

Children's savings accounts – go for free gift or interest rate?

The nation's children have not been immune from the low interest rate era with the average child's savings account now paying a gross rate of 1.13% according to independent financial research firm Defaqto. This equates to annual interest of only £1.13 on a £100 balance.

David Black, Banking Specialist at Defaqto said: "It is important to get youngsters into the habit of saving and for many this will involve visits to the local bank or building society. There are a wide variety of different children's savings accounts available with some that offer free gifts, but it's the interest rate parents should examine with great detail."

He added: "With interest rates varying from as little as 0.05% up to as much as 6.00% there will be a substantial difference even on relatively small amounts saved. Sadly accounts paying the highest interest rates do not offer free gifts."

Defaqto provide whole of market best buy tables which are updated daily via <http://www.defaqto.com/best-buy-tables/childrens-instant-access> The highest paying are noted below:

Highest paying children's savings accounts

Bank / building society	Account	Age restriction	Notice	Minimum balance	Gross AER Interest %	Notes
Halifax	Children's Regular Saver	Under 16	1 year regular monthly saver	£10 per month	6.00%	Must save £10 to £100 every month for a year on behalf of a child.
Bath Investment BS	Future Builder	Under 18	Instant	£1	5.00%	Balances above £500 earn 1.10%
Santander	11 – 15 Bank Account	11 to 15	Instant	£1	5.00%	5.00% earned on balances up to £500 if: (1). pay into account every month; and (2). guardian must have a primary bank account with Santander. Otherwise rate reduced to 0.10%
Clydesdale Bank / Yorkshire Bank	Child Savings Bond 5 Year	Up to 16	5 year fixed	£50	4.75%	
Principality BS	Dylan's Regular Saver	Under 16	1 year regular monthly saver	£10 per month	4.50%	Must save £10 to £150 every month for a year on behalf of a child.
Scottish BS	uAccount	7 to 17	1 year regular monthly saver	£10 per month	4.00%	Must save £10 to £100 every month for a year
Santander	11 – 15 Bank Account	11 to 15	Instant	£1	3.00%	3.00% earned on balances up to £500 if

						pay into account every month. Otherwise rate reduced to 0.10%
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Children's savings accounts offering free gifts:-

Bank / building society	Account	Age restriction	Notice	Minimum balance	Gross AER interest % on £100	Free gift
Bank of Ireland	Kidsave	Under 12	Instant	£1	0.10%	Roar card offering discounts and free admission to local venues
Cheltenham & Gloucester	Young Investor	Under 16	Instant	£1	0.05%	Alarm clock; moneybox.
City of Derry BS	Junior Saver	Up to 18	Instant	£10	2.00%	Moneybox
Cumberland BS	Young Savers	Under 16	Instant	£1	1.75%	'Paint your own' piggy bank <u>or</u> chart, pen, pencil and calculator.
Earl Shilton BS	Early Saver	Under 18	Instant	£1	0.50%	Moneybox
Halifax	Save4it	Under 16	Instant	£1	1.05%	Calculator and coin bank
Hanley Economic BS	Young Savers	Under 18	Instant	£10	1.35%	'Blue Pig' Moneybox (if aged under 7)
Holmesdale BS	Young Saver	Under 22	Instant	£10	2.35%	If aged under 7: wooden savings box; If aged 7 to 17: wallet; If aged 18 to 22: £15 gift card.
Leek United BS	Humphrey Club	Up to 9	Instant	£1	1.51%	Free entry offers to Chester Zoo, The American Theme Parks
Market Harborough BS	Kool Kidz	Under 16	Instant	£1	1.50%	'Rory the Lion' moneybox
Nationwide BS	Smart	Under 18	Instant	£1	0.75%	Money off vouchers on activities and days out
NatWest	Young Saver	Under 11	Instant	£1	0.80%	Paint your own piggy bank (ceramic footballer or ballerina pig)
Newbury BS	Young Saver	Up to 17	Instant	£1	1.65%	Welcome gift and discounts at participating local

						traders
Northern Bank	Junior Savings	Under 11	Instant	£1	0.25%	'Pondus the Penguin' moneybox
Principality BS	Children's Account	Under 18	Instant	£1	0.90%	'Dylan the Dragon' moneybox
Royal Bank of Scotland	Cash Club	7 to 10	Instant	£1	0.50%	Ollie token when pay in £5. Redeem tokens for gifts such as watches, rubber ripper wallets and mini radios.
Royal Bank of Scotland	Rainbow Savings	Up to 21	Instant	£1	0.50%	Moneybox
Saffron BS	Ladybird	Up to 11	Instant	£1	1.50%	Ladybird moneybox
Shepshed BS	Star Account	Up to 18	Instant	£1	0.80%	If open with £10+: choice of model van or teddy bear.
The co-operative Bank	Bonus account	7 to 17	Instant	£1	0.25%	Educational gifts from the Born Free Foundation. Annual bonus if average balance of £50 maintained in the account. Bonus is £2 if aged up to 12 and £10 if aged 13 to 18.
Ulster Bank	urfirst	Under 18	Instant	£5	0.50%	If aged under 12 get 'Henri the Hippo' moneybox

-Ends-

Notes to Editors:

Most children will not have high enough income to pay tax so make sure that, if eligible, an HM Revenue and Customs R85 form is filled in at the time of opening the account in order to ensure that gross interest can be received. Your bank or building society will be able to provide the R85 form.

David Black is a Banking Specialist at Defaqto

David joined Defaqto in May 2004 when Defaqto acquired the financial research company of Blay's Guides where he had 16 years of banking research experience for the majority of which he was a director. Previously he was a political risk underwriter in the City. David is Defaqto's Banking Specialist and specialises in credit cards, current accounts, equity release, mortgages, savings and unsecured loans. He was the Banking Analyst in Defaqto's Insight team until July 2010 when he switched to dealing with the press on all aspects of banking. He is a frequent commentator in both the printed and the broadcast media in his areas of expertise. He is ACII, CeMAP and CeRER qualified, as well as holding an Honours degree from Exeter University.

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About Defaqto: www.defaqto.com

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Since 1994, Defaqto has built the largest, whole of market, financial product database and become one of the leading providers of financial product data in the UK. We now cover over 30,000 products across banking, life, pensions, investments and general insurance.

Our experts validate and analyse the data to provide insight and consultancy to all layers of the financial services sector including IFAs, mortgage and general insurance brokers, providers, web aggregators and the public sector.

Our products and services include the following:

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Aequos Online

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Defaqto Compare

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