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## Average stakeholder CTF £1 higher than cash alternative

The latest survey by **Investment Life & Pensions Moneyfacts** has revealed how the value of the average stakeholder Child Trust Fund (CTF) has edged back past those of cash CTFs over the five years since the scheme was launched.

The survey examined the performance of cash and stakeholder CTFs in each tax year since their launch in April 2005 (see table below). It found that after enjoying strong investment returns over the last tax year, the average stakeholder CTF is now worth £1 more than the average cash CTF.

**Table 1:** Stakeholder Child Trust Fund versus Cash Child Trust Fund Performance by Tax Year

Tax year	Stakeholder CTF % growth	Cash CTF % growth
2005/06	24.2%	5.2%
2006/07	7.3%	5.3%
2007/08	-6.4%	6.3%
2008/09	-26.6%	5.1%
2009/10	40.1%	2.3%
Since launch 5 years ago (Value of initial £250 voucher shown in brackets)	-27.9% (£319)	27.4% (£318)
<b>Source: Moneyfacts/Lipper 12.5.10</b>		

Notes: Table shows fund performance for every tax year since the Child Trust Fund was launched in April 2005 and four year cumulative performance.

### Surging stakeholder

As the table highlights, the fortunes of CTF stakeholder accounts have varied considerably over the years. Healthy average growth of 24.2% in the first tax year was followed by the more circumspect rise of 7.3% in the subsequent 12 month period. Two years of negative returns then followed as the markets faltered, with a voucher invested at the beginning of the 2007/08 tax year losing 6.4% of its value over the following year, and a disappointing drop of 26.6% being recorded during 2008/09.

However, things certainly got back on track last year, during which the average CTF fund enjoyed growth of 40.1%, meaning the initial £250 investment would have gained in excess of £100. Anyone who placed their child's voucher into a CTF on the day the initiative was launched will currently be looking at an average fund size of £319.78, growth of 27.9%.

In terms of individual stakeholder funds, the top performer of the 2009/10 tax year, the F&C FTSE All-Share Tracker, enjoyed growth of 46.4%, closely followed by Legal & General's UK Index Trust (46.1%). Leading the way over the lifetime of the CTF is the Baillie Gifford Managed fund, which has delivered a return of 46.1%, turning £250 into more than £365.

### Conservative cash

Given that interest rates have remained pegged at historic lows since March last year, it is unsurprising that cash CTFs have had a relatively disappointing 12 months in comparison to their stakeholder CTF

counterparts. During the 2009/10 tax year, the average cash CTF will have turned an initial £250 into just £255.82.

While the average cash CTF will have given rise to interest totalling £68.50 over the past five years, the average stakeholder CTF has now delivered a return of £69.78. It is a significant turn around in fortunes on a year earlier, when the average cash return of £60.70 was preferable to the £17.61 loss delivered by stakeholder CTFs.

**Richard Eagling, Editor of Investment Life & Pensions Moneyfacts: said:**

“The paucity of interest rates, in tandem with the stock market recovery, means that stakeholder CTFs are now neck and neck with their cash rivals in terms of the returns each have delivered since the initiative was introduced.

“Given that funds in a CTF have to remain untouched for 18 years, it makes sense for new parents to consider the merits of investing in stocks and shares, either via a stakeholder or non-stakeholder CTF.

“However, in light of the coalition deal between the Conservatives and the Liberal Democrats it remains a distinct possibility that the CTF might not be around, in its present form at least, to see its sixth birthday.”

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Press Office	<b>Darren Cook</b> Head of Press & PR	01603 476207 <a href="mailto:dcook@moneyfacts.co.uk">dcook@moneyfacts.co.uk</a>
	<b>Michelle Slade</b> Press Officer	01603 476454 <a href="mailto:mslade@moneyfacts.co.uk">mslade@moneyfacts.co.uk</a>
	<b>Louise Holmes</b> Press Officer/Administrator	01603 476204 <a href="mailto:lhomes@moneyfacts.co.uk">lhomes@moneyfacts.co.uk</a>
Out of hours	<b>Darren Cook</b> Head of Press & PR	07803 899935
	<b>Michelle Slade</b> Press Officer	07803 145643
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