

Junior ISAs. Growing without the pains.



- Dream wedding
- Deposit on first home
- Student loan repayments
- Uni fees
- Gap year abroad

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Investing for their future

Parents know all too well how much a small person can cost.

Alongside the nappies, pocket money, school trips and music lessons there are longer-term costs that can seem quite intimidating. However, these expenses can actually be quite manageable with careful forward planning.

The largest expense for many children, well, young adults, is the ballooning cost of university. Student loans can help spread the cost, but they saddle graduates with debt for much of their early working lives and probably have something to do with the average first-time home buyer now being 35 years old.*

Easing the cost needn't be expensive if you plan well in advance and invest early for your children. The Government's new Junior Individual Savings Account (ISA) provides a big incentive to begin investing early for children to get them off to the right financial start.

If you open an account for your children, anyone can contribute to it. Throughout the lifetime of the investment, the account is a tax-efficient way to save and invest for your child's future.

*Source: Post Office Mortgages 02.09.11

Junior ISAs – the key things you need to know

Junior ISAs share the same tax benefits as a normal adult ISA, but they're exclusively available to people under the age of 18. They're a great way to invest for a child, for the medium to long term, as they protect their money from income tax and capital gains tax.

- In total, you can put aside up to £3,600 a year on behalf of a child and this money can be invested in Stocks and Shares, Cash or a combination of the two.
- Parents or guardians must open the Junior ISA but other family members and friends can then make contributions.
- ISA investments are a tax-efficient way to save and invest for a child's future – making it remain one of the taxman's most valuable concessions to investors.
- All UK resident children under the age of 18, who do not have a Child Trust Fund, will be eligible for a Junior ISA.
- Similar to a Child Trust Fund, money invested in a Junior ISA can be accessed on or after the child's 18th birthday.
- The child will be the beneficial owner, but will have no access to the money until they are 18 years old.
- Junior ISA accounts will automatically become adult ISAs once they reach 18 years old.
- Invest in a wide choice of funds with Fidelity FundsNetwork™ – over 1,200 funds from more than 70 leading investment providers.

The value of investments can go down as well as up and you may get back less than you invested. The value of tax savings (and eligibility to invest in a Junior ISA) will depend on individual circumstances and all tax rules may change in the future.

Invest up to £3,600 a year per child



Investing in a Junior ISA

HOW IS A JUNIOR ISA DIFFERENT TO A CHILD TRUST FUND?

A Junior ISA will not receive a contribution from the Government, but it does tend to give you more investment options to choose from.

Please note, children who have a Child Trust Fund are not currently eligible for a Junior ISA. However, anyone else resident in the UK and under the age of 18 can have one opened for them – including children who were too old to have a Child Trust Fund.

HOW IS A JUNIOR ISA DIFFERENT TO A NORMAL ISA?

A Junior ISA offers the same tax benefits as an adult ISA, but it has a lower annual allowance. The other key difference is that once you have opened a Junior ISA, your contributions each year must be made with the same investment company. (In comparison, you can open an ISA with a different company each year if you wish.)

This may be a good reason to select an investment company that offers you a wide range of funds to choose from, giving you maximum flexibility around investment options. Please note, you are free to transfer the entire Junior ISA from one company to another at any point, but you will be out of the market whilst this takes place.

Similar to a Child Trust Fund, money invested in a Junior ISA can only be accessed on or after the child's 18th birthday. In addition, if you hold our Stocks and Shares Junior ISA you will not be able to transfer to our Cash Junior ISA in the future.

WHAT ARE THE ADVANTAGES OF INVESTING IN INVESTMENT FUNDS?

One of the easiest ways to hold stocks and shares in a Junior ISA is through a unit trust or an open-ended investment company (OEIC). These are sometimes called mutual funds, investment funds or collectives.

Some funds provide an annual return in the form of dividends or interest (which is paid in addition to any increase in the value of the stocks and shares they hold.) For a Junior ISA it will be automatically re-invested.

Junior ISAs and tax

A Junior ISA is not an investment itself but simply a tax wrapper that protects the investments from personal liability for tax.

Any returns made within a Junior ISA investment are free from capital gains tax and income tax for both the child and their parents or guardians.

Unlike some investments, that have to be taken out on behalf of a child under 18 by an adult in their own name, Junior ISAs can be taken out in the name of the child. This gives certainty over ownership and the tax situation, without the need for formal legal paperwork such as a trust, or the need to designate investment accounts.

Investment returns within a Junior ISA do not count towards the child's own personal income tax allowance or annual capital gains tax allowance, so these allowances can still be used for other income and gains.

The special income tax rule for gifts from parents to unmarried children under the age of 18 does not apply to income arising from investments in a Junior ISA. If children are lucky enough to receive substantial gifts during the year, it may be more tax-efficient for the parent's gifts to use the Junior ISA allowance and gifts from other relatives or friends, if the overall total exceeds the Junior ISA allowance, to be invested outside a Junior ISA.

Using the Junior ISA allowance does not affect the child's own eligibility to open an adult cash ISA when they reach 16 years old.



A tax efficient savings account designed for adults to save and invest on behalf of their children

How much can I invest?

When you invest in a Junior ISA, you can choose to invest either a lump sum or on a monthly basis.

MAKE LUMP SUM INVESTMENTS

If you want to invest a one-off lump sum, the minimum you can invest is £500. There is also a maximum amount you can invest in a Junior ISA each tax year which is £3,600.

SET UP A REGULAR SAVINGS PLAN

Monthly investing is a great way to build up an investment. You can set up a regular savings plan with us from as little as £50 a month. This will be conveniently deducted from your bank account by direct debit every month.

A WIDE RANGE OF JUNIOR ISA OPTIONS FROM FIDELITY FUNDSNETWORK

As your adviser may have discussed with you, Fidelity FundsNetwork™ is an investment platform operated and backed by Fidelity Worldwide Investment.

We're one of the UK's leading ISA providers, looking after over £34.9 billion on behalf of 1.3 million investors[†] and offering over 1,200 funds from more than 70 fund providers.^{††} You therefore have the reassurance of knowing that your investments are being administered by an independent and secure organisation.

WHAT SHOULD I DO NEXT?

To open a Junior ISA, you should first read the Doing Business with Fidelity FundsNetwork and other essential documents which can be found on the CD enclosed with this brochure, as they contain important information about the FundsNetwork service and your investment. Then complete the enclosed application form, make your cheque payable to 'Fidelity' and return to either us or your Adviser.

You do not need to write cheques to any other investment companies whose funds you choose because Fidelity FundsNetwork will be the central administrator of your investment. We do not provide advice, so if you are unsure about investing in a Junior ISA, you should contact your adviser for more information.

[†] As at 31.08.11 ^{††} Not all funds are ISA eligible. Please refer to the Fund Range document on the CD for full details.

What are the key asset types when investing?

If you are just getting started with investing or if you're looking to improve your understanding, this section contains information that you may find helpful.

Cash is one of the safest of investment classes. The problem with cash for long-term savings however is that this security comes at a price. Interest rates are currently close to zero and the spending power of your money will wither away with even a relatively low rate of inflation.

Bonds are issued by institutions to raise money. Bonds issued by the UK government are known as gilts, while those issued by companies are called corporate bonds. In return for the purchase of the bond, the investor will receive a fixed rate of interest. When the bond matures it will also pay back the original investment.

Once issued, bonds are traded in the open market so subsequent holders may buy and sell them for more or less than their face value. This means the yield a secondary holder receives is determined by the price they paid, not the face value. High demand for a bond will cause its price to rise and its yield to fall. Conversely, the worry that companies, or even countries, may default on interest and capital payments will lower the price of their bonds and push their yields higher. Default risk is based on the issuer's ability to make interest payments and to repay the loan at maturity. Default risk may therefore vary between government issuers as well as between corporate issuers.

Shares or equities offer greater potential over the long term because they reward investors for taking a greater capital risk than holders of bonds. As a result of this greater risk they are also the most volatile asset we have seen over the past decade.

Alternative assets covers a wide range of investment options, such as commercial property or commodities. These also offer high growth potential and higher risk than cash or bonds.



Taking a long-term view

Saving for children or grandchildren has one significant advantage over many other types of investment – you know when they are likely to need the money. It could be their 18th birthday, their 21st or some other date you have in mind, but it means you can plan very specifically for the time frame.

POWERFUL GROWTH FOR THE LONG HAUL

If you know you will be investing for five years or more, our investment experience suggests holding some or all of your investments in share-based funds, subject to your risk appetite, as these offer a level of long-term growth potential that other types of investment cannot match. Please remember, money invested in a Junior ISA can only be accessed on or after a child's 18th birthday.

Recent years have reminded us all that shares are a volatile investment. They can rise and fall unpredictably over short periods, and it can be hard to look past headlines that shout about market volatility. However, history shows that shares do tend to rise in value over the long term.

This can be seen if you look at the performance of the UK stock market since 1985. Despite the ups and downs we have experienced over this time, from the bursting of the dot.com bubble to the credit crunch, the FTSE All-Share index has grown by an average of 6.1% a year or 345.8% overall*. The same applies over longer time periods where, as a rule, long-term investing irons out short-term volatility.

What's more, if you invest in shares through a mutual fund, you can reduce the level of risk involved in stock market investing. This is because you will be holding a selection of shares chosen by an expert fund manager, so each company that the fund invests in is only a small part of the total investment.

You can potentially reduce risk even further by holding a mix of funds that invest in different sectors or geographical regions as this gives you access to a wider range of opportunities. You need to be realistic about how tolerant you are to risk. If you are unsure please speak to your adviser, as we do not offer advice.

This past performance is not a guide to what might happen in the future.

How the market has performed over the last five years

	Jan 06 – Jan 07	Jan 07 – Jan 08	Jan 08 – Jan 09	Jan 09 – Jan 10	Jan 10 – Jan 11	5 year cumulative Jan 06 – Jan 11
FTSE All-Share	+13.2%	-3.6%	-27.8%	+33.2%	+18.1%	+24.1%

Source: Datastream, as from 31.01.06 to 31.01.11

* Source: Datastream 31.12.85 to 31.01.11.

How do I apply for a Junior ISA?

Before investing in a Junior ISA, you should read the Doing Business with Fidelity FundsNetwork document, Fidelity Client Terms of Business and Fund Specific Information and/or Key Investor Information Document (KIID) for your chosen funds. These can be found on the enclosed CD together with a full list of the funds available.

Once you are ready to proceed, simply send your completed Junior ISA application form and payment to either us or your Adviser.

1. Insert the CD into the CD/DVD drive of your PC
2. Wait for the CD to load – this may take a few seconds
3. Click on the Doing Business with Fidelity FundsNetwork, Fidelity Client Terms of Business, Fund Specific Information and/or Key Investor Information Document (KIID) icons.

You will need internet access and Adobe Acrobat software to view this document.





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