

# Key features of the Shepherds Child Trust Fund

## What is the purpose of this document?

**The Financial Services Authority is the independent financial services regulator. It requires us, The Shepherds Friendly Society Ltd, to give you this important information to help you to decide whether our Child Trust Fund (CTF) is right for your child. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.**

## Its aims

To provide:

- an increase in the value of the money (CTF vouchers or other payments) that have been invested for the child until their 18th Birthday.
- the proceeds of the investment free of Income and Capital Gains Tax under current CTF Rules.
- children with the opportunity to learn about financial matters and investments

## Your investment

- You can only open a Shepherds CTF with a voucher you will receive from HM Revenue & Customs (HMRC).
- You or any other family members or friends can make further payments into the CTF up to £3600 per year.
- When the child reaches the age of 7, you will receive a further payment from HMRC.
- As a stakeholder plan the money will begin to be moved from Shares in companies when the child reaches the age of 13. The money will be moved into lower risk investments to protect the fund from the “ups and downs” of Company Shares in the last 5 years. This is known as Lifestyling.
- The account and the money in it belongs to the child, although it is managed by a person with parental responsibility until the child is 16. When children reach 16 they will manage their own CTF accounts.

## Risks

- The value of the CTF depends on the future performance of the investments held in the Fund and the value can go up as well as down during the time it is invested.
- At 18 the child may get back less than has been paid in.
- HMRC may change the tax status of a CTF in the future.
- This plan cannot be stopped or cashed in until the child is 18.

# Questions and answers

## What is a Child Trust Fund?

It is a long term savings account for a child to access at age 18 introduced by the Government in 2002.

## What types of Child Trust Fund accounts are there?

There are 3 types of Child Trust Funds:

### **Non-stakeholder cash based accounts:**

any money you invest will be secure, but you should consider that although the investment will earn interest, it might not grow as much as if it was invested in shares.

**Non-Stakeholder accounts:** the child's money is used to buy shares in companies. This type of account has the potential to do well in the long term. However, the value of shares can fall as well as rise and you might not get back the value of your original investment. The charges on this type of account are usually set as a percentage of its value.

**Stakeholder accounts:** these also invest in shares, but the Government has set rules that aim to reduce the risk by spreading it across a variety of investments. Also, they have limited the charges for this type of account to a maximum of 1.5% a year. The charges on the other CTF accounts are not limited in this way.

### **Shepherds Friendly offers a Stakeholder CTF.**

## What is a Stakeholder CTF account?

A Stakeholder CTF Account is an account that meets strict criteria as set by the Government. The criteria are as follows:-

- A provider must accept minimum contribution of £10 into a stakeholder account.

- The maximum yearly charge is 1.5% per year
- There can be no Entry, Exit or Switching fees.
- A Stakeholder CTF must accept a variety of payment methods including Cheque, Direct Debit, Standing Order and Direct Credit.
- The Allowable investments must be mainly share based.
- The CTF Account must offer the choice of 'Lifestyling' from the child's 13th Birthday.

## How can I open a Shepherds CTF?

The CTF voucher will be sent to the Registered Contact (normally a parent or guardian) once they have registered for the Government's child benefit. To open a CTF the registered contact must send this voucher to us with the application form to start the plan.

## Who can make additional payments into the CTF?

Once the plan has started anyone can make a payment to it such as grandparents, aunts, uncles and family friends.

## What are the limits?

The minimum we will accept is £10; the maximum in any year is £3600 (not including the vouchers).

## Where is the money in the plan invested?

The voucher or any extra money from you will buy units for your child in the Fund. This means the value of units vary in price on a day to day basis so it will depend when the account is set up what price you will pay for the units.

Until the child is 13 the money is invested in the shares of companies which are listed on the UK Financial Times Share Exchange (FTSE) All Share Index.

Once the child reaches the age of 13 we will automatically begin switching units from the UK Index Trust fund into a Gilt and Fixed Interest Fund and will do so over the next 5 birthdays. This is called Lifestyling and it means the value of the child's savings become more certain as they near their 18th birthday. The Gilt and Fixed Interest Fund only invests in UK Government Securities.

### What is lifestyling?

Lifestyling is an option that helps to manage the risk of the investment. When your child turns 13 the money invested for them will be moved gradually from our medium to high risk fund to our medium to low risk fund.

### How will I be kept informed about my Child's CTF?

Each year you will receive a Statement showing the amount of units in the Fund and the value of your child's CTF.

### How much will it cost to administer the plan?

The charge on the stakeholder account is 1.5 per cent a year. This means the charge is £1.50 for every £100 in the account.

The following table is based on an initial investment from HMRC of £250 with an additional payment of £250 at age 7, plus monthly payments of £20 per month from other people. This assumes that the investment will grow by 7% each year. It covers the first 13 years of the CTF.

| At end of year | Total paid to date | Effect of deductions | What you might get back at 7% |
|----------------|--------------------|----------------------|-------------------------------|
| 1              | £490               | £6                   | £510                          |
| 2              | £730               | £16                  | £785                          |
| 3              | £970               | £32                  | £1,070                        |
| 4              | £1,210             | £51                  | £1,380                        |
| 5              | £1,450             | £76                  | £1,700                        |
| 10             | £2,900             | £322                 | £3,930                        |
| 13             | £3,620             | £602                 | £5,410                        |

The last line in the table shows that over thirteen years the effect of the total charges and expenses could amount to £602.

Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.4% a year.

These figures are only examples and are not guaranteed.

They are not minimum or maximum amounts.

What the child will get back depends on how the investment grows and on the tax treatment of the Fund.

The Child could get back more or less than the amounts shown and in some instances it may be less than the sum originally invested.

Firms generally use the same rates of growth for projections but their charges vary unless it is a stakeholder CTF.

Please note that inflation would reduce what could be bought in the future with the amounts shown.

## **Can I transfer the CTF?**

You are able to transfer in or out of the CTF but the money must come from or go to another approved CTF provider. There is no charge for the transfer. You must transfer the whole plan you cannot transfer part of it. To transfer in or out please complete the transfer form.

**Please note that we can only accept instruction from the Registered Contact and then the child at age 16.**

## **How does the Child withdraw the money from the CTF?**

Just before the child reaches the age of 18 we will send them information about their options and how to continue to save or take the money. If we do not hear from them the money will be kept in trust and placed in a low risk environment.

## **What happens if the child dies?**

Should the child die whilst the CTF is still invested then a death benefit will be paid to the legal guardian. The amount payable will be 101% of the value of money paid in from the government or the value of the fund if greater.

## **What if I want to change my mind about opening the CTF.**

As soon as we have accepted the application we will send you a letter telling you that you have 14 days in which to change your mind. We cannot open the plan until these 14 days have passed. If we do not hear from you the money from the voucher will be used to start the plan.

Any other payments into the plan cannot be returned, they are a gift to the child.

## **How much will the advice cost?**

No commission is payable.

## **Where can I find out more?**

Before your plan starts we will send you the full terms and conditions. These explain how the plan works. If you would like to see these terms and conditions before you apply, please contact us:

Phone: **0161 428 1212**

Fax: **0161 428 3666**

Email: **[info@shepherdsfriendly.co.uk](mailto:info@shepherdsfriendly.co.uk)**

Website: **[www.shepherds.co.uk](http://www.shepherds.co.uk)**

## More information

**Complaints** - If you want to make a complaint; please contact:

Compliance Officer  
Shepherds Friendly, Shepherds House  
Stockport Road Cheadle SK8 2AA

Phone: 0161 428 1212

Email: [info@shepherds.co.uk](mailto:info@shepherds.co.uk)

If we don't deal with the complaint to your satisfaction you can complain to the:

Financial Ombudsman Service, South Quay  
Plaza, 183 Marsh Wall, London E14 9SR.  
Phone: 0845 080 1800.)

Making a complaint will not affect your right to take legal action.

**Past Performance** - Please note that past performance is not a guide to future performance.

### **Financial Services Compensation**

**Scheme (FSCS)** - we are covered by the FSCS, which means you may be entitled to compensation under the terms of the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

For long term plans such as this the scheme covers 90% of the claim with no upper limit. You can get more information about the scheme from the FSCS-

7th Floor  
Lloyds Chambers  
Portsoken Street,  
London  
E1 8BN.

**Financial Crime** - we will take measures to protect members against Financial Crime. We may need proof of identity of the child at the end of the plan and if required we may gather this proof by electronic means.

**Tax** - information that we provide in this leaflet about taxes in the UK is based on our understanding of current laws and HM Revenue and Customs practice which may change in the future.

**The Data Protection Act** - you have the right to ask to see any personal information we may hold about you or your child and to have any mistakes in this information corrected. You can do this by writing to the data protection officer at our head office. There may be a charge for this.

**Law** - the Plan is governed by the laws of England and Wales.



Providing Financial Security Since 1826

THE SHEPHERDS FRIENDLY SOCIETY IS INCORPORATED UNDER THE 1992 FRIENDLY SOCIETIES ACT NO.240F.

AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY AND ENTERED ON THE FINANCIAL SERVICES AUTHORITY REGISTER, NO:109997.

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The Head office and Registered office of The Shepherds Friendly Society is based in the United Kingdom.