



A Junior ISA with a minor interest rate

National Savings & Investments (NS&I) have launched their first Junior ISA.

The Junior ISA (JISA) was introduced in 2011 as a replacement for the Child Trust Fund. It had a slow start, but momentum has built and, according to the latest figures from HM Revenue & Customs (HMRC), JISAs now hold over £2,750 million of investments for children under age 18.

While long a player in the main cash ISA market, NS&I never offered a junior version until last month, with its new launch. The plan's main features are:

- A variable interest rate of 2% (against 0.75% for NS&I's Direct ISA);
- Transfers in (from JISAs and Child Trust Funds) are allowed (again a difference from the new contributions-only Direct ISA);
- No penalties on transfer out (although access to cash is normally not possible before age 18); and
- Online operation only.

NS&I sometimes top the ISA tables with their interest rates, but the new JISA runs no risk of doing so, as the top variable rates currently are around 3%.

According to the latest HMRC statistics, as at April 2016 almost two thirds of JISA money is invested in cash accounts, with stocks and shares accounts making up the remainder. This is a higher proportion than for adult ISAs, where stocks and shares are just in the majority. The logic behind this difference is puzzling: many JISA owners are young enough to have an investment horizon that makes stock and shares look a more sensible option than cash. For more details on stocks and shares JISAs, please talk to us.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances. The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

Stocks and shares ISAs invest in corporate bonds; stocks and shares and other assets that fluctuate in value. Investors do not pay any personal tax on income or gains, but ISAs do pay unrecoverable tax on income from stocks and shares received by the ISA managers.