Junior ISAs

Gifting a Better Financial Future

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What is a JISA?

JISAs - Junior Independent Savings Accounts - launched in November 2011[1] and proved popular as a useful way to put money aside for children/grandchildren's financial futures.

In 2019/20 alone, the UK reported around 1 million JISA accounts[2] were subscribed to. There are two types of JISA – Cash and Stocks & Shares – but with inflation set to race ahead in the short to medium term, investing in a Stocks & Shares JISA is the best way to beat inflation. But it's really up to you which one you think suits your risk appetite and financial goals!

Cash v Stocks & Shares JISAs

A common question is "what are the differences between a Cash JISA and a Stocks & Shares JISA?" The table below illustrates these.

Cash JISA	Stocks & Shares JISA
· Similar to normal savings account · Annual tax-free allowance of £9,000 · No tax paid on interest · Low-risk · Low return (<2% on average) · Money protected by FSCS up to£85,000 if JISA set up with regulated provider · Does not tend to beat inflation (set to top 9% by end of 2022)[3]	· Annual tax-free allowance of £9,000 · No tax paid on capital growth or dividends · Recommended for minimum 5-year investment · Riskier depending on investment portfolio chosen · Potential for higher returns and to beat inflation · Money protected by FSCS up to£85,000 if JISA set up with regulated provider · More fees & charges

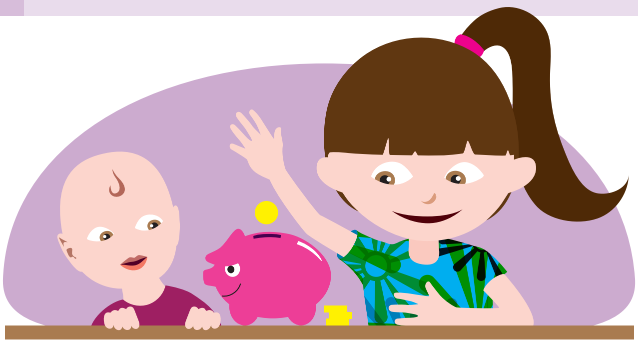
Who can have a JISA?

A JISA can be opened by a parent, guardian or grandparent for a child/children who are:

· Under 18 years old

· Living in the UK

· Not already holding a Child Trust Fund



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[1] https://www.thearmchairtrader.com/10-years-of-junior-isas-7-keys-to-success/

[2] https://www.gov.uk/government/statistics/annual-savings-statistics/commentary-for-annual-savings-statistics-june-2021

[3] https://www.bankofengland.co.uk/monetary-policy/inflation

Who has access?

Only those with parental responsibility can open a JISA for each child. They will become the 'registered contact' and will be able to manage the account, however anyone can contribute.

When the child reaches 16, they can then become the 'registered contact' and on turning 18 their JISA will automatically convert into an ISA, which comes with a higher annual allowance (for 2021/22 it's £20,000)[4].

How can a JISA help my child?

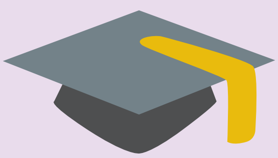
The beauty of a JISA is that it will be an investment over the long term so it can ride out stock market highs and lows (volatility) and benefit from the magic of compounding.

	Compound Interest		
Year	Investment	Interest	Total
1	10,000	800	10,800
2	10.800	864	11,664
3	11,664	933	12,597
4	12,597	1,008	13,605
5	13,605	1,088	14,693

Interest Rate 8%

Some of the milestones and aspirations a JISA can help fund:

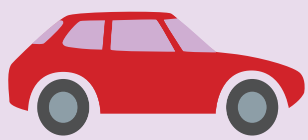
University



Over time, university fees, accommodation and general living costs will add up and need to be paid regularly, leaving the total spend for those 3 years at an estimated

£69,462[5]

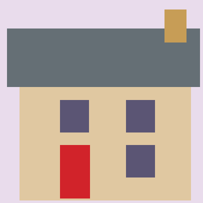
Car



Most young drivers spend on average £3,562 on their first car, but after insurance, road tax and driving lessons/ exams, the total ends up looking more like

£6,071[6]

First Home



Outside London the cost for a first-time buyer is estimated at

£264,160

In London, it jumps to

£475,819[7]

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[4] https://www.gov.uk/individual-savings-accounts

[5] https://www.timeshighereducation.com/student/advice/cost-studying-university-uk

[6] https://www.mawcomms.co.uk/%EF%BB%BFyoung-drivers-spend-on-average-6071-00-getting-their-first-car-on-the-road

[7] https://www.statista.com/statistics/557882/first-time-buyer-average-house-price-by-region-uk/

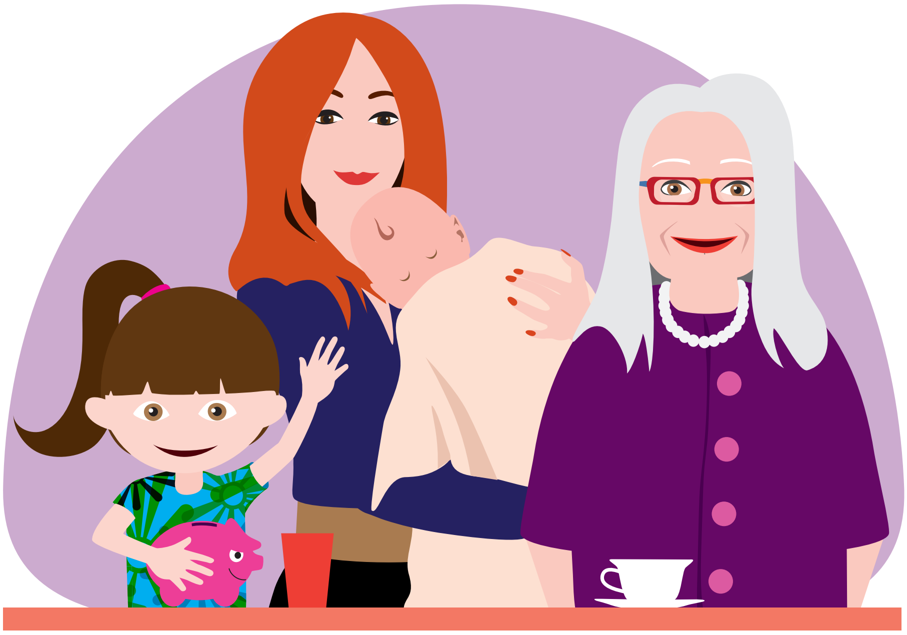
How much to get started?

Depending on the provider, how much you need to get started can vary with some starting at as little as £25. Once opened, you can decide how much you would like to pay into it. You have the option to set up regular payments or pay in lump sums which is perfect for those birthdays and Christmasses.

SCM offer a [Stocks & Shares JISA](#) – a great option to help secure your child's future with a minimum investment of only £1,000 to get started!

How much to get started?

The only one who can withdraw money is the child once they turn 18 years old. However, you can transfer a Junior ISA to a different provider or change the account from a Stocks & Shares to a Cash JISA and vice versa[8].



If you have any questions about opening a JISA, please email us at money@scmdirect.com

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[8] https://www.thetimes.co.uk/money-mentor/article/should-i-pick-a-junior-stocks-shares-isa-or-a-cash-isa/#:~:text=A%20cash%20ISA%20may%20be,investment%20timeframe%20of%2018%20years