

ADVERTORIAL



New kid on the block – the Junior ISA

If you haven't already heard, Junior ISAs, or JISAs, will be launched on 1 November this year. As their name suggests, they are a slimmed down version of ISAs, but for children rather than adults.

The Treasury has estimated that six million children will be eligible for a JISA when they launch, with 800,000 more eligible each year after that. With more financial pressure than ever on families and young adults, saving for children remains crucial.

The JISA looks set to be a useful way to save on behalf of a child, but how will it work, how much can you save and what are the pros and cons over other children's savings products?

HOW THE JISA WORKS

JISAs are tax-efficient savings vehicles designed for the under-18s that offer parents, grandparents and other interested parties a way of investing for a child in a tax-efficient environment (however, it is only parents who can actually open the account). Gains are free of capital gains tax, there is no income tax to pay for either the donor, parent or child and there is no inheritance tax to pay if the donor makes the investment out of his or her normal income. However, tax assumptions may change if the law changes, and the value of tax relief (if any) will depend on your individual circumstances. You should consult your tax adviser to ascertain any applicable tax consequences.

Any child under the age of 18 will be eligible for the new scheme, providing they do not already have a Child Trust Fund (CTF). It is important to note that this includes those children born before September 2002 who were excluded from CTFs. Children can also open their own JISA when they reach 16 years of age, provided they don't already have one.

Like adult ISAs, money can be put into both cash and stocks and shares. Children can hold one cash and one shares JISA at a time, with the maximum £3,600 a year split between them. The money is then locked into the JISA and cannot be withdrawn until the child reaches 18. If the money is not withdrawn at this stage, the JISA will roll into an adult ISA.

WHAT IF MY CHILD HAS A CTF?

The government stopped issuing vouchers for the CTF on 1 January 2011. Existing accounts remain open and family and friends can continue to top them up each year.

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CTF holders will not be allowed to apply for a JISA, but the CTF investment limits will be increased to £3,600 a year from the current £1,200 to make sure holders do not miss out on the higher limits available to JISAs.

The JISA and the CTF are similar in several ways. Both lock the funds away from anyone other than the holder, who can only access them at 18; both are tax-efficient; and both offer cash or equity-based accounts.

SUMMARY OF BENEFITS AND DRAWBACKS FOR THE JISA

BENEFITS

- They are tax-efficient.
- In addition to providing children with a nest egg, a JISA could also help them learn about how to save, the importance of putting money aside and achieving financial goals.
- A JISA can be rolled into an adult ISA when the child reaches the age of 18.

DRAWBACKS

- There is a limit to how much can be invested.
- The money is locked away until the child is aged 18.
- You may not want your child to have immediate access to the funds at the age of 18.

ABOUT JUMP SAVINGS

Jump offers a number of children's savings products that invest in Witan Investment Trust, a well-known and leading global equity investment trust. Witan manages investments on behalf of more than 17,000 children – in fact, it has more shareholders under the age of 10 than over the age of 70 (as at 30/6/2011). Witan currently offers a children's savings plan and a CTF, and will be launching its own JISA on 1 November. If you would like to pre-register for a Jump JISA, complete the reader reply card or go to jumpsavings.com, where you can also find more information about JISAs.

Jump is an equity investment in Witan Investment Trust. Please remember, past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of currency and market fluctuations and you may not get back the amount originally invested.