We'll hand £50,000 to Elodie for university... thanks to a Junior Isa

By **Sam Partington**

Investing in her daughter's future: Claire with Elodie, 14

IN FOUR years, Claire and Tom Saunders will hand over control of tens of thousands of pounds in savings to their daughter Elodie.

The thought might give some parents sleepless nights. After all, it has already taken the couple five years of diligent saving into a Junior Isa (Jisa) and a frugal lifestyle to get them from their £500 starting point to the £37,000 they have to date.

But Claire and Tom, both 46, have complete trust in their daughter's decision making. 'The subject of money is not taboo in our household,' says Claire, a financial coach. 'We talk about the idea of saving and the benefits that go with that. Elodie wants to go to university, so we've set that as our savings goal — to be able to use the money to cover her fees and rent.'

But the couple, who live in North London, admit the Jisa was a 'big decision'. 'Once you've put the money in you can't get it out until your child turns 18; then the money is theirs. With your own Isa you can get to the money if you need to,' Claire says.

Junior Isas are a popular way to save for children's futures. More than £1 billion of new money was saved into Jisas in the tax year 2020/21, according to HM Revenue and Customs figures. Launched in 2011, a Jisa comes with the same tax-free benefits as an adult Isa, but any money deposited is locked away until the child turns 18, apart from in exceptional circumstances, such as terminal illness. Only a parent or guardian can open an Isa for someone under 16, but once it is opened anyone can pay into it.

For the tax year 2022/23, up to £9,000 can be saved into a Jisa. Interest earned on savings or gains made on investments are tax free. Like an adult Isa, there is the option to open a cash or stocks and shares account or have both elements and split the Isa allowance across the two.

The earlier you open the Isa, the more time you have to build up a nest egg for your children.

Savings rates have improved since the Bank of England began increasing the base rate last year, which means parents who do not want to invest their child's savings in the stock market have a better opportunity to build wealth. Parents who opened a cash Isa for their child at birth, paying 4pc interest and depositing the maximum allowance of £9,000 a year until they turn 18, would be on track to receive more than £240,000, according to Anna Bowes, of Savings Champion.

She says parents should shop around for the best-paying cash Jisa because rates vary. The top paying Jisa is currently 4pc with Skipton Building Society.

'Compound interest can really help to build up a lump sum over a long time, so earning as much interest as possible will ensure your savings work as hard as possible.

'Review the savings rate at least every year, and vote with your feet if your provider is no longer competitive. You cannot close the Isa before the child is 18 but you can transfer it to a different provider.'

Claire and Tom decided to open Elodie's stocks and shares Jisa with AJ Bell while she was in her last year of primary school.

She recently turned 14 and the couple are on track to have built a £50,000 pot for her adulthood. They have also opened a Jisa for their son Theo, 11. Claire and Tom like to choose the funds themselves and make sure that Elodie's portfolio is widely distributed among FTSE 100 companies, S&P 500 firms and global equities.

And now that Elodie is older, Claire likes to involve her in some of the decision making for how her money is invested.

Claire says: 'My daughter cares about the environment so we've also looked at funds that are ethically invested.'

Those lacking in experience or time can choose a readymade Isa portfolio to match their appetite for risk from companies such as Wealthify and Nutmeg.