free cash from the state? Most people would jump at the chance. But bizarrely, more than a million families who've been offered just such a tidy sum have chosen to look a government gift horse in the mouth.

Since April 2005 they've been sent a voucher to open a Child Trust Fund for their son or daughter. But so far they've left it languishing on the mantelpiece, stuffed in a drawer or buried under a mountainous "to do" pile on their desk. That means the vouchers are lying idle, gathering dust instead of earning money.

Many parents admit they're bewildered by the choice of Child Trust Funds on offer. And that their confusion has left them paralysed. If that sounds familiar, then step right up - this guide's for you. A word of warning though. It's not quite as straightforward as it seems.

First, the rules, then the choice.

Contents

1. How much and how often? 1

2. The small print 4

3. Which Child Trust Funds to choose? 6

4. Cash CTFs 7

5. Stakeholder shares CTFs 9

6. Non-Stakeholder CTFs 13

7. Other things to consider 14

1 Child Trust Funds
How much and how often?

WHAT IS THE CHILD TRUST FUND?

The Child Trust Fund, or CTF, is a new financial product designed by the government. The idea is that all children born after 1st September 2002 will have a tax free lump sum locked away until their 18th birthday, at which point the money is theirs to spend as they wish. The government has pledged to kick-start each fund with at least £250. More government money is promised, parents and relatives can add extra money every year and there's no tax to pay on any of it.

Because of the tax breaks, the scheme is administered by Revenue and Customs and in the first six months since the CTF was launched, it sent out almost 2 million vouchers. But in order to activate the cash, parents have to use the voucher to open a CTF with one of the 70 or so financial companies the government has licensed to provide the accounts. It is not possible to cash the voucher, or to open a CTF without a government voucher.

HOW DO I CLAIM?

All children born in the UK after 1st September 2002 who receive child benefit will automatically be eligible for the Child Trust Fund. Parents or guardians don't have to make a separate claim or fill in any other forms. Information packs and vouchers will be sent out shortly after the first child benefit payment is made.

Twins and triplets will each have their own CTF and parents will be sent a separate voucher for each child.

HOW MUCH WILL I GET?

Every eligible child will get £250 at birth. Some children born between the qualifying date (1st September 2002) and the launch of the scheme (6th April 2005) were given extra money to make up for the period of growth they missed by not having their money invested before the launch.

WILL SOME FAMILIES GET EXTRA MONEY?

On top of the £250 which all families get, the government has decided that those on lower incomes who receive Child Tax Credit (CTC) will qualify for an extra £250 at birth, so long as their household income is under the CTC threshold which is £13,910 in the tax year 2005/2006.

HOW WILL FAMILIES GET THIS EXTRA MONEY?

Parents will not be sent another voucher for this additional payment. Instead, the Revenue will put the money directly into the child's CTF account and then write to the child's parents. But because of the relationship with Child Tax Credit, the money will not be paid until after the family's tax credit award for the year of the child's birth has been finalised. This does not happen until after the end of the tax year. So long as families do qualify for CTC and their income is under the threshold, it doesn't matter if they've been under or overpaid tax credits during the year.

WILL THE GOVERNMENT ADD MORE MONEY IN THE FUTURE?

The government has promised to make an extra payment on the child's 7th birthday.

Although it has not yet confirmed how much this will be, it is expected to be the same as at birth - £250 for all families with an additional £250 for those on lower incomes.

The government is also considering making a third payment during the child's secondary education, but no decision has yet been made about whether this should happen, how much it would be or at what age it would be paid. And more importantly, we have no clue who the government will be then!

CAN I ADD MONEY TO MY CHILD'S CHILD TRUST FUND?

Parents, other relatives and friends can add up to a maximum of £1,200 per year to the CTF. The year starts on the child's birthday - apart from the scheme's first year, when it starts on the day the account is opened, and runs to the day before their next birthday.

The £1,200 allowance cannot be carried over to the following year - so if you only pay in £1,000 in one year, you can't add £1,400 in the next.

But remember, what goes in, won't come out before the child turns 18.

IS THERE ANY TAX TO PAY?

All money invested in a CTF - and the money withdrawn at age 18 - is free from income and capital gains tax. You don't have to tell the Revenue that your child has a CTF, or declare it on your tax form.

Another bonus is that the money in a CTF will not affect any benefits which the child's parents may get. But any money withdrawn from a CTF on the child's 18th birthday may affect any benefits they claim.

A Martin's Money Moment

IS IT WORTH ADDING TO THE CTF?

On the surface this is a tax-efficient scheme, so it's a good idea. And the Government and others are pushing it as a sexy option. Yet for some reason it gives me a slightly cold sweat for two reasons:

- The money goes direct to your child. Babes in arms now can grow to be rebellious 18 year olds. The CTF goes straight to them. Your savings for their college fund may be spent in a day on a Playstation, world trip or some darker purpose. It is their money, you can't stop them. Do consider whether you want your child at 18 to have complete autonomy over all this.
- This is new. This scheme comes from a political agenda and opinions change. It's unlikely any party would be brave enough to reclaim the cash, but the rules and regulations could morph over 18 years.

So what other alternatives?

There's nothing wrong with using this to stash some cash and most definitely make sure you put all the Government given cash in there. However if you're building a 'college fund' I'd be tempted to look elsewhere. For example up to £7,000 can be saved each year in an ISA, tax free. As this is in your name, not your child's, you keep control of the cash.

WHOSE MONEY IS IT ANYWAY?

From the moment the account is opened, the money belongs to the child. But given that most babies are not that interested in financial matters, the CTF will be chosen and managed by whoever has parental responsibility for the child until their 16th birthday. At this point the child gains control of the account and becomes responsible for any investment decisions.

The whole idea of the CTF is to encourage long-term savings, and therefore it is not possible to withdraw any money paid into a CTF before the child's 18th birthday. They can then do whatever they want with the money - there are no restrictions on how the money is spent, although the government hopes having the CTF will have helped teach kids to think responsibly about how best to use it. Two weeks in Ibiza it is then.

There is one exception. It will be possible to access the CTF early in the case of terminally ill children. And if a child should die before their 18th birthday the money will automatically go to their parents or guardian.

WHAT IF I HAVEN'T RECEIVED MY VOUCHER?

The CTF voucher should be sent automatically once you claim Child Benefit for an eligible son or daughter. If your child was born after the 1st September 2002 and you get Child Benefit but you have not received your voucher you need to contact the Child Trust Fund Helpline on 0845 302 1470 or write to Child Trust Fund Office, Waterview Park, Mandarin Way, Washington, NE38 8QG.

WHAT IF I LOSE MY VOUCHER?

If you are sent a voucher but lose it, contact the helpline. You should be issued with a replacement voucher within a month. There is no charge for reissuing a voucher.

WHAT IF MY CHILD WAS BORN OUTSIDE THE UK?

Remember there are two key parts to qualifying for the CTF. The child must have been born after 1st September 2002, and must be in receipt of Child Benefit.

If a child was born and lives abroad, their parents will not be able to claim Child Benefit and therefore they won't be able to have a CTF either. One exception is the children of Ministry of Defence staff or other "Crown Servants" who do qualify for Child Benefit and would therefore also be allowed to open a CTF.

If the family returned to the UK in the future and then claimed Child Benefit, then they would be entitled to have a CTF for their child and would be sent a voucher to open an account. However, if the child returned to the UK after their 7th birthday, they would not be entitled to the second payment due at that point.

WHAT IF MY CHILD HAS A CTF BUT THEN MOVES ABROAD?

The CTF account will remain open and family and friends will be able to continue saving up to £1200 a year, either from within the UK or from abroad. But if the child is not resident in the UK and receiving Child Benefit on their 7th birthday, then they would not qualify for the additional payment due at that point. The child would however be able to access the money on their 18th birthday, whether or not they were living in the UK.

CAN I OPEN A CHILD TRUST ACCOUNT FOR MY OLDER CHILDREN?

In a word, no. The government has decided that children born before 1st September 2002 are not allowed to have a CTF, even if parents are prepared to make the initial contribution themselves.

Don't despair though. There's an enormous range of savings accounts and investments available from a variety of financial providers. Almost all of these can be opened on behalf of a child no matter when they were born. So whichever CTF a parent finally picks - whether it be a cash or shares account, there's likely to be a non-CTF equivalent on offer.

BUT CAN I GET THE SAME TAX BENEFITS IN A NON-CTF INVESTMENT?

Again, no. Non-CTF investments do not enjoy the same tax privileges. But remember, children, like adults, each have their own annual tax allowance, (£4895 in 2005/6), so they can earn almost £5000 in interest before they need to pay tax.

One word of warning. If the money for the investment which earns the interest comes from the child's parent, and more than £100 of interest is earned (£100 per parent so £200 per couple), then that interest is treated as belonging to the parent and he or she would be taxed on it at their highest tax rate. But this rule only applies to money gifted by parents - interest earned on money from grandparents or other friends and relatives is not affected.

See **www.moneysavingexpert.com/childaccounts** for more details.

3 Which Child Trust Funds to choose?

THE CHOICE

Phew. That's the rules sorted out. Now it's time to get to grips with actually opening an account. The voucher from the government landing on your doormat is just the beginning. It's up to parents to turn the piece of paper into hard cash and that means making a series of choices. And the right CTF for one family might be wrong for another. It's all about what's right for your circumstances.

TYPES OF ACCOUNT

The first and most important choice parents have to make is between saving the money in a cash account and investing it in a shares account. If you choose to invest, there are actually two sorts of shares accounts on offer - the "stakeholder" and the "non-stakeholder". That means parents have to select between three types of CTF.

The government thinks the "stakeholder" account is the best option for the majority of parents, and so every company which wants to sell CTFs has to offer one. Providers can then choose whether to offer a cash account and/or a non-stakeholder as well. So once parents have decided which type of CTF they want, they have to choose from the range of companies that offer it.

You are not allowed to split the voucher between different CTFs. But the good news is that you are allowed to change your mind and transfer the account to a different provider, or to one of the other types of CTF whenever, and however often, you want. You won't be charged a penalty to make the transfer, but if you have a share account, then some providers may pass on to you dealing costs and stamp duty incurred by closing your account.

WHAT HAPPENS IF I DO NOTHING?

Parents have twelve months to decide where they want to invest their child's voucher. If at the end of that time they have still not chosen a CTF, then the Revenue will automatically open a stakeholder account for the child, and send the details to the parents. But there's nothing to stop them moving it to another CTF if they wish.

A Martin's Money Moment

WHAT TO DO IF YOU'RE NOT DOING ANYTHING ELSE

Look, let me be blunt. It's my great hope that because you are reading this, you're going to make a good positive decision on what to do with your CTF voucher.

Sadly there's no easy option and many people need to think about it.

What to do while you're thinking

By not putting your CTF voucher in an account you are forgoing interest. If you don't do anything after a year, the government will do it for you.

However why lose out on a year's interest for your kid? At the very least put the voucher in the best savings account CTF (see below) then you're earning interest and can change your mind and move it somewhere else whenever you want to.

CASH VERSUS SHARES

CASH

The cash CTF is the simplest and most straightforward option. It's just like a bank or building society account. The money you put in the account earns interest which is added to the total each year on the child's birthday. The rate of interest paid is variable - that is, it can and will change in line with the Bank of England's base rate and the economy in general.

Most cash CTF rates have dropped since they were launched in April 2005 because the base rate has fallen. But despite that, any money parents have paid in - the capital - remains completely safe. It cannot shrink. That means most people would describe the account as a "low risk" option.

The only exception would be if the rate of interest fell below the rate of inflation, which is currently around 2.5%. If that happened, then although the actual amount of money in the account would keep increasing, it'd be growing more slowly than other prices were rising, so in "real terms" it would be worth less.

A Martin's Money Moment

DO YOU WANT TO SAVE OR TO INVEST FOR YOUR CHILD'S FUTURE?

Saving means you're guaranteed to get back what you put in, plus interest. Investing means risking money in a stockmarket linked product in the hope of better returns, but with the possibility you won't get back what you started with.

You can only choose a CTF of one type (though you could use non-CTF money in another product to balance the risk).

Conventional wisdom argues that over most 18 year periods stockmarkets outperform savings accounts, as there's time for market vagaries to cancel each other out. Yet it's still not risk free. Just ask anyone who suffered abysmally performing pension or endowment funds.

There is no right answer. The choice is down to your priorities; are you willing to risk this money shrinking in order to chance it growing more quickly? Fail to choose by April 2006 and the Government will open a shares account for you, though you can then transfer out of this.

WHAT'S ON OFFER?

There are around a dozen or so cash accounts available, mainly from Building Societies. They all have a variable rate of interest, but they are not all the same. Some accounts pay the same rate of interest to all their customers, while others offer a higher rate if they save extra money, or open the account before a certain date. Some guarantee that the rate will not fall below a set level for a particular period of time so check the small print - make sure you know what you'll be getting.

For updated details of the best paying CTF cash accounts go to www.moneysavingexpert.com/ctf

The crucial point to make is that parents who chose the cash option will need to keep their eyes on the interest rate being paid, and make sure they move the money if it drops too far.

WHO COULD THE CASH CTF BE RIGHT FOR?

The government has designed the CTF as a long term savings product. And over that long term, it thinks parents should put their money in shares because historically share investments have made more than money held in cash. But that's not guaranteed. And the government accepts that not all families will be comfortable with the element of risk that involves.

Therefore, after much lobbying from building societies, it agreed that cash accounts could also be offered. So parents who would be very nervous about putting their child's money in a stock market linked account or, perhaps, those whose children don't have any other savings in a bank or building society may be better off choosing the cash option.

SHARES

A shares CTF is an altogether different kettle of fish. Whether you choose a "stakeholder" or "non-stakeholder" account, the key point is that the money is not guaranteed to be there in 18 years time. In return for the potential to make more than you would earn by leaving your money in a cash account, you are taking some risk. There are important differences between the two types of shares CTF.

THE STAKEHOLDER SHARES CTF

Remember this is the type of account which the government will open for your child if you do nothing. That's why it has decreed that every provider which wants to be in the CTF market must offer a stakeholder option. It's the account it thinks the vast majority of parents should choose, but just because the government thinks that, doesn't make it right!

Before we go any further, let's get the name out of the way. In this context the word "stakeholder" doesn't mean anything significant. It's just a type of account which the government insists meets certain conditions. These have been designed to try and limit some of the risks of investing in shares. But parents should understand that this doesn't mean there are no risks - or that the government will in any way guarantee money saved in a stakeholder. It won't. And despite the safeguards, some risks remain.

ALL STAKEHOLDERS MUST

- **Invest in a number of shares to try and reduce the risk**
- **Start moving the money invested into lower risk investments such as government bonds on the child's 13th birthday. Each individual CTF provider will consider how well shares are performing to decide how much to move and how quickly. This is called "life-styling." And although it means the money will not all be invested in shares for the whole 18 years, and therefore may not benefit from the potential growth of the stock market, it should be protected from the effects of any falls just before the child's 18th birthday. Parents can choose to opt-out of "life-styling" if they wish.**
- **Accept a minimum contribution of £10 into a stakeholder account**
- **Charge investors a maximum of 1.5% of the value of the fund a year. That means it cannot cost more than £1.50 for every £100 in the account. Almost all stakeholders have the maximum charge of 1.5%.**

It's important to realise that, although every stakeholder will follow these rules, not every stakeholder is the same. Different providers will invest your child's money in very different ways. The key to every CTF is knowing what's done with the money or, in financial jargon, identifying the "underlying" investment.

TO TRACK…

For instance, the vast majority of stakeholder accounts are what's called "tracker" accounts. This means that the money invested automatically follows - or "tracks" - directly the performance of an index of shares. So if the index grows by 5%, then the money in the account also grows by 5%, minus that annual charge. Providers argue that this maximum charge is actually relatively low, and many have chosen to offer tracker investments partly because they are cheaper to run than those made up of individual shares chosen by a fund manager. Though it's worth pointing out that many non-CTF trackers actually charge much less than 1.5%.

Be careful though. Not even all stakeholder trackers are the same - because it's possible to follow a number of different share indices. So while the Halifax stakeholder is linked to the FTSE100 index - which includes the top 100 companies on the London stock exchange - those offered by the Nationwide, F&C and The Children's Mutual track the FTSE All Share which includes all the UK's main stock market companies. The Abbey stakeholder will even let you track the performance of a number of international stock markets. The idea is to allow the investment to benefit from the potential growth of a wide range of companies.

...OR NOT TO TRACK

But the most popular stakeholder CTF is not a tracker. In fact the stakeholder offered by Family Investments is currently the most popular CTF full stop. It's the company behind CTFs offered by a diverse range of companies including the Post Office, the Early Learning Centre and Sainsbury's. And although Family Investments is the CTF provider, the underlying investment is actually managed by another company, a fund manager called New Star.

New Star invests the money into what's called a "managed fund". This doesn't just passively mirror the performance of an index as a tracker does. Instead a team of investment professionals actively decides which shares it wants to buy and sell. The professionals can then choose to concentrate on a specific type of company, or a particular geographical area, with the hope that their expertise will mean a managed investment makes more money than a tracker.

That's the theory, but in practice, it's by no means certain that such "active" investments will outperform their "passive" rivals. It all depends whether the person or team picking the shares gets it right - or wrong.

HOW MUCH MONEY WILL I GET BACK?

The short answer is that no one knows - and certainly not the company which sells you your CTF. Just because over the long term share investments have on average tended to do better than non-share investments in the past does not mean that they will continue to do so, or that the particular one you choose will.

Companies are allowed to give projections of possible future returns according to strict rules set by the Financial Services Authority. The FSA says providers can crunch the numbers assuming an annual return of 7% and produce a figure for what a CTF might be worth in the future on that basis.

But this doesn't mean that investments will grow at 7%. They might in fact grow at 5% or 10% or fall by 4%. It's important that parents understand that projections represent no more than a possible future. They are not promises. And remember, every year the provider will deduct the annual charge of up to 1.5% of the fund's value, however well, or badly, the investment does.

WHO COULD THE STAKEHOLDER CTF BE RIGHT FOR?

The stakeholder CTF has been designed to allow investors to take advantage of the potential for growth offered by shares investments. But at the same time, parents who may not have much experience of this type of investment get the benefit of some stabilisers which aim to minimise some - but not all - of the risks carried by stock market investments. So it could be a good choice for someone who is prepared to take some risk with their money in return for what they hope will be a better return than that offered by a building society account.

But there's another type of shares account which parents also need to consider.

A Martin's Money Moment

PICKING A CTF PROVIDER

So you want to invest in a CFT and you want to know which one you should put your money in? Well I'm sorry to say, I can't help you and there are two reasons for this. First of all, investments aren't my expertise, I often write about 'the best way to buy investments', but not about 'what to invest in'.

And secondly, even investment experts are just taking a guess; it really is an attempt to predict the future. There is no guarantee that their guess will be any better than your own. No one knows the 'right answer'.

Yes, some funds may have lower charges than others, but the underlying investments are different; you can compare only when the investment is exactly the same.

If you're only putting in one voucher, well I suggest you do your best, have a read through and see what looks sensible to you. If you choose to invest it then you're taking a risk anyway. Best of luck.

NON-STAKEHOLDER SHARES ACCOUNT

It is also possible to open a CTF which invests in shares but which doesn't conform to the rules which govern stakeholders. This allows providers to offer parents a much greater choice of places to invest their money. But it also means there's no upper limit on annual charges - and the money will not automatically be moved into safer territory as the child's 18th birthday approaches.

As before, not all non-stakeholder shares accounts are the same. And, confusingly, not all of them put all the money invested into shares. It is possible for the people who run these accounts to put money into a number of different types of financial products, including bonds for instance, some of which could actually be considered lower risk than shares. But again the idea is to try and maximise the return on the money. So as with the stakeholder, it's important to make sure you understand exactly where - and into what - the money will be invested.

WHAT'S ON OFFER?

There is not a huge selection of non-stakeholder shares CTFs. The Share Centre offers parents access to a number of funds, each of which has its own different objectives and spread of investments. And again, although The Share Centre is the CTF provider, some of the funds are actually managed by other companies. So, parents can choose between the Jupiter Global Fund, the Artemis UK Growth Fund and Legal and General's UK Index.

Similarly customers who choose the Children's Mutual's CTF get access to, amongst others, Gartmore's Cautious Managed Fund, Gartmore's US Growth Fund, Insight Investment's Foundation Growth Fund and INVESCO Perpetual's Income Fund. As the titles suggest each fund has its own agenda. A fund called "Cautious Managed" is not likely to have the same risk profile as "US Growth". And the returns may vary accordingly.

F&C has something slightly different to offer investors - a choice of 6 investment trusts. An investment trust is a company whose shares trade on the stock market just like BT or Shell, but whose business is to invest in other companies. So if you buy a share in an investment trust, you're actually buying a share in all the other shares it owns. Again each investment trust has its own strategy and risk profile. So the F&C Emerging Markets investment trust will concentrate on different businesses than F&C Smaller Companies.

In most cases these funds have not been created just for parents with money to put into a CTF - they are established investments with a track record. INVESCO Perpetual's Income Fund is a very popular and successful fund which already has thousands of investors. Now the past performance of an investment does not necessarily indicate how well it will do in the future, but it's worth knowing how well - or badly - it has done.

WHAT ABOUT CHARGES?

All this choice may be exciting, but it comes at a price. Remember there's no restriction on how much firms can charge you on non-stakeholder CTFs. And it's not just a case of an annual charge above the 1.5% stakeholder level. In fact some non-stakeholder investments have lower annual charges. But many of those will also have what's called an "upfront" charge. That is, every time you put money in - including your initial government voucher - a percentage is deducted. In some cases this can be as much as 5% - or 5p out of every £1 that you invest. You may also have to pay dealing charges every time shares are bought on your behalf.

There is one significant exception - because of the way investment trusts work, the charges on F&C's range are much lower. One other way to get a slightly cheaper deal is to buy your non-stakeholder shares CTF via one of two specialist companies called Commshare and Intelligent Money. They are what's called "discount brokers" and will rebate some of the charges back to you.

See **www.moneysavingexpert.com/discountbrokers** for more details**.**

WHAT ELSE DO I NEED TO CONSIDER?

Unlike stakeholders, which have to accept payments of £10, some non-stakeholder CTFs insist on a £100 minimum for regular additions to the account and as much as £500 for lump sum top ups.

And remember there's no life-styling with non-stakeholder accounts either. The money will not automatically be shifted into safer investments in the run up to the child's 18th birthday. That means that, for instance, if there was a stock-market fall 6 months before the account matured, then the final value could be much less than the CTF had been worth at say age 16 or 17.

HOW MUCH MONEY WILL I GET BACK?

It's the same answer as for stakeholder. No one knows. Projections for non-stakeholder shares CTFs are subject to exactly the same FSA rules as stakeholders, and are similarly unreliable. But remember the charges could be significantly more expensive.

WHO COULD THE NON-STAKEHOLDER CTF BE RIGHT FOR?

It's definitely complicated.

It may be expensive.

There are no stabilisers. So realistically the only people who should go for non-stakeholder shares CTFs are more experienced investors who have a good understanding of what they're getting themselves into. Given the (generally) higher charges, this option may also be more suitable for people who can elect to invest the extra £1200 in one go every year.

WHAT ABOUT ETHICAL OPTIONS?

Given how many parents are concerned about the ethical dimension of investing money for their child's future, it seems strange that there are so few clearly labelled "ethical" CTF options.

The only ethical stakeholder CTF is offered by Co-operative Insurance or CIS. It's another tracker, and is linked to an ethical UK shares index called the FTSE4Good. To be included companies have to meet criteria about environmental sustainability and human rights. In addition a number of shares are automatically excluded, such as those of tobacco producers and nuclear weapon manufacturers.

But that doesn't mean the list of member companies would get the ethical seal of approval from every investor. FTSE4Good includes blue chip companies like British Airways, BP and the major UK banks alongside pharmaceutical companies like GlaxoSmithKline.

The CIS stakeholder is actually run by the Children's Mutual, which also offers two ethical options run by Insight Investment as part of its own non-stakeholder shares CTF. Parents can chose from the Evergreen fund, which invests in a number of international ethical shares or the European Evergreen, which is limited to UK and European companies.

Working in partnership with Muslim scholars, The Children's Mutual has also developed the only CTF which is Shariah compliant.

SO HOW SHOULD I DECIDE?

It's not an easy choice. There is a huge range of CTFs on the market, and a lot to think about. CTFs are supposed to teach children about money, but to make an informed decision parents have to do their homework too. You may wish to talk your options over with a financial advisor.

TYPE OF CTF	CHARGES	IS MY CAPITAL SAFE?	RISK
CASH	NONE	YES	VERY LOW
STAKEHOLDER	MAX 1.5% P/A	NO - but there is some protection	MEDIUM
NON-STAKEHOLDER	NO LIMIT	NO	MEDIUM/HIGH

But whatever you do, ask yourself the following questions, and let your decision be shaped by your answers:

- **Am I prepared to risk this money?**
- **Am I prepared to lose this money?**
- **How much do I know about investments?**
- **How involved do I want to be in managing this money?**
- **Do I want this money to be invested according to ethical principles?**
- **Does my child have other savings or investments which the CTF could complement?**
- **Do I want this money to be invested according to ethical principles?**
- **Do I want to be able to save a similar amount for my other children?**

And remember, a CTF is a long term game. You'll have this investment for 18 years. And during that period things will change. Interest rates will creep up and drop back. The stock market rollercoaster will go through peaks and troughs. Your financial circumstances may change.

To make the most of the government's money - and any extra you chose to save - you will need to keep your eye on your child's CTF. Make sure it's doing what you want it to do. And if it's not, then move it. After all, it's not your money. It's your child's.