Saving for Children

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Many parents wish to set aside money for children to give them a helping hand when starting adult life. With costs of higher education, and the sizeable amount required these days for a deposit to gain a place on the housing ladder, it is no wonder concerned parents look for ways to save money for their children.

One way to save would be to contribute to a pension on your child's behalf. Any savings you can make before they start working will help.

A tax efficient way for you to save on behalf of your child is to use your ISA allowance. The allowance for the 2010/2011 tax year is £10,200. You can choose to invest a maximum of £5,100 in cash, the remaining allowance can be invested in stocks and shares, or alternatively the full allowance can be invested in stocks and shares. Investing in stocks and shares can give your monies potential for greater growth over the longer term, while cash ISAs are more suitable for cautious investors.

Alternatively, many Friendly Societies offer tax-free savings plans. These can be taken out in addition to ISAs, usually specify a minimum contribution and require the investor to state the period they would like to contribute for at the onset.

The state provides an initiative to encourage saving for children in the form of the Child Trust Fund. This is a long-term, tax-free savings and investment account for children. The government gives a minimum voucher of £250 per child at birth, with parents and relatives having the opportunity to add to the fund. The account matures at age 18 and there are no restrictions as to how the proceeds can be spent. A further option is to save their child benefit payments, this can amount to a sizeable sum by the time a child reaches the age of 18.

Many different options are available to save money for children, making it difficult to decide on the most suitable. For advice in making the right decision to meet the needs of you and your child it may help to consult an independent financial adviser.

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