

J U L Y 2 0 2 5

SPOTLIGHT ON:

Children's savings: Starting their financial future early



Morris Owen

chartered accountants, business advisers and more...

WWW.MORRISOWEN.COM
MORE@MORRISOWEN.COM

01793 603 900



GIVING YOUR CHILDREN A HEAD START IN LIFE

Many parents and carers want to give children a solid financial base, yet feel unsure where to begin. The UK tax system offers several wrappers and allowances designed for minors, each with different rules on access, tax treatment and contribution levels.

Saving for a child is not just about handing over a lump sum at 18. It can reduce student debt, fund a first driving lesson, provide a house-deposit boost or even kick-start a pension. Starting early means more time for interest, dividends and tax relief to compound and for annual allowances – such as the Junior ISA limit – to be used before they fall away at each 5 April.

This guide explains the main wrappers and figures that apply in 2025/26, shows how different goals match different accounts, and outlines the ways our firm can lighten the administrative load. We hope it gives you a clear starting point. If a particular option catches your eye, please get in touch and we will set the wheels in motion.

WHY EARLY SAVING MATTERS

- 18-year-olds who receive even a modest lump sum are less likely to rely on expensive borrowing for university or early working life.
- HMRC data shows that 1.25m Junior ISA (JISA) subscriptions were made in 2022/23 and uptake continues to rise.
- With consumer price inflation at 3.5% in April 2025, many children will need larger deposits for rent or property by the time they reach adulthood.

Saving early makes full use of allowances that reset each 5 April and allows compound growth to work for many years.

JUNIOR ISAS - THE PRIMARY TAX-FREE WRAPPER

Point to remember	Rule for 2025/26	What this means in practice
Annual subscription limit	£9,000 per child	You can divide the allowance between cash and stocks & shares accounts
Access	Locked until the child's 18th birthday	At 18 the account turns into an adult ISA and the child gains full control
Ownership	The child owns the funds	A parent or guardian manages the account until the child turns 16
Tax treatment	Interest, dividends and gains are completely tax free	They do not affect your own allowances

WHAT WE DO FOR YOU

- We will check that total subscriptions across all JISAs stay within the £9,000 limit.
- We'll point you towards cash JISA providers currently paying around 4% AER variable (rates correct June 2025) or low-cost stocks & shares platforms if you are comfortable with investment risk.
- From April 2024 the restriction on subscribing to multiple adult ISAs of the same type was removed – but this does not apply to Junior ISAs. Children are still limited to one cash JISA and one stocks & shares JISA per tax year, subject to the overall £9,000 limit.

CHILD TRUST FUNDS - REVIEW OR TRANSFER

Children born between 1 September 2002 and 2 January 2011 may still hold a Child Trust Fund (CTF). However, they cannot hold both a CTF and a Junior ISA at the same time. If you wish to switch to a Junior ISA, the CTF must be transferred first – but this doesn't use up the £9,000 JISA subscription limit, meaning you can add fresh funds after the transfer.

HMRC estimates that over 670,000 young adults have not yet claimed mature CTFs, with an average value of about £2,000.



HOW WE CAN HELP

1. **Trace forgotten accounts** – we can guide you through HMRC's online tracing tool.
2. **Compare fees and returns** – many legacy CTFs carry higher charges than modern JISAs.
3. **Transfer where sensible** – a CTF can move into a JISA without using the receiving JISA's £9,000 limit, allowing up to £18,000 of new tax-free funding in the same year (transfer first, then add fresh money).

CHILDREN'S SAVINGS ACCOUNTS - SIMPLE, FLEXIBLE, TAXABLE

A standard children's savings account at a bank or building society pays interest outside the ISA system.

- **Personal allowance:** £12,570 – applies to children as well as adults.
- **Starting-rate band for savings:** Up to £5,000 of interest can still be tax free if the child has little or no other income.
- **Parental settlement rule:** If a parent provides the capital and total annual interest for that child exceeds £100, the entire interest is taxed as the parent's income. Gifts from grandparents or other relatives are not caught.

With easy-access children's savings rates of roughly 4-5% AER, you reach the £100 threshold at balances of £2,000-£2,500. If you plan to save more than that, a JISA or Premium Bonds usually suits better.

PREMIUM BONDS - PRIZE-BASED SAVING

Point to remember	Figure for 2025/26
Maximum holding	£50,000 per child
Prize fund rate (April 2025)	3.8% tax-free
Access	You can cash in bonds at any time until the child turns 16

Premium Bonds suit families that have already filled the £9,000 JISA allowance but still wish to put aside money tax free. Returns are not guaranteed, yet the chance of a prize appeals to many children and parents alike.

Premium Bonds suit families that have already filled the £9,000 JISA allowance but still wish to put aside money tax free

JUNIOR SIPPS - RETIREMENT SAVING FROM BIRTH

Point to remember	Rule for 2025/26
Net contribution limit	£2,880 per child
Tax relief added	£720 (20%)
Total invested	£3,600
Access	Normally age 57 (expected to rise)

The government adds basic-rate tax relief even though the child has no earnings, so £2,880 paid in becomes £3,600 straightaway. The very long lock-in means a junior pension should sit alongside, not instead of, vehicles that support university costs or a first home. It is common practice for grandparents with surplus income to use junior SIPPs to pass on wealth without starting the seven-year inheritance tax clock, provided contributions come from normal income and leave the donor's lifestyle unchanged.

2025/26 ALLOWANCES AT A GLANCE

Allowance or limit	2025/26 figure
Junior ISA subscription	£9,000
Child trust fund subscription	£9,000
Premium Bonds holding	£50,000
Junior SIPP gross contribution	£3,600 (£2,880 net)
Personal allowance	£12,570
Starting-rate band for savings	Up to £5,000 interest
Parental settlement threshold	£100 interest per parent
Inheritance tax annual gift exemption	£3,000 (plus last year's unused amount)

TAX POINTS TO WATCH

- 1. £100 parental interest rule** – monitor non-ISA accounts each January when banks issue annual statements.
- 2. Frozen personal allowance** – the allowance stays at £12,570 until 2028, so higher interest rates may push children with large balances into tax sooner than expected.
- 3. Student finance** – large sums held in a child's name count towards assessed income for maintenance loans in England.
- 4. Investment risk** – stocks & shares JISAs and junior SIPPs can fall in value. The Financial Services Compensation Scheme covers up to £85,000 per firm.
- 5. Universal credit interactions** – savings in a child's name usually do not affect parents' entitlement, but income generated can. If this applies to you, let us know and we will arrange specialist advice.

SIX PRACTICAL STEPS TO TAKE NOW

1. **Check what already exists:** Does your child have a JISA or a CTF? We can confirm this for you.
2. **Clarify the goal:** Short-term spending at 18, a first-home deposit or retirement savings will lead to different choices.
3. **Use allowances in order:** JISA, Premium Bonds, children's savings account, then junior pension.
4. **Set up regular payments:** Most providers accept £25 a month; direct debits remove hassle.
5. **Review yearly:** At the start of each tax year we will remind you to check interest rates and fund performance.
6. **Include the child:** Show them statements and explain how interest works to build financial awareness early.

HOW WE HELP YOU

- **Compliance** – we track contributions and alert you if you approach annual limits.
- **Provider selection** – we keep a current list of competitive cash JISA rates and low-cost investment platforms.
- **Paperwork** – we handle transfer forms if you move a CTF to a JISA or switch providers.
- **Inheritance-tax planning** – we record gifts and advise on using the £3,000 annual exemption and normal-expenditure rules.
- **Tax returns** – if non-ISA interest pushes you over your personal-savings allowance, we include it in your self assessment return.
- **Updates** – when HM Treasury announces changes we summarise what they mean for your family and suggest timely actions.



NEXT STEPS

Putting money aside for children may feel like one more task on an already long parental to-do list, yet it is one of the few actions that can deliver three wins at once: a financial head start for the child, efficient use of annual tax allowances and peace of mind for the wider family. By acting now you capture the 2025/26 limits in full and give each pound more time to grow before the child needs it.

Our team is here to make the process straightforward. We will recommend suitable providers, complete the forms, record gifts for inheritance tax purposes and remind you when reviews are due. Whether you prefer the certainty of a cash JISA, the excitement of Premium Bonds or the long-term boost of a junior pension, we can fit the choice to your goals and budget.



If you would like to explore any of the ideas in this guide, please get in touch. A short conversation today could mean a much stronger financial footing for your child tomorrow.

Morris Owen

chartered accountants, business advisers and more...

43-45 Devizes Road, Swindon, Wiltshire, SN1 4BG
Dyer House, Dyer Street, Cirencester, GL7 2PP

