



# key features and terms and conditions of Child Trust Fund



Child Trust Fund



engage  
Mutual Assurance



## its aims

- To build a tax-free cash lump sum on behalf of a child which will be available to them on their 18th birthday.

## the child's investment

- The Child Trust Fund is a new savings and investment account for children, introduced by the Government. It is available for children born on or after 1st September 2002 for whom child benefit has been awarded.
- Up to £1200 in total can be paid into the account each year between family, friends, and others, on top of what the Government pay in. Any payments made will be treated as a gift to the child and cannot be refunded.
- The minimum payment accepted into our Child Trust Fund (CTF) account is £5. You can invest a lump sum by cheque, make monthly payments or combine both. The maximum lump sum payment is £1200 per year.
- Our Child Trust Fund Account is a "Stakeholder Account". The Government have set out certain rules relating to stakeholder accounts which must offer "lifestyling" and low charges.

- You have a choice of whether you want the account to be lifestyled.
- Unless you choose otherwise, lifestyling will apply. See 'What is lifestyling' in 'your questions answered'.

## risk factors

- The child's cash lump sum payout at the age of 18 will depend on investment performance, and cannot be guaranteed.
- The value of your child's savings can fall as well as rise and they may not get back as much as has been invested for them.
- Once money is paid into the CTF, it is 'locked in' and can only be accessed by the child and not before they reach age 18, except as permitted by CTF regulations.
- The tax treatment of CTF's may change in the future.
- Although our CTF account is a Stakeholder CTF which meets certain standards, this does not mean that the investment is suitable or that its performance is guaranteed. See 'What is a Stakeholder CTF?' in 'your questions answered'.
- We do not give advice on investments, if you are not sure as to the suitability of this product you should seek advice from an Independent Financial Adviser. You may have to pay for this advice.

# what might your child get back?

An example: Child, aged 1 year			
Term	17 years	204 (17 years) Monthly Payments	
Initial payment	£250		
Second payment age 7	£250	With lifestyling	Without lifestyling
		£20	£20
if investments grew at 5% a year the child would get back		£5,990	£6,320
if investments grew at 7% a year the child would get back		£7,270	£7,670
if investments grew at 9% a year the child would get back		£8,860	£9,340

- These figures are only examples and are not guaranteed - they are not minimum or maximum amounts.
- What the child might get back depends on how the investment grows and on the tax treatment of the investment.
- The child could get back more or less than this.
- All firms use the same rates of growth for illustrations but their charges vary.
- Do not forget that inflation would reduce what the child could buy in the future with the amounts shown.

## your questions answered

### who are **engage Mutual Assurance?**

- **engage** Mutual Assurance is a trading name of Homeowners Investment Fund Managers Limited (HIFML).

### what is a **Child Trust Fund (CTF)?**

- A new savings and investment account for children, introduced by the Government. It is available for children born on or after 1st September 2002 for whom child benefit has been awarded. Family and friends, between them, are able to make contributions to the account up to the maximum of £1200 each subscription year.

### what is a **stakeholder CTF?**

- A Stakeholder CTF account should meet the following standards:
  - the charges should not be more than 1.5% of the value of the account per year;
  - be predominantly stock market based;
  - an investment fund which invests in the shares of a spread of companies;

- accept payments by cheque, direct debit, standing order and direct credit;
- any payment amount from £10 must be accepted;
- must offer Lifestyling (see 'What is Lifestyling?').

### in comparison a **non-stakeholder CTF account:**

- can have an annual management charge of more than 1.5%
- can be stock market or deposit-based
- may set any minimum payment level which it chooses
- need not provide lifestyling.

### who can **apply?**

- The account can only be opened by the responsible person. They will then become the 'registered contact'. See the Definitions in the Terms and Conditions section.

## can I change my mind?

- Yes, you have 14 days from the date you receive your welcome pack in which to change your mind. To cancel, you should complete the cancellation form from the welcome pack and return it to us. If you do change your mind, the account will be cancelled and the voucher will be returned to you.
- At the end of the 14-day cancellation period, the voucher will be invested and the account will be opened.

## when will the account be opened?

- The account will be opened when the voucher has been received and the cancellation period has expired. There may be a delay in purchasing shares (see 'Dealing in shares' in Further Information) .

## how much can be saved?

- Between them, parents, family, friends and your child can save up to £1200 in each subscription year. This is in addition to the money the child gets from the Government.
- The subscription year runs from one birthday to the next.
- The minimum payment accepted into our CTF account is £5.

## where is the money invested?

- The money saved is invested in an Open Ended Investment Company (OEIC). An OEIC is a pooled investment, which allows the investment risk to be spread across a wide range of assets, which helps reduce the risk in comparison with a single asset investment.
- The money buys shares in the Homeowners Investment Growth Fund, which invests in shares in a spread of companies listed on the FTSE 100 Index in the UK.
- If lifestyleing is chosen, from age 13 onwards the money buys shares in the Homeowners Investment Growth Fund and the Homeowners High Income Fund as described below. The Homeowners High Income Fund invests in gilts and other securities listed on UK or EU stock markets.

## what is Lifestyleing?

- Lifestyleing means that when your child reaches 13 the money is gradually moved into the Homeowners High Income Fund. At age 17 the money will be completely switched from the Homeowners Investment Growth Fund, our medium to high risk fund, to the Homeowners High Income Fund, our medium to low risk fund.
- Lifestyleing will happen automatically unless you tell us otherwise.
- If the account is lifestyleed, shares will be bought and the fund switched as indicated in the table:

Age	How payments will be invested		Proportion of value of Growth Fund switched to Income Fund
	Investment Growth Fund medium/high risk	High Income Fund Medium/low risk	
0-12	100%	0%	0
13	80%	20%	1/5
14	60%	40%	1/4
15	40%	60%	1/3
16	20%	80%	1/2
17	0%	100%	100%

For example: If you invested £1000 when your child is 14, £400 will be invested in the High Income Fund and £600 in the Investment Growth Fund

### can lifestyling be switched on or off?

- You can change your mind and request that Lifestyling be switched on or off at any point during the term of the account.

### what happens if I choose not to have lifestyling?

Before the age of 13:

- If you choose not to have lifestyling then the money will be invested 100% in the Homeowners Investment Growth Fund for the life of the account.

From the age of 13 onwards:

- Future payments will be invested in the funds in the same proportion as before lifestyling was switched off. For example, if lifestyling is switched off at age 14 future payments will be invested 60% in the Homeowners Investment Growth Fund and 40% in the Homeowners High Income Fund.
- The money already invested will not be switched between funds unless you tell us in writing that this is what you wish to do.
- If you wish to switch the money back to the Homeowners Investment Growth Fund please let us know in writing.

### how can I keep track of the investment?

- A statement showing the value of the CTF will be sent around the child's birthday every year.
- The statement will also provide details of all the payments made into the account that year.
- As well as being able to see the value of the account each year in the statement, you can ask for the value of the account over the telephone or in writing.

### who has access to the money?

- Only the child will have access to the money and not until they reach 18. It will be 'locked-in' until then.

### can I transfer the account to or from another provider?

- Yes, you can transfer, free of charge, from another CTF provider into our CTF account at any time.
- You can transfer, free of charge, from our CTF account to another provider by requesting and completing a Transfer Form.
- You must transfer the whole account.



### what happens at age 18?

- The CTF account closes at the child's 18th birthday, when the money will be available to the child.
- The money cannot be kept in the CTF account after the child's 18th birthday.
- There will be no restriction on how they use the money in their account at age 18.
- We will contact your child to explain their options shortly before their 18th birthday.
- To meet the current Money Laundering Legislation requirements we will require proof of identity of the child when the money is accessed. For more details please see our Terms & Conditions.

### what happens if my child dies?

- If your child should die, the value of the account on the date of death will be paid to the child's estate.

### how will charges and expenses affect the investment?

- The annual management charge is 1.5% of the value of the Fund, there are no other charges. It is calculated daily on the value of the fund and is deducted every day from the income.
- The tables following show the effect of charges on the investment.
- The figures in the tables are not guaranteed and serve only to demonstrate the effect of charges and expenses on the investment.
- Their effect on an investment of £250 at commencement and regular monthly payments of £20 from age 1 together with an additional government contribution of £250 at age 7 assuming growth at 7% a year is set out opposite.



### Fund with lifestyling: £20 per month

at end of year	investment to date £	effect of deductions to date £	what the child might get back at 7% £
<b>the early years</b>			
1	490	6	510
2	730	16	785
3	970	32	1,070
4	1,210	53	1,370
5	1,450	81	1,700
<b>the later years</b>			
10	2,900	361	3,890
15	4,100	941	6,340
17	4,580	1,250	7,270

### Fund without lifestyling: £20 per month

at end of year	investment to date £	effect of deductions to date £	what the child might get back at 7% £
<b>the early years</b>			
1	490	6	510
2	730	16	785
3	970	32	1,070
4	1,210	53	1,370
5	1,450	81	1,700
<b>the later years</b>			
10	2,900	361	3,890
15	4,100	957	6,440
17	4,580	1,320	7,670

The last line in each table shows that over 17 years the effect of the total charges and expenses could amount to £1,250 with lifestyling and £1,320 without lifestyling. Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 4.8% a year with lifestyling and down to 5.4% without lifestyling.

### will any commission be paid?

- No commission will be paid. If you sought advice from an Independent Financial Adviser (IFA) you may be charged for this by the Adviser.

## further information

### share prices

- The share price is calculated each dealing day by dividing the total value of the assets in the funds by the number of shares in existence. Share prices are quoted daily in the Financial Times.

### dealing in shares

- Shares are valued at 12 noon each dealing day. This is known as the valuation point. Once the account has been opened we will claim the money from your voucher, from the Government. Shares will then be bought for you at the next appropriate valuation point. Extra payments will be invested once the account is opened.
- A dealing day is Monday to Friday between the hours of 9:00am and 5:00pm, with the exception of Bank Holidays in England.

### control and communications

- When the account has been set up, we will send you a welcome pack confirming the details of the account, and a booklet explaining how to manage it.
- No share certificates will be issued.
- Until the child is 16 the registered contact will have control of the account and all communications will be sent to them. Once the child reaches 16 the registered contact no longer has control and the child must apply to become the registered contact for the account. We will make contact before the child's 16th birthday.

### terminal illness/disability

- Early access to the account may be allowed if your child becomes terminally ill or disabled. If such unfortunate circumstances occur, please contact the Child Trust Fund Office, Waterview Park, Mandarin Way, Washington, NE38 8QG to make a claim.

- In these circumstances all or part of the money may be taken out of the account. Only the registered contact for the account can gain access to the investment.
- The account will remain open, in order to accept any further government payments that may be due to your child.

### oversubscription

- To avoid oversubscription for payments made by Direct Debit; we will collect what we can up to the £1200 limit and then payments will start again in the next account year.
- For payments made by cheque, Standing Order or Direct Credit - If a payment is received which will take the account over the subscription limit we may not be able to accept it. In such a case we will return it to the bank account from which it was received.

### investor protection

- You are covered under the Financial Services Compensation Scheme, should **engage** be unable to meet its liabilities to you. The compensation paid depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000, so the maximum compensation is £48,000. Information on the scheme is available on request by calling 0800 373 010.

### client money

- Any uninvested money that becomes client money under the rules contained in the FSA handbook will be placed in the **engage** client money account. No interest will be paid in respect of such deposits.

### law

- In the event of a legal dispute, the law of England and Wales will apply.

### language

- The language in which the account will be supplied and in which we will communicate will be English.

## taxation

- Income and gains generated by CTF investments are exempt from income tax and capital gains tax.
- The High Income Fund currently receives a tax credit at a rate of 20%. Any tax reclaimed is reinvested into the CTF.

## authorised corporate director

- The ACD of the CTF is Homeowners Investment Fund Managers Limited, which is a private company limited by shares incorporated in England and Wales on 15th July 1996. The registered office is Hornbeam Park Avenue, Harrogate HG2 8XE.

## depository

- The Bank of New York and Depository Company, 1 Canada Square, London E14 5AL is the Depository of the company.

## direct debit guarantee



- This Guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the scheme is monitored and protected by your own Bank or Building Society. If the amounts to be paid or the payment dates change, Homeowners Investment Fund Managers Limited will notify you 10 working days in advance of your account being debited or as otherwise agreed. If an error is made by Homeowners Investment Fund Managers Limited or your Bank or Building Society, you are guaranteed a full and immediate refund from your branch of the amount paid. You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to us.

## queries and complaints

- If you require any further information, such as a copy of the prospectus from HIFML, a copy of our complaint handling procedures or in the unlikely event that you want to complain, please call 0800 028 6248, or write to **engage** Mutual Assurance, Hornbeam Park Avenue, Harrogate HG2 8XE.
- If your complaint is not dealt with to your satisfaction you may complain to the Financial Services Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

## additional information

- The notes in this brochure reflect **engage's** understanding of current law and Inland Revenue practice, which are subject to change.
- A copy of your completed application is available on request.
- Please note calls may be recorded for security and training purposes.





## terms & conditions of the engage Child Trust Fund

### 1. definitions

'engage'	<b>engage</b> Mutual Assurance is a trading name of Homeowners Investment Fund Managers Limited (HIFML)	'you/your'	An individual who has set up a CTF under these conditions, for the benefit of a child
'HIFML'	Homeowners Investment Fund Managers Limited	'the child'	A child who has had a CTF set up for them
'CTF'	A scheme of investment managed in accordance with the Child Trust Fund Regulations by HIFML under terms agreed between HIFML and you	'registered contact'	A parent (if aged 16 or over), or someone else with parental responsibility for the child (a legal term meaning someone with the rights and duties of a parent) for whom the CTF is opened. The registered contact will be the main point of contact for the account and will have responsibility for it until the child reaches the age of 16.
'the CTF fund'	The fund, approved by the Inland Revenue and established by HIFML, into which is paid the balance of contributions for CTF business after charges	'the provider'	Homeowners Investment Fund Managers Limited (HIFML)
'Regulations'	The Child Trust Fund Regulations 2004		

'Subscription year' The twelve month period from the child's birthday to the day before their next birthday inclusive

'you/your' An individual who has set up a CTF under these conditions, for the benefit of a child

'the child' A child who has had a CTF set up for them

'registered contact' A parent (if aged 16 or over), or someone else with parental responsibility for the child (a legal term meaning someone with the rights and duties of a parent) for whom the CTF is opened. The registered contact will be the main point of contact for the account and will have responsibility for it until the child reaches the age of 16.

'the provider' Homeowners Investment Fund Managers Limited (HIFML)

Where appropriate any reference in the singular shall include the plural and any reference in the masculine shall include the feminine and vice versa.

## 2. setting up a CTF

- (a) An Application to set up a CTF must be made on an Application Form. Subject to the Regulations, the CTF will be managed in accordance with your instructions.
- (b) These Terms & Conditions come into force when your completed Application Form is accepted and validated. This is normally on the date of receipt.
- (c) For the purpose of becoming an active CTF, the following three conditions must be satisfied (in any order):
- the CTF voucher is received by HIFML;
  - you enter into an agreement with HIFML, for the management of the CTF, by completing an application and signing the declaration; and
  - the cancellation period has expired.
- (d) You will be sent an acknowledgement when you set up a CTF or you make an additional payment.
- (e) If you fail to provide the CTF voucher within 6 weeks of making an application, HIFML will close the CTF. In this case, you will be able to open a CTF with another provider.

## 3. account manager

HIFML may appoint any person to advise on or perform any of its functions or responsibilities under these terms & conditions and may provide information about you and the account to any such person. HIFML will satisfy itself that any person to whom it delegates any of its functions or responsibilities under the terms agreed with you is competent to carry out those functions and responsibilities.

We will manage the CTF so that it meets the voluntary stakeholder standards published by HM Treasury

## 4. subscriptions

You, family, friends and the child may subscribe the maximum sum of £1,200 into a CTF in any subscription year. This is in addition to the money the child will receive from the Government.

The minimum subscription to the CTF is £5. Regular payments can be made by Direct Debit, cheque, Standing Order, or Direct Credit. All subscriptions will be collected on the 1st or the 15th of every month if you are paying by Direct Debit.

Shares will be allocated on a daily basis. You should inform **engage** if you wish to make any changes to your regular payments. All payments are treated as gifts, therefore, the payer loses all ownership and other rights attached to it. There is no contractual obligation to pay further amounts within a subscription year. No interest is payable on your payments prior to investment in the CTF.

## 5. title

- (a) The CTF investments shall be in the beneficial ownership of the child.
- (b) The title to the CTF investments will be registered in the name of the provider or, the name of the provider's nominee.
- (c) The CTF cannot be transferred to another person(s).

## 6. taxes and special circumstances

HIFML will make deductions from the funds established within the CTF fund range in respect of its actual or potential liability to any tax or levy which the Actuary considers relevant. The amount deducted to cover the tax or levy will be determined in accordance with the advice of the Actuary.

## 7. access

Only the child will have access to the money and this will be 'locked in' until they reach age 18. At age 18, the CTF will mature and the CTF's tax-free status ends.

You may be allowed early access to the CTF if your child becomes terminally ill or disabled. If such unfortunate circumstances occur, please contact the CTF Office.

## 8. void accounts

HIFML shall notify the responsible person, if by reason of any failure to satisfy the provisions of the CTF Regulations, the CTF has or shall become void.

Where you believe that you have broken the CTF Regulations, you should contact the Inland Revenue in the first instance.

Where an account breaks the CTF Regulations, the responsible person may relinquish the right to tax credits. In a case where a CTF has been declared void, a fresh application form will be required for any subsequent investment with the same manager.

## 9. transfer out

At your written request and free of charge, we will transfer the CTF to another CTF provider, without the loss of tax status in line with the current CTF rules. You must transfer the whole account.

When we receive your completed Transfer Form, we will sell the investment and pay the proceeds to the new provider.

## 10. transfer in

You may transfer a Stakeholder CTF, held with another provider, to us. Transfers will only be accepted in the form of payment by cheque from the previous CTF provider.

Upon receipt of a completed Transfer Form, you will have 14 days in which to change your mind and cancel the transfer. After this period has expired, the transfer will be processed.

## 11. liability

HIFML shall not be liable for any losses suffered by you through a fall in the value of investments held within the CTF arising from the exercise by HIFML of its discretion in managing the investment or from changes in market conditions.

## 12. reports, meetings and voting rights

For any investment held, we can arrange to send you a copy of the annual and half-yearly report and accounts if requested. Subject to any legal restrictions, you may attend meetings of shareholders and exercise voting rights. In respect of voting rights, we do not exercise these rights unless you instruct us on the voting instruction form we issue.

## 13. amendments

Whilst the CTF is active, if there is any change in law, regulatory requirements or taxation affecting **engage** or the CTF, or if there is any change in circumstances which in our opinion makes it impossible or impractical to carry out one or more of these terms and conditions, then HIFML may make reasonable amendments to these terms & conditions as it reasonably considers appropriate, subject to giving at least one month's written notice to you.

## 14. money laundering

Under the current Money Laundering Legislation and other statutory and regulatory requirements, there is a requirement to obtain proof of the identity of people who wish to take out a life, pension or investment contract. You may therefore be asked to supply documents as evidence of your identity and your address. Where such information is not supplied within 30 days of commencement of the account, **engage** reserves the right to terminate the account, and any monies repurchased will be repaid as at the market value on the day the shareholding is sold.

For more information call:

**0800 028 6244\***

\* Calls may be recorded for security and training purposes



Child Trust Fund

**engage** Mutual Assurance, Hornbeam Park Avenue, Harrogate, HG2 8XE  
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