Child Trust Funds begin to mature from September 2020

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Since 1 September 2020, individuals turning 18 have been able to access the first of 6.3 million Child Trust Fund accounts. HMRC estimate that 55,000 accounts will mature each month until January 2029.

Child Trust Funds (CTFs) are long-term tax-free savings accounts in which the funds – either cash or shares – are held in trust until the child turns 18. They were available for all children born between 1 September 2002 and 2 January 2011 for whom child benefit was claimed, funded by an initial £250 government voucher. In certain situations, a 'top-up' contribution to the accounts was provided.

Funds held in a CTF are exempt from income tax and capital gains tax and do not affect any claim to benefits or tax credits by the account-holder's parent or guardian. Upon the child turning 18, the funds are transferred into a 'protected account', which continues to benefit from the same tax-exempt status, until instruction is given by the fund's legal owner (that is, the 18 year old) to withdraw the amounts as cash or otherwise transfer them into an 'adult' ISA. Funds transferred directly into an ISA do not count towards the individual's annual ISA subscription limit (£20,000 for 2020/21).

If details of a CTF have been lost, they can be found via a form on GOV.UK or a postal application (see tinyurl.com/y3eqrb2t) to be be completed by either the parent/guardian or the 18 year old.

Parents or guardians who wish to access funds on behalf of children who lack the capacity to make financial decisions for themselves may need to obtain the legal authority to act on their child's behalf before they can access the CTF. If the child, on reaching the age of majority, does not have capacity, they will not be able to grant a power of attorney. LITRG understands that an order from the Court of Protection (or in Scotland, an intervention order or guardianship via the sheriff

courts) may be required. Legal advice should be sought in this situation. LITRG has published further guidance on maturing CTFs at: www.litrg.org.uk/child-trust-funds.