# SAVING FOR CHILDREN

**Important Information**: *The value of your investments can go down as well as up, so you could get back less than you invested.*

Preparing children for their financial lives means providing them with the knowledge and opportunity to manage themselves independently. Yet even if they learn the best skills, they face big challenges. The increasing costs of housing, university and college, allied with slowing wage growth, have raised the price of adulthood.

But many parents can also offer a helping hand, and it doesn't take much to make a lasting difference. The good news is that small amounts can really add up if you save regularly from the child's birth. A contribution of as little as £10 a month at a rate of return of 3 per cent could give a child nearly £3,000 by the time, he or she reaches 18, while saving £300 a month could produce a whopping £85,800.

For those looking even longer term, 18 yearly payments of £2,800 into a children's Personal Pension could make little Billy a millionaire by the time he turns 65. That is because after tax relief that £2,800 amounts to £3,600. However, it must be borne in mind that pension funds cannot be accessed until age 55 (and this age is likely to increase within the next few years).

Most parents or grand-parents choose to save in their child's name rather than their own for tax purposes. By saving in your child's name, the interest earned is generally tax-free (up to certain limits) as children get the same tax-free allowance as adults.

However, it is important to bear in mind that any account held in the child's name becomes legally theirs to do with as they wish at age 18. As we all remember, that is not always the best age to have a large lump sum to hand!

If this strikes a chord with you, or if you need to discuss any other area of financial concern with an independent adviser why not contact us for a chat? Your initial consultation will be at our expense, so you have nothing to lose.

**Laurie Mellor**