GUIDE

How Can I Invest for My Child's Future?

This document contains important information and you should read it carefully and keep it safe for future reference.

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IMPORTANT INFORMATION

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Introduction

Investing for your child's future is a proactive and strategic way to provide them with financial security and support their aspirations. Whether you're saving for their education, helping them to get onto the property ladder or setting them up for long-term financial success, there are various investment options available to suit your goals and preferences.

This guide offers insights into the different investment avenues parents can explore to secure their child's financial future. By understanding your options and considering factors such as risk tolerance, investment timeframe and financial goals, you can make informed decisions to build a solid financial foundation for your child's future endeavours. Whether you're starting early or looking to optimise existing investments, the following sections will provide valuable guidance on the different ways in which you can save for your child's future.

Junior Individual Savings Account (JISA)

A Junior ISA is a tax-efficient savings and investment account for children under the age of 18 who are living in the UK. Parents or legal guardians can contribute up to £9,000 per tax year (as of the 2025/26 tax year) on behalf of each child. The money in a JISA grows tax-free and children can access the funds once they turn 18 and they can take control of the account when they turn 16.

The Junior ISA replaced the child trust fund scheme for children born after 2nd January 2011. If you opened a child trust fund, you are still able to add up to £9,000 per year into this. Like the JISA, the money belongs to your child and they can access the money when they turn 18 and they can take control of the account when they turn 16.

There are 2 types of JISAs, a Cash JISA, where you do not pay tax on interest on the cash you save and a Stocks and Shares JISA, where you do not pay tax on any capital growth or dividends you receive. Your child can have one or both types of JISA.

Pension Contributions

The words child and pension are not often seen in the same sentence but you are able to pay into a pension on behalf of your child. While they won't be able to access the funds until they reach retirement age, pension contributions benefit from tax relief and the money has the potential to grow significantly over time.

A parent or legal guardian can set up a junior personal pension for a child and once it is up and running, anyone can contribute to it. You can contribute up to £2,880 per year into this pension which adds up to £3,600 with the 20% government tax relief.

It might seem a bit excessive to be thinking about your child's retirement when they are born, but like with any types of savings, the earlier you start, the longer your money has to grow. By starting early, you will be making full use of compound interest. Compound interest in basic terms means that you earn interest on the interest so your money can grow even more.

Investments carry risk. The value of your investments (and any income from them) 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.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available.

Children's savings accounts

Many banks and buildings societies offer children's savings accounts which a parent or legal guardian can set up on behalf of their child and their child can take over at the age of 7. Accounts can often be opened with as little as £1 and these types of accounts teach children the importance of saving and help them to develop good savings habits.

Savings bonds

National Savings and Investments (NS&I) children's bonds can be opened on behalf of your child under the age of 16 by a parent, grandparent, great-grandparent or legal guardian. The bonus of NS&I bonds is that they provide guaranteed returns with fixed interest levels for a set period, however, the downside is that they don't offer the highest interest rates.

National Savings and Investments (NS&I) are not regulated by the Financial Conduct Authority.

Financial Gifts and Trusts

You can make financial gifts or set up trusts for your child to provide them with financial support in the future. Trusts offer flexibility in how assets are managed and distributed, allowing you to specify conditions or restrictions on how the money is used.

When investing for your child's future, it's essential to consider factors such as your investment timeframe, risk tolerance, and financial goals. You may want to seek advice from a financial adviser to help you develop a personalised investment strategy that aligns with your circumstances and objectives. Additionally, remember to regularly review and adjust your investment plan as your child grows and their needs evolve over time.

Past performance is not a reliable indicator of future results. The value of investments, and the income from them may fall or rise and investors may get back less than they invested.

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