



KICKSTART YOUR CHILD'S FINANCIAL FUTURE

*Building a strong foundation for their future today
with intergenerational wealth planning tools.*

A close-up photograph of a child's hands stacking wooden blocks. The child is wearing a white long-sleeved shirt. The blocks are various shapes and colors, including natural wood, light brown, and a reddish-pink block. The background is softly blurred, showing a wooden chair.

START BUILDING THEIR FINANCIAL FUTURE TODAY

From infancy to adulthood, intertwining your children's financial planning with your own can bring benefits for yourself as well as building a strong foundation for their financial future.

As a parent, you want to provide the best possible future for your child, and financial planning is a crucial step in achieving that goal.

By integrating financial planning for your children's future with your own strategies, you can build a strong foundation for them long before they are faced with the task of managing their own finances in adulthood. Furthermore, this could also create valuable tax saving opportunities and other benefits for yourself too.

Throughout this guide, we will explore the various ways in which you can grow a healthy savings fund for your children's future and how to gift assets tax-efficiently. We also provide financial awareness and education, as well as how to safeguard your children's

well-being in the event of unexpected circumstances, such as, the loss of a main earner in the family.

With the inclusion of your children's needs in your own overall financial plan, you can create a lasting legacy that can benefit not just your immediate family, but potentially future generations of your family too.

Did you know...

From the age of 6, children can get a prepaid card which enable parents and guardians to set spending limits and controls via an app, while the child gains exposure to the digital landscape.

SAVINGS & INVESTMENTS



Savings for Children

Establishing a savings routine not only sets the foundation for your child's financial independence but also instils valuable lessons about responsibility, patience, and the importance of planning for future needs. Some popular types of savings accounts for children include: Junior ISAs; Child Trust Funds; and NS&I Premium Bonds.

Junior ISAs

Junior ISAs (JISA) enable you to invest for a child under the age of 18. It also enables anyone to add money into your child's Junior ISA, which can be in the format of either a Junior Cash ISA, or a Junior Stocks and Shares ISA. Children are taxed the same as adults.

When you first think about your children's financial future, you will likely focus on savings accounts that you can pay into throughout their life, gradually building a substantial nest egg over time.

Any parent or legal guardian can open a Junior ISA for a child under 18 years old. Anyone is able to contribute to your child's Junior ISA – for example, grandparents, friends and relatives. If gifts from an individual parent or legal guardian generate income for the child that exceeds £100, the income will be assessed on the adult (This rule does not apply to money held in a JISA that was given by the parent or legal guardian).

A Junior ISA accepts the transfers in of a Child Trust Fund (CTF) - a tax-free savings account that pre-dated the arrival of Junior ISAs. If you had a CTF then you cannot open a Junior ISA unless the CTF funds are transferred into the Junior ISA at the outset.

The parent/guardian relinquishes control of the capital when the child reaches the age of 18, when they can choose to withdraw the money from the investment. Should the funds remain invested, the Junior ISA will turn into a regular ISA which they can elect to continue to save and invest into should they wish to.

However, you may wish to retain control of the capital to pass on to the child when they are older or more responsible. There are options to do so that may be appropriate, like opening an investment wrapper - such as an ISA - in your own name. An Independent Financial Adviser can discuss these options with you and create a plan for your child's savings.



SAVINGS & INVESTMENTS CONT...



Child Trust Funds

A Child Trust Fund is a long-term tax-free savings account for children born between 1 September 2002 and 2 January 2011. The Child Trust Fund scheme closed in 2011, but you can continue to add up to £9,000 a year to an existing Child Trust Fund account.

The money belongs to the child and they can only take it out when they're 18. They can take control of the account when they turn 16.

There is no tax to pay on the Child Trust Fund income or any profit it makes. It will not affect any benefits or tax credits you receive.

The earlier you start to plan, the longer you have to build a strong foundation well before they reach the age of financial responsibility and decision making themselves.

NS&I Premium Bonds

Premium Bonds can make a special gift for a child under 16. Until the child's 16th birthday, the parent or guardian named on the application looks after the Bonds, regardless of who bought them. When the child turns 16, they will manage their own Bonds.

NS&I provide confirmation of any transactions made, prizes won and payment for cashed-in Bonds to the nominated parent or guardian until the child is 16. You are also able to invest in to Premium Bonds for someone else's child too. Any winnings on the Premium Bonds are tax-free and there is a minimum investment amount of £25, with a maximum allowance per person of £50,000.

Key Considerations

1. For cash-based CTSs or ISAs, Keep an eye on interest rates, as there will often be a fixed rate for a year which may then drop. You are usually able to switch products and/or providers to get the best rate on offer.
2. Make sure you check how accessible the funds are, as sometimes they are not available until the child is at least 16 or 18. This may be a positive if you want to tie it away, but not if the child is likely to need the funds sooner.
3. If the child is quite young and unlikely to need the money for at least 5 years, investing may be more beneficial than a savings account as returns are likely to be higher. However, there are additional risks to consider.

PENSIONS & YOUR CHILDREN



A child can have a pension from birth – there's no minimum age. Only a parent or guardian can set up a pension for a child, but once it's up and running, anyone can contribute to it on their behalf – parents, grandparents, godparents, friends, or other family members.

You can pay a maximum of £2,880 a year into a child's pension and, with government tax relief, this sum would be boosted to £3,600 if they have no earnings. However, if they have earnings in their own right, they could pay more in.

When a child turns 18, they will gain control of their pension account. However, they will have to wait a lot longer to unlock its funds, based on accessibility criteria under current pension legislation.

You may associate pensions with the older, working population. However, pensions can also be a valuable tool for parents looking to save for their children's future too.

A Junior self-invested personal pension, or Junior Self-Invested Pension Plan (SIPP), is a type of pension that allows greater control over retirement planning and a wide choice of investment options. However, it is the parent or legal guardian that will manage the child's SIPP on their behalf until they turn 18.

Other options are either a personal pension, or a stakeholder pension. These pensions will offer less flexibility when compared to a Junior SIPP and you will typically invest in a portfolio made up of funds that are available from the pension provider. If your time or investment experience is limited, this kind of pension may be simpler than managing a Junior SIPP.

Giving your child a head start in saving for their retirement is the obvious benefit of starting a child's

pension, but there are other advantages too. These include the effects of compound interest (growth or interest paid on top of previous growth or interest) and financial education. Talking to your child about their pension – what it is, what it's for, and when they can use the funds – can provide a gentle introduction to the world of personal finance.

Parents can also plan to leave some of their own pension to their children after death, however, the viability of this can depend on a number of factors, such as the type of pension, whether you have started withdrawing money, and the individual scheme rules.

If you are unsure of what your specific situation could mean for your child, it is a good idea to seek advice from a financial adviser.

PASSING ON YOUR WEALTH TO CHILDREN

Inheritance Tax

A key factor in estate planning is to minimise Inheritance Tax (IHT) liabilities so that more of your hard earned assets are passed onto your loved ones.

The Nil Rate Band (NRB) is the amount an individual can own without creating an Inheritance Tax liability. This has been frozen since April 2009 at £325,000, meaning that anything above this will be taxed at the current rate of 40% as a general rule. However, there are certain tax exemptions and complexities to be carefully considered.

Whilst stock markets and housing prices have increased dramatically in comparison, the NRB was frozen directly after the 2008 financial crisis. To put

this into context, in 2009 the average UK home was worth circa £155,000 whereas the average property as of January 2025 is worth over £268,548 (Land Registry UK House Price Index, 2025).

This means that estates are now worth more and many more people are being pushed above that NRB even without having substantial liquid assets. For some, this may result to beneficiaries being forced to sell the family home to pay for an IHT bill if they have not planned accordingly.

Reducing the size of your estate is a key, yet complex, strategy to minimise a potential IHT liability. There are many allowances, exemptions and rules to be aware

It is important to consider how your wider estate will be passed on to your children. An IFA can help you make informed decisions, considering your timescales, allowances and tax planning.

of before you start gifting away assets. An Independent Financial Adviser can help you to structure your plans accordingly to adhere to these.

Nominating Beneficiaries

Another vital initial step in estate planning is to ensure you have a will in place that names your nominated beneficiaries so that they inherit your assets as you wish when you pass away.

This should also include a nominated guardian for your children in the event that both parents pass away. Your will should be reviewed regularly and kept up to date to reflect your wishes.

You should also consider setting up a Lasting Power of Attorney if you do not already have one in place. This enables a family member or friend to represent your interests and make important financial or medical decisions for you.

It is important that your family is aware of these plans and know where to find them. We greatly encourage having open discussion about your wishes with your children when they are old enough. Please consider introducing them to your Integrity365 Independent Financial Adviser so they know where your financial plans are held, and to offer any further support.



TAX-SMART GIFTING AND CHILDREN

Gifts

As mentioned, gifting assets can help to reduce your estate for IHT purposes. However, there are strict rules in place that limit how much you can give away and to whom. (see our guide on 'The Rules for Gifting' for further details).

Gifts do not just include a lump sum given on a special occasion - they can also include regular gifts from after-tax income. These will be immediately exempt from IHT, providing you are left with enough income after gifting to maintain your normal lifestyle. There is no limit to the size of gifts that can be made under this exemption, subject to these conditions being met. Keeping records will assist your executors.

See our full guide on 'The Rules of Gifting' available on our website for more, but here we wanted to discuss some key considerations when it comes to passing on assets to your children specifically.

Capital Gains Tax

Living cost payments can also be exempt from IHT, providing the payments are to a former spouse, a relative who is dependent because of age, illness, or disability, as well as a child in full time education.

For example, it is relatively common for a grandparent to use this exemption to help pay for school fees. A regular payment should be set up and documentation showing the regular transaction and what it is for kept with the will. It is important to ensure that the donor's standard of living is not affected by the gift though, and it needs to come out of income rather than capital.

Children have a CGT allowance as well as adults and, as they are likely to be non or basic rate tax payers, it could be worth utilising this where appropriate.

However, if an asset is gifted to a child there could be CGT implications on the gift, therefore careful planning is required.

CASE STUDY: INHERITANCE TAX PLANNING



With Inheritance Tax rates of up to 40%, protecting your children's legacy from excessive taxation with careful planning is crucial for ensuring their financial security in the event of your passing.

Meet Mrs Lewis

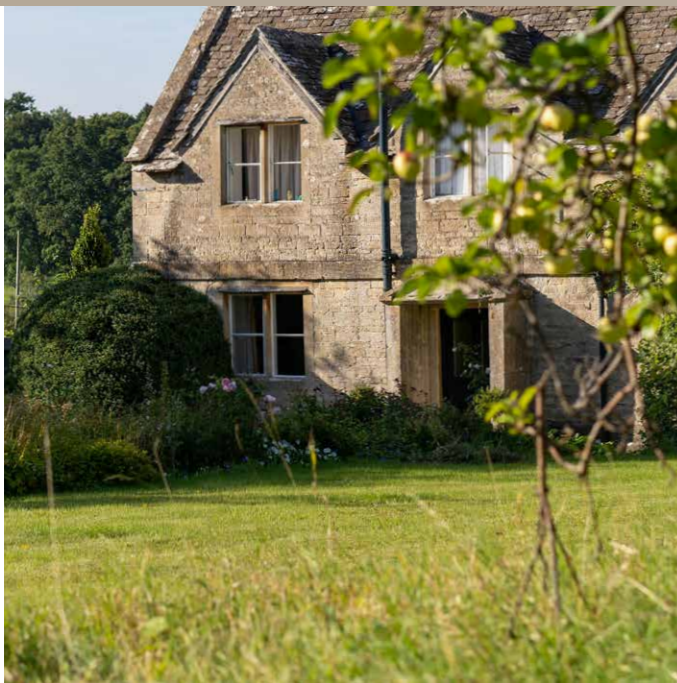
Mrs Lewis, a 60-year-old retired widow, is in good health and has two financially independent daughters (28 and 30), one of whom has two young children. She wishes to ensure her estate remains within the family whilst maintaining sufficient funds for her retirement.

Her estate is worth £3.5m and consists of properties worth £1.3m with the remainder held in cash deposits, ISAs, pensions and an investment portfolio. She has no debt or other liabilities. She has a guaranteed pension income of £50,000 pa and requires £100,000 pa to cover her core and discretionary spending.

Mrs Lewis inherited 100% of her deceased husband's Nil Rate Band (currently £325,000 in 2026/27), which when added to her own Nil Rate Band gives her a total of £650,000. She also set up a trust for her children 10 years ago with her husband, when they sold their business with a lump sum of £1.7m as cash.

Under current legislation, her own pension assets, valued at £350,000 are not subject to IHT on death, however we know that following the Autumn Budget 2024 announcements, this will form part of the IHT calculations from April 2027.

CASE STUDY CONTINUED: INHERITANCE TAX PLANNING



Residence Nil Rate Band

The Residence Nil Rate Band (RNRB) is currently £175,000 per person and is in addition to the Nil Rate Band of £325,000. The allowance is conditional on the main residence being passed down to direct descendants (e.g. children, grandchildren).

However, the RNRB will gradually reduce, or taper away, for an estate worth more than £2m, even if a family home is left to direct descendants. In this case, Mrs Lewis' RNRB was tapered away leaving no remaining Nil Rate Band. However, this can potentially be reintroduced again in future if total taxable assets fall below £2m.

Before you implement IHT mitigation strategies, it is important to understand the true value of your estate and the various allowances available to maximise your family's inheritance.

Inheritance Tax Projections

If Mrs Lewis had not taken any financial planning advice, her children could be liable to pay a 40% tax charge.

Estate Value (£3,500,000) less the Nil Rate Bands (£650,000) = Taxable Estate of £2,850,000

A 40% IHT charge on her £2,850,000 taxable estate would amount to £1,140,000, making HMRC potentially the largest beneficiary of Mrs Lewis' estate.

Objectives

Mrs Lewis' main goals were to maintain a comfortable retirement lifestyle with £100,000 of annual income, whilst also maximising inheritance for her children.

Before planning for what your beneficiaries may inherit on death, we always recommend that your own needs are looked after and recommend that you consider income, capital, access and risk before implanting any mitigating IHT solutions.

CASE STUDY CONTINUED: INHERITANCE TAX PLANNING

IHT Mitigation Solutions

Through detailed financial planning, we met Mrs Lewis' income needs whilst mitigating her IHT liability over a period of seven years using a combination of solutions.

Business Sale Proceeds (£1.7m): Invested into an offshore investment bond 10 years ago and placed in trust for her children. This offered £85,000 annual tax-free withdrawals to support her family.

Discounted Gift Trust (DGT) (£1.1m): Invested in an offshore investment bond with 5% annual capital withdrawals (£55,000) to supplement pension income.

This offered an immediate IHT discount of £641,000, with the remaining £459,000 falling outside the estate after 7 years.

Business Property Relief (BPR) Investment (£400,000): Qualifies for IHT relief after 2 years, with funds still accessible if needed. Please note, this is higher risk but aligned with Mrs Lewis' objectives.

Whole of Life IHT Assurance Policy (£540,000): Pays a tax-free lump sum to her children on death to cover any remaining IHT liability. The premiums paid from surplus income and portfolio withdrawals.

With a variety of tools available for mitigating Inheritance Tax, seeking tailored advice is key to ensuring you select the right strategies that align with your unique circumstances and financial goals.

Stocks & Shares ISA (£100,000): Discretionary managed portfolio providing £4,500 annual tax-free income to cover assurance policy costs.

SIPP (£350,000): Discretionary managed growth portfolio with her children as beneficiaries. However, this is likely to be included in IHT post-2027, but potential for tax to be paid directly from the pension.

Surplus Income Gifting: Recommended gifting surplus income annually to further reduce IHT exposure.

Through detailed, independent financial planning we were able to meet Mrs Lewis' income needs whilst mitigating her full IHT liability of £1,140,000, using a combination of various holistic planning solutions over a period of seven years.

Please also note, to ensure we are delivering the best solutions for you it is important that we understand and account for your own personal circumstances, objectives and requirements.

USING TRUSTS TO REDUCE IHT

What is a Trust?

A trust involves transferring assets from one person (the “settlor”) to trustees, who manage those assets for the benefit of the chosen beneficiaries (such as your children). Trusts can be established during your lifetime or through your will, ensuring your children are protected if anything happens to you.

Including a trust in your will ensures your children’s inheritance is managed appropriately. Trusts can provide for specific people during their lifetime, with assets eventually passing to your children or grandchildren. They are also useful in second marriages, protecting assets for children from a previous relationship.

Types of Trusts

The most common type used for estate planning is a discretionary trust. This allows trustees to decide how and when assets are distributed to beneficiaries, which is ideal when children are too young to manage assets themselves. If assets are placed in a discretionary trust and you survive for seven years, they are removed from your estate for Inheritance Tax (IHT) purposes.

Revocable Trusts allow you to modify or revoke the trust if circumstances change, offering flexibility. In contrast, Irrevocable Trusts transfer control to trustees permanently, providing greater asset protection and potential tax benefits.

A trust is a way of protecting and managing assets in a tax-efficient manner and are an excellent tool for parents who want to safeguard their children’s inheritance and ensure assets are used responsibly.

Why Set Up a Trust for Your Children?

A trust can safeguard your children’s future by:

- Ensuring assets are passed down securely, particularly if your children are minors or not ready to manage them on their own.
- Protecting family wealth from potential risks such as divorce, remarriage, or care home fees.
- Providing ongoing financial support, such as covering education costs, while maintaining control over when and how funds are accessed.

If you have an existing trust, it’s essential to review it regularly. Changes to tax laws may have made it less efficient or more costly to maintain. Whether you are a trustee or a beneficiary, reviewing the trust ensures it still meets your original objectives.

Trust law can be complex, so seeking specialist advice is crucial to ensure your planning is effective. We work with trusted legal professionals to provide a joined-up approach to safeguarding your children’s future.



PROTECTING YOUR FAMILY IN TIMES OF NEED

What would happen to your hard-earned wealth if your family were suddenly left without the income of a main earner to pay the bills due to ill health or death?

As well as saving money for your children's future, it is important to consider the impact that an unfortunate event could have on their life, such as a family member falling ill or passing away.

Protection policies to cover the income of a main earner in the household can ensure that the surviving family members are taken care of and can maintain their living standards should the worst occur.

Income Protection

An Income Protection Policy can ensure that the whole family are not financially disadvantaged if a main earner is unable to work long term due to ill health.

Critical Illness

A lump sum can be paid out on diagnosis of a critical illness, which could be used to pay off a debt, make adjustments to the family home, or to provide financial breathing space for the family.

Whole of Life Cover

This can be used to pay an IHT bill, provide a legacy, or pay for funeral costs so the family do not have to worry at the worst possible time. Where applicable, these policies should be put in trust, otherwise the payout in the event of death could be subject to IHT - which an IFA can assist you with.

THE IMPORTANCE OF FINANCIAL EDUCATION



There are many ways in which you can introduce financial education to your children, even from the early days of counting money and using pocket money to familiarise children with budgeting. In turn, this can have great benefits, and set them on a path to be more informed and engaged with their finances for the future.

The Early Years

- Talking about money and how it works.
- Comparing the price of one item to another to show the importance of shopping around.
- Encouraging regular savings habits - for example, paying pocket money into an ISA or savings account.
- Introduce savings goals for them to work towards.

Whilst it can be an emotive and difficult subject to approach, we actively encourage families to discuss their financial plans where possible to ensure that everyone has a good understanding of their circumstances.

Young Adults:

- Show them different ways to save - for example, holding different pots for short, medium and long term.
- Transfer ISAs into their name, where appropriate.
- Discuss the importance of responsible spending and budgeting.
- Introduce the idea of saving for their first large expense - ie. first car or home.

Adulthood:

- Encourage financial planning and discuss the importance of financial protection.
- Share articles, webinars, newsletters from your financial adviser for a greater understanding.
- Inviting them to meetings with your advisers, accountants, lawyers etc. to involve them in your plans.
- Discuss your wishes for later life, such as your estate plans, where your important documents are kept, care planning, and Power of Attorney.



START PLANNING FOR THEIR FUTURE TODAY

Aside from the tax savings and other monetary benefits, family financial planning can bring great peace of mind and allow you to enjoy the present, knowing your children's financial future is cared for.

We understand that each family has its own unique dynamics and circumstances, and our experienced Independent Financial Advisers can devise a bespoke financial planning strategy suited to your individual needs.

Whether you are just starting a family and would like to build a strong foundation for your child's financial future, or you have older children that you would like to pass your wealth onto tax-efficiently, we are here to help.

Get in touch with an Integrity365 adviser today to arrange a no-obligation meeting where we can explore your financial planning requirements further.

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Please note: this guide was published in April 2026 all information is correct as at this date.

This document is intended for information purposes only and in no circumstances should be taken as advice. If you do require personal financial advice please contact your financial advisers.

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