

## **CHILD TRUST FUND CONSULTATION ON FURTHER PAYMENTS AT SECONDARY SCHOOL AGE**

The Chancellor announced in Budget 2005 that the Government will consult on making further payments into Child Trust Fund accounts at secondary school age.

The Child Trust Fund is a new long-term savings and investment account for children. Its aim is to ensure that all children have a financial asset behind them when they reach the age of 18. It will help encourage a savings culture for both families and children. It will also provide children with practical financial education.

The Government launched the Child Trust Fund in January 2005. There are now over 90 official providers and distributors of Child Trust Funds, including institutions across the financial services industry and numerous high street retailers.

All children born since 1 September 2002 will receive a Government payment of at least £250 as an initial endowment, and children from families with lower incomes will receive a Government payment of £500. Children, parents, family and friends will be able to contribute up to £1,200 a year to each account and there will be no tax to pay on any interest or gains made on this money.

Around 1.6 million vouchers are being sent to families in the first few months of this year. Parents can use the voucher to open an account of their choice with a participating financial provider.

Child Trust Fund accounts become fully operational on 6 April 2005. After this date, Government funds will be paid into the account and family and friends can start contributing.

The Government has already committed to make a further payment at age seven into all Child Trust Fund accounts. This payment will be based on the principle of progressive universalism – a flat rate payment to all children and an additional payment to children in families on lower incomes. As announced in the 2004 Pre-Budget Report, the Government is consulting on a universal payment of £250 at age seven, with children from low-income families receiving £500. More information can be found at:

[www.hm-treasury.gov.uk/pre\\_budget\\_report/prebud\\_pbr04/press\\_notices/prebud\\_pbr04\\_press05.cfm](http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr04/press_notices/prebud_pbr04_press05.cfm)

The Government would now like to hear views on what further payments should be made into Child Trust Fund accounts at secondary school age and particularly invites views on the following issues:

1. At what age should further Government payments be made during secondary school?

The Government has already committed to a further payment at age 7 to link in with financial education in primary school. As children grow up, this education will continue through secondary schooling. The Government would welcome views on whether further payments should be made secondary school age and if so, at what age.

2. Value of the universal further payment at secondary school age.

The value of the universal initial endowment to all children is set at £250. As announced in the 2004 Pre-Budget Report the Government is consulting on whether £250 is also the correct value for the universal top-up payment at age seven. The Government now invites views on the appropriate value of the universal further payments at secondary school age.

3. Value of the additional payment to children in lower income families at secondary school age.

The value of the initial additional payment to children in low-income families is £250, making £500 in total. As announced in the 2004 Pre-Budget Report the Government is consulting on whether £250 is also the correct value for the additional payment to children in lower income families at age seven (making £500 in total). The Government now invites views on the appropriate value of the additional further payments to children in low-income families at secondary school age.

4. Ratio of progressivity.

Based on initial endowments of £250 for every child and £500 for poorer children, the ratio of progressivity for the initial endowment into Child Trust Fund accounts is 1:2. As announced in the 2004 Pre-Budget Report the Government is consulting on whether 1:2 is the correct ratio of progressivity for the top-up payments at age seven. The Government now invites views on the appropriate ratio of progressivity for further payments at secondary school age.

HM Treasury invites views from industry, consumer organisations, charities and other stakeholders on these issues.

Respondents are asked to reply by e-mail to:

[CTFsecondaryschoolagepayments@hm-treasury.gov.uk](mailto:CTFsecondaryschoolagepayments@hm-treasury.gov.uk)

or in writing to:

CTF Secondary School Age Payments Consultation  
Assets, Savings and Wealth team  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

Responses are requested by 31 October 2005.

HM Treasury  
16 March 2005