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## Press Release

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### **Politicians urged to retain self-funded Child Trust Funds despite planned voucher cull**

At today's Conservative Party conference Shadow Chancellor George Osborne vowed to "stop new spending on Child Trust Funds for better off families" in a move aimed at saving the Government £300 million a year. With the Liberal Democrats backing the complete abolition of the scheme, the future of the Child Trust Fund looks far from certain.

Jason Hollands, Director, F&C Investments, a leading provider of Child Trust Funds and other private investor savings schemes, commented:

"We accept that politicians of all parties are having to face up to some very tough spending decisions given the parlous state of the nation's finances. This is a situation which has resulted in some questioning the affordability of the Child Trust Fund (CTF) as currently constituted."

Hollands cautioned: "However, we believe that when it comes to CTFs there is a real danger of 'throwing the baby out with the bathwater' since limiting or abolishing *taxpayer-funded* contributions need not mean closing these plans to *voluntary* contributions. At F&C we have consistently argued there has been too much focus on the taxpayer funded handouts when the real focus needs to be on encouraging people to change their own savings habits."

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“We would urge any incoming Government that is considering cutting back on the costs of CTFs, either by closing the scheme or limiting taxpayer vouchers to those on lowest incomes, not to prevent parents and grandparents who are willing to save their own money from doing so,” said Hollands.

F&C believes that one of the key lessons from the financial crisis has been the need to move away from a culture of living on easy credit to a society that understands the need to save and encourages thrift. It points out that many parents, grandparents and guardians make regular savings into a CTF from their own resources, at little cost to the state, in order to accumulate a pot of savings that can help fund a child through a future education or to get a first step on the housing ladder.

Additionally, F&C warns that a narrowing of the CTF regime exclusively to low income families by excluding middle income parents from making voluntary payments could result in many CTF providers concluding that it would be uneconomic to continue to offer such plans.

Hollands said: “The Conservatives have spoken of a need to reinvigorate a culture of savings in Britain. We therefore hope that George Osborne will confirm that in moving to reduce the number taxpayer-funded CTF vouchers, and target these on the most needy, middle income parents will not be prevented from making their own voluntary contributions into CTFs.

He concluded: “As the future of the CTF allowance is far from clear and the pressure is on for tax rises and spending cuts whoever forms the next Government, we believe that it is important for private individuals to consider maximising the various tax efficient allowances currently available, such as CTFs and ISAs, while they can.”

**- Ends -**

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## **Notes to Editors**

### **F&C Investments**

- F&C Asset Management (F&C) is an independent London Stock Exchange listed asset management group with around 100,000 shareholders.
- F&C traces its origins to 1868 with the launch of the Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C manages £88.3 billion (€103.7 billion) of assets\* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, private equity funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C REIT Asset Management is the group's global property asset management business. It was formed in 2008 from the merger of F&C's property division and REIT Asset Management. F&C REIT operates from offices in London, Dublin, Munich, Mumbai and Stockholm.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has a global office network spanning a dozen countries: China (Hong Kong), France (Paris), Germany (Frankfurt & Munich), India (Mumbai), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), UK (London, Edinburgh, Dorking) and the United States (Boston).
- In March 2009 F&C signed a Memorandum of Agreement with Hua Xia Bank, one of China's twelve nationwide joint stock commercial banks, to establish a joint venture fund management company in China in which F&C will have a 19.5% interest.

\* As at 30 June 2009.