St James's Place

How to make the right choices for their future

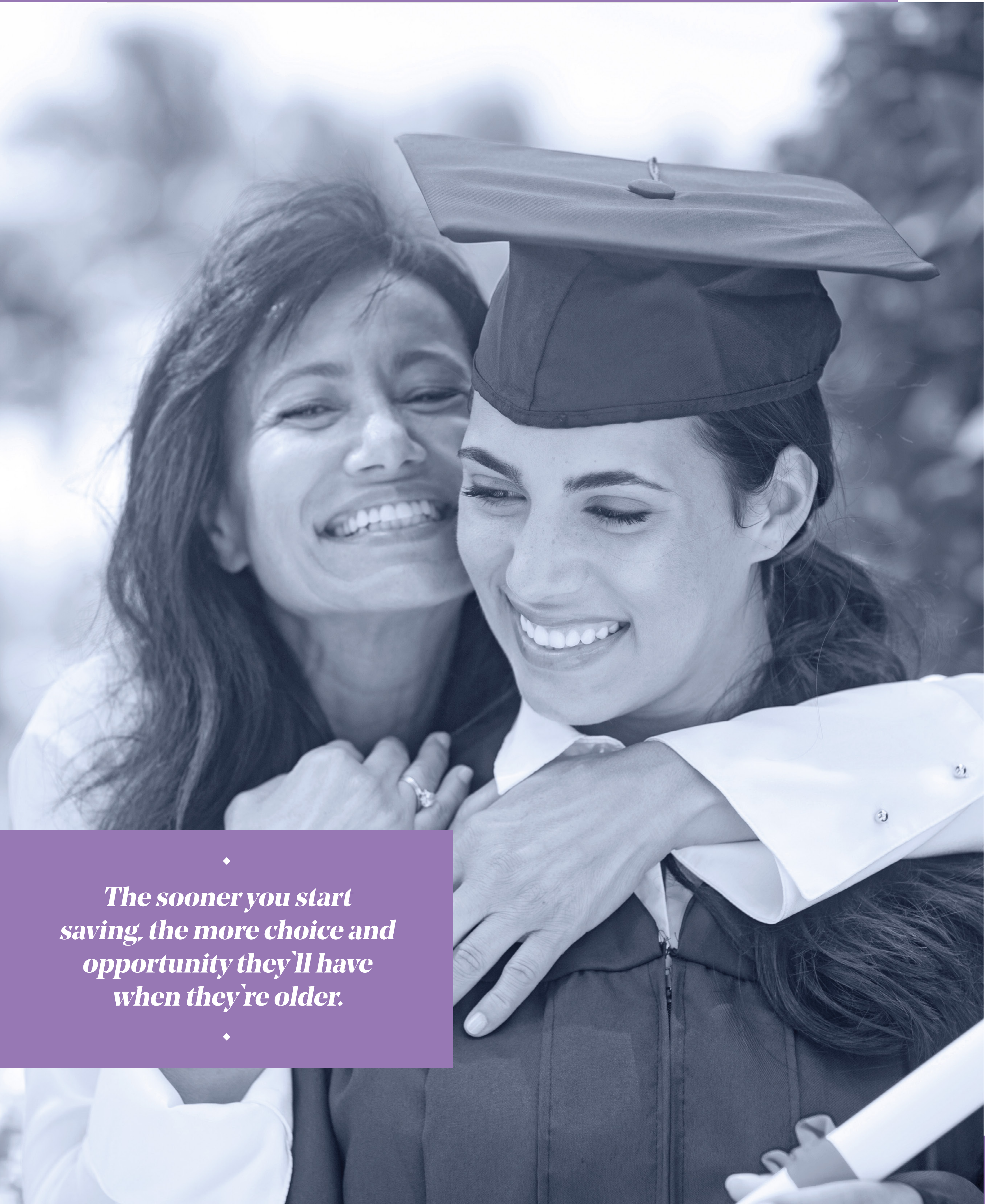
Giving children a head start

We all want the best for the children in our lives.

Whatever their future holds, we want to make sure they're happy and have every opportunity to do well.

Of course, money isn't everything, but it can give children a valuable head start. A nest egg can pay for education, give them access to different opportunities and help them establish their adult lives.

Starting to save money now will give them more freedom to make the choices they want when the time comes. It's one more way you can give them the best start in life.



The sooner you start saving, the more choice and opportunity they'll have when they're older.

The cost of *growing up*

Children are expensive from the get-go. But while families may be able to meet many of the expenses of raising young children from their income, as adulthood approaches you might appreciate a pot of cash to give them a leg up.

From passing their driving test and buying their first car, to going to university or buying their first home, young adults face some major expenses.

You can help them find their feet and pursue their dreams.

The sooner you start saving, the more choice and opportunity they'll have when they're older.

£45,800

The average debt of student leaving university

Source: House of Commons Library, Research Briefing, Student loan statistics, December 2022

£61,000

The average house deposit of a first-time buyer

Source: Money.co.uk, First-time Buyer Statistics and Facts 2023, March 2023.

Start early

You don’t need to put away a huge amount each month to build a good nest egg for a child.

The most important thing is to start saving as soon as you can.

If you can start saving while children are young, time is on your side. It’s surprising how much relatively small amounts of money saved on a regular basis can grow over time.

The power of compounding, coupled with the right investment choices, can significantly boost the value of your fund as children grow.

The value of an investment with St. James’s Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

How much will your money grow?

Investing **£200** a month*

1 year	5 years	18 years
£2,460	**£11,600**	**£69,300**

*Assumes an annual growth rate of 5% net of charges.

These figures are examples only and are not guaranteed. What you get back will depend on your investment performance and the tax treatment of your savings. You could get back more or less than this.

Savings that work for everyone

You may want to save a smaller amount of money each month or invest lump sums as and when it suits you.

You may be happy to hand the money over to the child at age 18 or prefer to retain control of it for a while longer.

Whatever your preferences, it's important to choose an investment solution that offers the right blend of flexibility, tax efficiency and accessibility.

Invest in a Junior ISA

Junior ISAs are a great way to save for a child's future. This is because the money cannot be accessed until their 18th birthday.

They can be set up by a parent or legal guardian, but anyone can contribute once they have been set up.

You can pay in money regularly or make one-off payments up to the annual limit and all returns are free of Income and Capital Gains Tax.

Once the child turns 18, it is converted to an adult ISA and it can be invested or accessed as they wish.

You can choose a cash or stocks and shares Junior ISA. Although cash is deemed lower risk than stocks and shares, it's important to remember that you could be investing for as long as 18 years.

Over that time frame you are likely to get better returns with a stocks and shares Junior ISA than you would with cash.

If you aren't sure, you can split your allowance between cash and stocks and shares.

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An investment in a Stocks and Shares ISA does not provide the security of capital associated with a Cash ISA.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

Please note that St. James's Place does not offer Cash ISAs.

Set up a trust

Another – often overlooked – option is to set up a bare trust or 'designated investment account' for a child. The money is usually invested in a portfolio of unit trusts, which provides the benefits of professional management, reduced risk through diversification and tax-efficiency.

This simple legal arrangement of setting up a bare trust is an answer for grandparents who want to invest money for a grandchild. The grandparents have control over the funds until the beneficiary becomes the owner of the investment aged 18. They can then make their own decisions about the plan.

There is no limit to how much you can invest in a bare trust, unlike a Junior ISA. The assets are held by a trustee, normally the parent or grandparent, for the benefit of the child until they reach 18 (16 in Scotland).

As long as the investment is made by someone other than the parents, the assets are taxed as if they belong to the child, which usually means there is little or no tax to pay on any income or gains.

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Trusts are not regulated by the Financial Conduct Authority.

Start a pension

The idea of starting a pension for a child might seem crazy, but for some families it can be a very smart decision.

They can be set up by a parent or legal guardian, but anyone can contribute once they have been set up.

The combination of tax efficiency and an investment horizon that could span more than 60 years, gives your money fantastic opportunity for growth.

Even one lump sum payment into a child's pension could give their retirement savings a significant boost and reduce some of the pressure on their own adult finances.

And, if you are worried about how a child might spend the money you are saving on their behalf, there is the added benefit that it will be out of temptation's way until they reach retirement age.

You can put a maximum of £2,880 into a pension for a child each year. Tax relief will boost it to £3,600.

Investing the maximum

£3,600 each year

into a pension fund from birth until a child turns 18 could create a pot worth

£1,030,000 by age 65.*

*Assumes an annual growth rate of 5% net of charges.

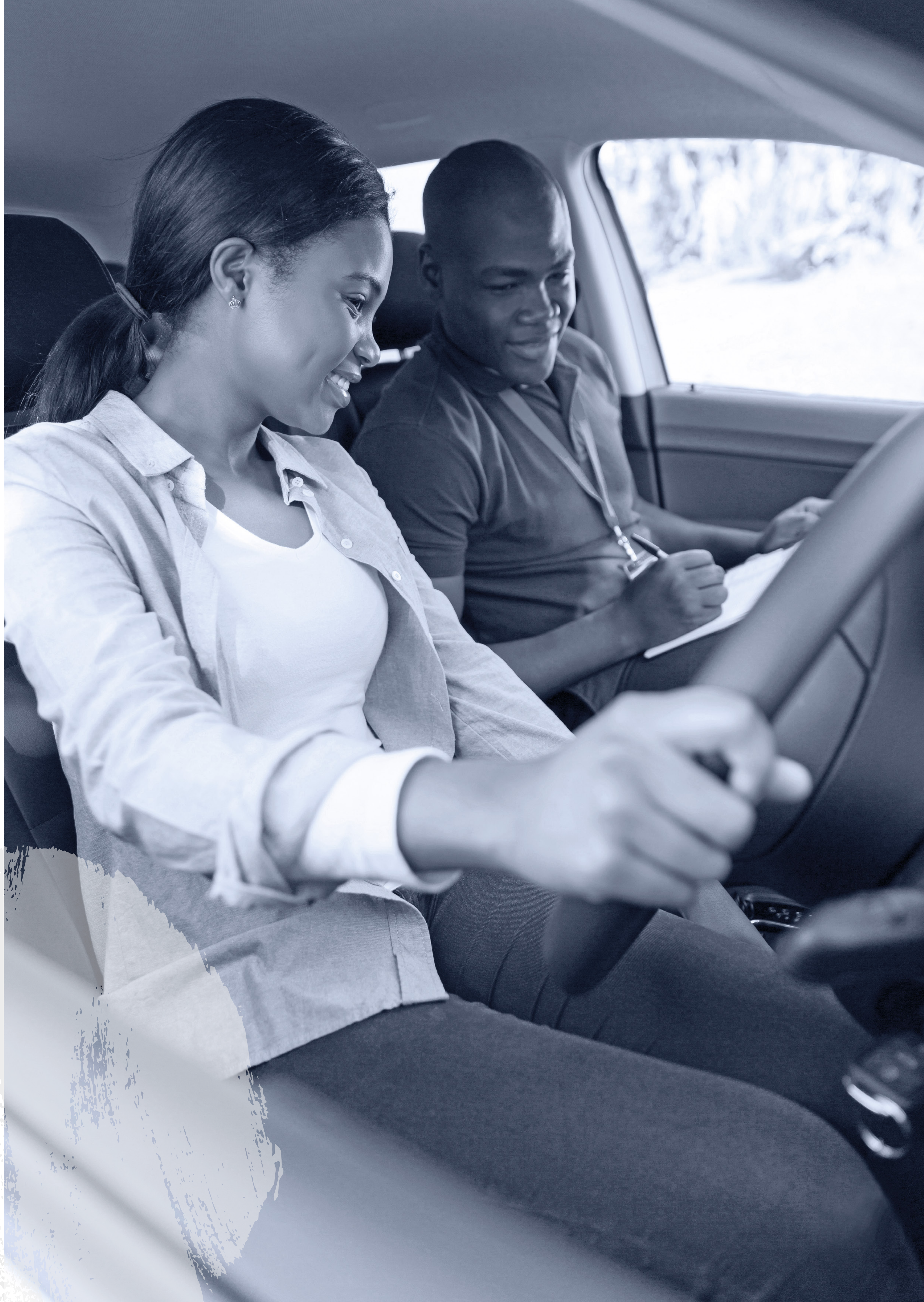
These figures are examples only and are not guaranteed. What you get back will depend on your investment performance and the tax treatment of your savings. You could get back more or less than this.

Helping you, help them.

Whatever your goals or priorities, your St. James's Place Partner can help you build a plan that works for you.

Our Partners are experts in wealth management and their ongoing advice can help you give the children in your life the best possible support.

Talk to your Partner today
or visit www.sjp.co.uk



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