What Options Do I Have To Invest For My Child’s Future?

The sooner you start investing your hard-earned cash into your child’s future, the more savings they’ll have to start their adult lives. This money might fund further education, their first car, a gap year, or help them with a house deposit a little further down the line.

In addition, getting your children involved with investments will help them [learn important lessons about money]() and how to save.

We understand that not all parents or legal guardians have the finances to invest in their children. However, if you are lucky enough to do so, you should understand what options are available for your child’s future and the specific risks of investing.

This article will explore three tax-efficient investment options that could help your money generate a profit or produce income before your child can access it at age 18.

Junior Stocks And Shares ISA

A Junior Stocks and Shares ISA is a tax-free savings account for children where your money is invested in stocks and shares, bonds, or funds. When your money is invested, you will not pay tax on any dividends or capital growth you receive.

For the 2024/25 tax year (which runs until the 5th of April 2025), the annual savings limit for a Junior Stocks and Shares ISA is £9,000. This allowance has remained the same since the 2020/21 tax year.

A Junior Stocks and Shares ISA differs from a Junior Cash ISA, which is more like a savings account, but the money can only be withdrawn once your child turns 18.

However, before you consider a Junior ISA, it's important to note that investments are riskier than cash but could give your child a more significant profit, depending on whether the value of investments goes up or down.

If your child was born between 2002 and 2011, you might have already set up a Child Trust Fund (CTF). You can not open a JISA for your child if they already have a CTF. However, parents or legal guardians can transfer money from CTF accounts to Junior ISAs. When the child reaches 18, the CTF money can also be transferred into an adult ISA.

NS&I Premium Bonds

National Savings and Investments (NS&I) is a state-owned savings bank in the UK, backed by HM Treasury. This means all the money you invest is 100% secure.

NS&I offers Junior ISAs, which are explored above, but they also allow parents or legal guardians to invest in Premium Bonds for children under 16. You can keep buying bonds for your child until you reach the holding limit of £50,000.

The fun part of investing in NS&I Premium Bonds is that your child will be entered into a monthly prize draw, where they can win between £25 and £1 million tax-free cash. From December 2024, the odds for winning are 22,000 to 1 for every £1 Bond.

NS&I Premium Bonds are not the best option if you want to receive a regular income or guaranteed returns. However, your money is held in the account without being subject to tax, and any prizes you win will be transferred to your chosen bank account.

Junior SIPP

Your child's retirement is many years away, but if you want them to really enjoy their golden years after you're gone, you could consider opening them a Junior Self-Invested Pension Plan (SIPP).

A Junior SIPP allows parents and legal guardians to make investment decisions from a portfolio of options approved by HM Revenue and Customs on behalf of their child. Any money invested is free from capital gains and dividend tax.

Like adult pension schemes, Junior SIPPs are eligible for 20% tax relief. So, if you put £2,880 a tax year into your child's SIPP, they'll receive an extra £720 from the government. This is the limit that can be paid into a Junior SIPP; unless your child earns more than this, then it'll be 100% of their earnings.

However, it's worth noting a few important things about Junior SIPPs:

- Tax benefits and rules depend on individual circumstances, which are likely to change again before your child reaches retirement age.
- Like other pension schemes, the money you save in a

Junior SIPP can’t be accessed until your child reaches the legal retirement age of 55 (rising to 57 in 2028).
- The value of your investments can fall and rise, so there’s a small chance your child could eventually get back less than you invested.

Ready To Invest In Your Child’s Future?

Some parents may be more familiar with child savings accounts from their chosen bank or building society or may even still use the good old-fashioned piggy bank. But with the rise of open banking, it may soon be even easier to share finances with your kids.

However, saving is simply setting the money you have aside for use at a later time. Meanwhile, investing has the potential to generate a profit or produce income, making it a better option for your child’s financial future.