

Important changes to NS&I Children's Bonus Bonds

Read this to find out how they will affect your
child's investment

Please also read the separate Key features leaflet,
which includes the terms and conditions



ns&i

Why we're changing Children's Bonus Bonds

NS&I has looked after the nation's savings for over 150 years, and now over 25 million people trust us with their money. As well as offering you a secure home for your savings, we will always aim to deal with you in a straightforward and honest way.

Like any other organisation, we have to move with the times. So we're modernising our systems and encouraging our customers to deal with us directly – online, by phone and by post.

We're also simplifying our range of accounts and investments to make them more consistent and easier to understand. As part of these plans we're making changes to Children's Bonus Bonds.

There's no need to worry, your child's money remains 100% secure, backed by HM Treasury. And if you choose to renew your child's investment, it will continue to earn tax-free returns.

Why you need to read this leaflet

You are responsible for a Children's Bonus Bond that's about to mature. We're making changes to this investment, so if you renew your child's Bond for another term it will work differently.

You'll need to understand the new features of the investment before you decide what to do next. So please read this leaflet and the enclosed terms and conditions. And if you have any questions, we're here to help.

What's new? The changes at a glance

Financial changes

- penalty for cashing in early
- single annual rate of interest for each Issue (no bonus)

New name

- now called **Children's Bonds** instead of Children's Bonus Bonds

Looking after your child's investment

- annual statements to help you keep track
- new online and phone service

Rules for investors

- Bonds can no longer be held until the child's 21st birthday
- only parents, guardians and (great) grandparents can invest
- no longer sold in units of £25

About NS&I Children's Bonds

Children's Bonds are lump sum investments for a 5-year term. For each 5-year term, they earn interest at rates that are guaranteed from the outset.

The returns from Children's Bonds are tax-free, both for the child and the parent. This means that neither of you will have to pay any UK Income Tax or Capital Gains Tax on the interest from the Bond, even if the child starts work after the age of 16 and becomes a taxpayer before the Bond matures.

100%
security for
your money

NS&I is backed by HM Treasury

Our commitment to you

In offering Children's Bonds to you, we're making a commitment to pay you guaranteed rates of interest for the whole of the 5-year term.

Your commitment to us

In return, we ask you to keep your child's money invested with us for the whole of the 5-year term. However, we appreciate this may not always be possible and your child may need the money before the end of the term. So with our Children's Bonds you can cash in the investment early, but there is a penalty for doing so.

Check what the changes mean for you

Cashing in early – before your child’s Bond reaches its maturity date

You’ll have to pay a penalty equivalent to 90 days’ interest on the amount cashed in. So before you renew the investment, consider if you may need to cash in early on behalf of your child. This may not be the right investment for your child if you do.

Keeping track of your child’s money

We’ll send you a statement each year to help you see what your child’s investment has earned. Interest will be paid at a single flat rate throughout the 5-year term, with no bonus, so it’s easier to check.

Who looks after the Bonds

Now just one parent or guardian will look after each Bond for their child – for example, the mother can look after one Bond for their child while the father looks after a different Bond.

Pages 3 and 5 give you a brief summary of the changes. Please read the rest of this leaflet for full details.

When do the changes start?

The changes only apply to the Bond we are writing to you about if you decide to renew it for a further 5-year term. If your child has several Bonds bought at different times, the maturity dates will be different. They will carry on as normal for the time being – we’ll write to you shortly before each one matures to let you know when it’s changing.

Before you renew the investment, consider if you may need to cash in early on behalf of your child. This may not be the right investment for your child if you do.

Financial changes

Penalty for cashing in early

To get the full return from Children's Bonds, you will need to keep the money invested for the whole of the 5-year investment term. You can cash in your child's Bond at the end of its term with no notice and no penalty.

If your child does need access to the money before the end of the term, you can cash in all or part of the Bond early, but we will deduct a penalty from the payment. The penalty will be equivalent to 90 days' interest on the amount cashed in.

Bear in mind that if you cash in all of your child's Bond within 90 days of renewing, you will get back less than the renewal value.

The penalty for cashing in early will apply to the Bond we are writing to you about if you decide to renew it for a further term. If you decide to cash in this Bond now, there is no penalty.

Minimum balance of £25

If you cash in part of your child's Bond, you'll need to keep at least £25 invested for the Bond to remain open. But you won't have to cash in units of £25 any more – you can cash in any amount.

If your child's Bond automatically renews and this is not what you want, you can cash it in up to 30 days after the renewal date with no penalty.

How the interest is calculated

As mentioned earlier, Children's Bonds earn interest at rates that are guaranteed for the length of the term you invest in. Up until now, we have quoted an overall annual compound rate of interest for each Issue of Children's Bonds, but it's been made up of a lower annual rate plus a bonus paid at the end of each 5-year term.

For all new and renewed Children's Bonds starting on or after 20 September 2012, we will pay a higher guaranteed rate of interest for five years, but with no bonus at the end.

Example

Here is an illustration comparing the previous and new ways that we pay interest, using an example overall annual compound rate of 2.50%:

	5-year Children's Bonus Bond starting before 20 September 2012, paying an overall annual compound rate of 2.50%	5-year Children's Bond starting on or after 20 September 2012, paying an overall annual compound rate of 2.50%
Year 1	1.85%	2.50%
Year 2	1.85%	2.50%
Year 3	1.85%	2.50%
Year 4	1.85%	2.50%
Year 5	1.85%	2.50%
Bonus	3.56% of original investment	No bonus

The previous way of paying interest – where we paid a lower annual rate plus a bonus every five years – was designed to encourage customers to hold their child's investment for the whole term. Now we're paying a higher rate of interest throughout the 5-year term, with no bonus, and charging a penalty for cashing in early (see page 6).

Also, we will now always calculate daily interest by using 1/365th of the annual rate, even in a leap year.

New name

To reflect the change to how we're paying interest, we're now calling the investment a **Children's Bond** (instead of **Children's Bonus Bond**).

Looking after your child's investment

Your options when your investment matures

We want to make sure you have enough time to make a decision, **so we will now write to you 30 days before your child's Bond matures.**

If you decide to renew your child's investment, you'll be making a commitment to keep the money with us for a further five years. (If you can't make this commitment, this may not be the right investment for your child.)

Your child's renewed investment will then work as described in this leaflet. Please also read the separate **Key features** leaflet, which includes the terms and conditions.

What if I do nothing?

If we don't hear from you before the maturity date, we'll automatically renew your child's investment for another 5-year term. If you then decide to cash in this new investment early, a penalty will apply – see page 6. **If you don't want this to happen, make sure you reply to us before the maturity date.**

If your child's Bond automatically renews and this is not what you want, you can cash it in up to 30 days after the renewal date with no penalty. (You can't do this online – please call us to find out more.)

Your record of investing

We've designed a new investment record that looks different from the certificate of investment you've had before. We'll explain this in more detail if you decide to renew your child's Bond.

Keeping track of your child's investment

We'll send you an annual statement for each of your child's Bonds, showing its value and how much interest has been earned. We'll do this shortly after each anniversary date.

Cashing in – how we'll pay you

We'll pay the money directly into your or your child's bank account when you cash in any new or renewed Bonds starting **on or after** 20 September 2012. It's a fast and secure way of receiving your child's money. We'll ask you to give us details of your or your child's bank account so we can keep this securely on our records. You can change the account you want us to pay into at any time. We can also make payments by warrant (like a cheque) if you prefer.

Quick, easy and secure ways to keep track of your money

You can now apply for and manage Children's Bonds, and most other NS&I accounts and investments, online and by phone. It's a secure and convenient way to keep track of your money with NS&I.

Only new or renewed Bonds starting on or after 20 September 2012 can be managed online and by phone.

Don't worry, any previous fixed term investments you have with us are still valid – just keep your original certificates of investment for these. They won't show up online but your money is still safely held at NS&I.

Keeping you and your money safe when you're online

We do everything we can to keep your personal information – and your money – safe. That's why we've built several levels of security for our online and phone service. You'll need a unique NS&I number and a password to log in to our secure website or make any transactions by phone. And for extra security we'll sometimes ask you additional questions to make sure it's you we're dealing with. It may seem a bit of a nuisance but we believe it helps us keep your money and personal details safe.

Visit nsandi.com/register or call us on 0500 007 007

Register and you'll be able to:

- keep track of your and your child's money and get valuations
- cash in
- apply to invest in new Bonds (when Issues are on sale)
- keep your details up to date including your address, email and nominated bank accounts

Rules for investors

How long Bonds can be held

Children can no longer hold the investment until their 21st birthday – instead each Bond will finally mature once it reaches its first 5-year anniversary on or after the child's 16th birthday. When this happens, the Bond will need to be cashed in or reinvested into another NS&I account or investment. We'll write directly to the child around 30 days before this happens, so they can decide what to do next.

Who looks after the Bonds

Previously, one or both of the child's parents or guardians would look after all of their child's Children's Bonds. Now only one parent or guardian will look after each individual Bond. This means that each parent or guardian can look after a different set of Bonds on behalf of their child.

If you already look after a Bond jointly with your child's other parent, and you choose to renew the Bond for another five years, we'll check with both of you first before allowing either parent or guardian to take money out by themselves.

As before, the child takes responsibility for all the Bonds held in their name once they reach their 16th birthday.

Buying new Children's Bonds

From 20 September 2012 only the child's parent, guardian, grandparent or great grandparent can buy new Bonds. The person buying the Bond will need to nominate one of the child's parents or guardians to look after the Bond until the child is 16.

The minimum for each investment is still £25, but larger investments no longer need to be in multiples of £25. This means you can now invest any amount from £25 up to a total of £3,000 per child per Issue.

Independent information about money

For independent information and advice:

The Money Advice Service

Phone 0300 500 5000

Typetalk 18001 0300 500 5000

www.moneyadvice.org.uk

Child Trust Funds and Junior ISAs

Phone 0845 302 1470

www.gov.uk/child-trust-funds

What you need to do next

Your child's Children's Bonus Bond is about to reach the end of its term, so it's time to decide what to do next. Here's a reminder of your options.

To renew for a further 5-year term

You don't need to do anything – this will happen automatically if we don't hear from you before the maturity date.

To cash in

Complete and sign the enclosed form and return it to us in the envelope provided.

Before you decide

Please read all the information we've sent you, including the letter, this leaflet, the key features and terms and conditions. And if you have any questions, just call us. We're here to help.

What if I do nothing?

If we don't hear from you before the maturity date, we'll automatically renew your child's investment for another 5-year term. If you then decide to cash in this new investment early, a penalty will apply – see page 6. If you don't want this to happen, make sure you reply to us before the maturity date.

If your child's Bond automatically renews and this is not what you want, you can cash it in up to 30 days after the renewal date with no penalty.

We're here to help

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Visit our website



nsandi.com

Call us free



0500 007 007

Our UK customer service team is available every day from 7am till midnight. Calls from mobiles and some landline providers may not be free. Calls may be recorded.

Write to us



**National Savings and Investments
Glasgow, G58 1SB**

Having trouble reading this leaflet?

Ask us for this leaflet in Braille, audio tape/CD or large print

Can't see our website?

Click **High contrast** for a different view or click **A A A** for larger type

Do you use a textphone?

Minicom (textphone) users can call us free on **0800 056 0585**

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