



Get ready for JISA's

It is twelve years since ISA's were created as a tax free vehicle for cash savings or the investment of shares or funds. On 1st November 2011 they will be joined by a new variant – the Junior ISA (“JISA”); a tax free savings account for children.

Whilst they share many features of ISA's these new accounts are slightly complicated by the way entitlement is limited to children not already holding the outgoing Child Trust Funds (“CTF's”). CTF accounts have been closed to children born on or after January 3rd this year.

The eligibility for JISA is for children living in the UK who do not have a CTF account and each child will be able to have one cash and one ‘stocks and shares’ Junior ISA at any time. It is estimated that around 6 million children will qualify at launch with a further 800,000 qualifying each year.

Unlike CTF's there is no “seed corn” contribution from the Government and, for 2011, the annual limit for payments into JISA's will be £3,600. At the point where the child reaches the age of 18 the accounts will become ISA's. Although the child will become responsible for the account at 16, no withdrawals are permitted until they reach the age of 18.

At present we don't know how many providers will offer JISA's. But it would seem that the new accounts could well be a useful vehicle for that universal problem of how older relatives can help kids to “get started”. A socially recognised UK savings scheme assisting grandparents and parents to allow kids to accumulate a worthwhile lump sum to help with house purchase or education should fit well with the concerns of many families. The ISA “brand” may well be better for this purpose than the less well known CTF. If so, this could be an important new part of the savings market.

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