

Ethical Child Trust Funds

By choosing an ethical child trust fund account, you can ensure that your child's money will not be invested in companies with poor environmental or human rights records, those involved in the arms or tobacco trade, or in other areas you do not approve of.

What is a child trust fund account?

Children living in the UK, for whom Child Benefit is received and who were born on or after 1 September 2002, are entitled to a child trust fund account. The government gives the parent of each eligible child a voucher for £250 to be invested in a suitable savings account or fund. Additionally, parents, family members and friends can invest up to £1200-per-year in the account on a child's behalf. The government will make a second payment of £250 when the child reaches seven. A third payment for teenagers is also under consideration.

Types of accounts

CTF accounts that invest in shares

Investing in shares may be more risky than putting your CTF voucher in a savings account, but in the long run it could provide a higher financial return. This type of account invests in companies listed on the stock market. Most funds don't ethically screen the companies they invest in so if you're choosing this sort of account it is important to find out what companies are in the investment portfolio – there could be big oil and tobacco firms in there, for example.

CTF stakeholder accounts

A stakeholder account also invests your child's money in shares in companies, but is subject to certain government rules to reduce related risk. When your child reaches 13, the money in the stakeholder account starts to be moved to lower risk investments and assets like cash.

CTF savings accounts

If you do not wish to invest in shares, many high street banks and building societies offer child trust fund saving accounts. For a full list of providers check out the [government's CTF site](#)

Ethical options

- [The Children's Mutual](#)

This stakeholder account invests in companies listed on the FTSE4Good Index and screens out companies involved in the production or sale of tobacco and nuclear and other weapons systems.

- [Family Investments](#)

This stakeholder account is guided by an ethical policy that screens out companies involved in alcohol; tobacco; pornography; military/armaments; animal testing; intensive farming; non-sustainable timber; human rights abuses and pollution of waterways.

- [Healthy Investment](#)

This is a non-stakeholder account that invests in a mixture of bonds, gilts (loans to the government and other companies) shares and property. It states that it 'does not knowingly invest directly in alcohol, tobacco or arms companies'.

- [Methodist Chapel Aid Ltd](#)

This institution offers a child trust fund savings account. Its stated ethical policy is that it will not invest in companies 'which are substantially involved in tobacco, gambling, alcohol, the arms trade, oppressive regimes, pornography, intensive farming, and/or activities which infringe basic human rights.' Furthermore it states that it will not invest in companies 'which are mainly involved in animal testing of cosmetic or household products, and/or in activities with a harmful ecological impact.'

What do I do next?

All child trust funds are required to publish their policy on social, ethical and environmental investments, if they have one. So, to find out how they invest your child's money, all you need do is ask. If you're not happy with their policy you can easily switch to a CTF account that meets your green and ethical needs.

An ethical child trust fund (CTF) account invests both for your children's financial future and the future of the world that they'll grow up in.