

# NEW INVESTMENT OPTION FOR JUNIORS: JISA

Forward-looking parents are being given a new opportunity to set up tax-free investment accounts for their children. The Junior ISA can be opened and managed by anyone with parental responsibility for an eligible child. Contributions are limited to £3,600 per year and any gain will be tax-free.

Following the withdrawal of Child Trust Funds in May 2010, the Government has come up with a more flexible alternative: the Junior ISA.

Introduced on 1 November 2011, Junior ISAs are aimed at families who want to invest funds on behalf of their children.

#### Advantages:

- Choice of either cash or stocks and shares JISA.
- Each child can hold one JISA of each type—ie a total of two JISAs.
- Income/gain from the JISA is tax-free.
- No tax liability on either the parent or the child in respect of contributions.
- Wide range of qualifying investments—similar to adult ISAs.
- Investment cannot be withdrawn by anyone other than the child.
- At age 18 JISA effectively becomes an adult ISA (in addition to the normal ISA entitlement).
- Useful for both parents and grandparents when planning for School Fees and Inheritance Tax mitigation.

#### Disadvantages:

- No incentive in the form of a contribution into the account from Government.
- Some investment options are not allowed, such as shares acquired under a SAYE scheme, profit sharing scheme or self-invested pension.
- Maturity at age 18 gives the child the right to spend the fund at will.

#### Contributions:

The contribution limit for the 2011/12 tax year has been set at £3,600 and will be held at this level for the 2012/13 tax year. The limit is due to increase in line with CPI from April 2013 onwards. Once the JISA has been set up, any person or organisation (including grandparents) can contribute to it.

#### Access and Control:

Withdrawals are not normally allowed until the child reaches age 18. The JISA is managed by the person with parental responsibility—known as the registered contact—until the child reaches age 16. At this point, the child has the right to manage the JISA for him or herself, but not to make withdrawals. Transfers between providers and between cash and stocks and shares JISAs are possible, subject to the limit of one of each type of JISA per child.

#### Who is eligible?

JISAs are available to any UK resident child under the age of 18 who doesn't already have a Child Trust Fund. In practice this means:

- Any child under 18 born on or after 3 January 2011
- Any child under 18 born before 1 September 2002

#### Who can open a JISA?

- Anyone with parental responsibility for an eligible child
- An eligible child aged 16 or over

#### What about Child Trust Fund (CTF) holders?

- JISAs not available
- No transfers from JISA to CTF or vice versa

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