Hanbury Wealth Product Guide

Junior Individual Savings Account

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What is it?

Junior ISAs (JISAs) became available from 1 November 2011.

Both cash and stocks and shares JISAs are available. Children can hold up to one cash and one stocks and shares JISA at a time (two accounts in total). The qualifying investments for both cash and stocks and shares JISAs are the same as for the adult equivalents, i.e.

Stocks and shares

These are in the form of either individual shares or bonds, or pooled investments such as open-ended investment companies, unit trusts, investment trusts or life assurance investments

Cash

These are usually in the form of a bank or building society savings account

Eligibility

All UK resident children under the age of 18 who do not have a Child Trust Fund (CTF) are eligible for JISAs. This includes children born before the launch of the CTF (the CTF was available to children born between 1st September 2002 and 2nd January 2011). Anyone with parental responsibility for an eligible child can open a JISA for that child. Eligible children will be able to open JISAs for themselves from age 16.

Contribution limits

The overall contribution limit is £9,000 and this can be split between cash and stocks and shares in any proportion.

Unlike ‘adult’ ISAs where the investor can open and subscribe to new ISAs in each tax year, a child can only hold up to two JISAs (no more than one of each type at any one time - although if aged 16 or 17 on 5 April 2024 they can hold one of each type of JISA plus an ‘adult’ cash ISA).

However, previous years’ JISA subscriptions can be transferred in whole or in part subject to the child not having two accounts of the same type at the end of the transfer process. Current years’ JISA subscriptions must be transferred in full. This means that part transfers of JISA investments can only be made to a JISA of a different type (cash or stocks and shares). A transfer from a cash JISA to another cash JISA or a stocks and shares JISA to another stocks and shares JISA must involve the transfer of the entire contents of the ‘old’ JISA. The end result must mean that the child still has no more than one of each type of JISA.

Savings in Child Trust Funds can also be transferred to Junior ISAs and then future subscriptions made to the JISA instead of the CTF if preferred.

Any person or organisation can contribute to a child’s JISA.

Taxation

Any income or capital gains are tax-free.

The parental settlement rules do not apply to parental contributions to JISAs, i.e. regardless of whether the funds originated from a parent and income exceeds £100 pa gross there is no tax liability on the parent as would be the case for other investments.

Any investment returns received will be largely tax free.

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.

Withdrawals

Accounts are owned by the child and withdrawals are not normally allowed until the child turns 18 - the only exceptions to this are that funds may be withdrawn if the child is diagnosed with a terminal illness (life expectancy of no more than 6 months) or dies prematurely.

Unless the funds are withdrawn or moved to another type of product, the JISA effectively becomes an adult ISA at age 18 but will not affect the normal entitlement to ISAs.

A person with parental responsibility manages the child's JISA until age 16. This person is known as the 'registered contact'. Children will have the right to manage their accounts from age 16.

Risk considerations

There are a number of risk considerations that need to be taken into account. It is important that you are aware of these.

- Governments can and do change the rules on tax efficient vehicles, like JISAs.
- A JISA is not a risk free product and the value of the JISA investment may be at risk due to the investments held within the wrapper.
- JISAs can grow but depending on market conditions you may not realise the initial sum invested. There is no guarantee that you will get more out of a JISA investment than you have paid in.
- Income generated from investments held in JISAs is variable and is not guaranteed.
- Any capital you place in the fund is available to the child upon attaining the age of 18.
- The child can take control of the account at age 16 but cannot draw the money until they turn 18.
- Past performance is no guarantee of future returns.
- The price of units and the income from them can fall as well as rise.
- Please be aware that there may be occasions when an individual fund or funds may have a higher risk rating than your overall stated attitude to risk. If this is the case, then the overall risk rating applied to all of the combined funds recommended will still be designed to meet your stated tolerance.