One year on: more than £600 million of Child Trust Funds remain unclaimed

It's been a year (1 September 2020) since the first Child Trust Funds matured, but Britain's youngsters are sitting on a goldmine of unclaimed cash, says the [Association of Financial Mutuals (AFM)]

Since the first Child Trust Funds (CTF) matured last September, over half a million teens across the country have received letters telling them to claim the money, however only half of them have acted.

The average CTF is valued at more that £2,000, and with more than 300,000 of maturities not acted on, there is around £600 million set aside and waiting for instructions. In the meantime, that money will continue to be invested in either a cash fund or in a stocks and shares account.

Child Trust Funds were introduced by the Government in 2005 as a tax-free savings account for children. Available to those born between 1 September 2002 and 2 January 2011, parents received a voucher of either £250 or £500 to set up an account in their child's name.

As eligible teenagers become aware of their CTF, more and more are starting to claim their funds. Currenty 46% of CTFs remain unclaimed, compared to 80% which sat unclaimed following the months after the first fund maturity.

According to the Association of Financial Mutuals (AFM), whose members hold one third of CTF's, around 12% of funds have reached maturity. As more young people start to gain access to this cash, the AFM explains that as well as messages on social media encouraging people to act, providers are improving their own messaging. However, many young people remain reluctant to act, and this is a consequence of confusion, a lack of trust in financial providers, as well as failings in financial education.

It is up to the account holder of the CTF to decide what to do with the money. Their options are to withdraw the full amount, leave it in the fund, or reinvest the money into other savings products.

Martin Shaw, CEO of the Association of Financial Mutuals has some useful advice for Child Trust Fund owners looking to continue to invest their savings:

Invest in an ISA which will top up your savings by 25%

Lifetime ISAs (LISA) have been created to help 18 to 39 year olds save for their future. These tax-free accounts allow savers to receive a 25% top up from the government of up to £1,000 per year.

The LISA was created to help people save for a first home, or retirement and are a great way to help younger generations start thinking about their future.

Dip a toe into the world of stocks and shares

For those who would like their savings to be more accessible, a stocks and shares ISA provides higher interest rates than cash ISAs by putting savings into a range of different investments.

Although higher risk than cash ISAs, these ISAs allow young people to dip a toe into the world of stocks and shares and choose a provider based on the choice of investments.

When searching for a stocks and shares ISA, it's worth shopping around to ensure the provider's portfolio aligns with the saver's values. For example, there are lots of options for ethical investing nowadays.

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For more information, please contact Lucy at Smoking Gun on afm@smokinggunpr.co.uk.

About the AFM:

The Association of Financial Mutuals represents insurance and healthcare providers that are owned by their customers, or established to serve a defined community. Mutual insurers manage the savings, pensions, protection and healthcare needs of over 30 million people in the UK, and collect annual premium income of £20bn.