

Baby Bond® Baby Bond® Choice

As a special thank you:
£20 worth of
Mothercare
vouchers!



Home of the Child Trust Fund

What is The Child Trust Fund?

The Child Trust Fund is about your child and their future. It's about giving your child an 18th birthday present that could help give them a flying start to their adult life.

The government gives each newborn child a voucher worth £250 when their parents register for Child Benefit. This must be used to open an account – called a Child Trust Fund (CTF) – on the child's behalf. You, your family and friends can all add to this account. The government will make a second contribution of £250 when your child is seven, and is considering a third in the child's teenage years. The idea is that the account grows into a lump sum for your child to use when they're 18.

All investment growth in a CTF – and the payout at 18 – is free from personal taxes under current tax rules.

What could this mean for my child?

Just imagine the difference a lump sum on your 18th birthday would have made to your life. You now have the opportunity to make this difference to your child's future. Start adding to their account now, and at 18 your child could have a lump sum to go towards further education or vocational training, a car, a gap year, even a deposit on a home or the launch of their own business – whatever they want to do.

And, of course, they will be learning a valuable lesson from your example – you'll be showing them the value of saving. They'll see for themselves just how important it is to look to the future and plan for the life they want to lead.





What do I need to do?

Once you've received your child's £250 voucher you'll need to decide where to place it – and the sooner the better. Every day it sits in a drawer your child could be missing out. It could be working for them – it could be growing.

If you don't use the voucher to open a CTF account for your child within a year, the government will open a Stakeholder account for your child. So, if you want a say in how and where your child's money is invested from the start, you need to act now.

There are three kinds of CTF account:

- Stakeholder – shares-based with built-in safeguards
- Shares-based (Non-Stakeholder)
- Cash deposit (Non-Stakeholder)

You can find out more about these in the Key Features document accompanying this brochure.

Choosing a Child Trust Fund account for your child

The Children's Mutual offers two different Child Trust Fund accounts; a Stakeholder and a shares-based Non-Stakeholder. We don't offer a cash deposit account. There is more information about the types of CTF account available in the Key Features document accompanying this brochure.

Baby Bond®

Baby Bond® is The Children's Mutual's Stakeholder Child Trust Fund Account.

Stakeholder is the government's preferred kind of account, designed to produce a good outcome for your child, and to be suitable for families with little or no experience of investing (although, of course, its performance can't be guaranteed, and it isn't necessarily the best option for everyone). Features include:

- Investment linked to shares to take advantage of the greater potential for growth over a longer period.
- No high-risk investments.
- Annual administration charges capped at 1.5% of the account's value.
- Gradually moving to lower risk investments from your child's 13th birthday.

Baby Bond® Choice

Although this is a Non-Stakeholder account, it includes some of the same features as Baby Bond® – including the ability to switch money to lower risk investments – but enables you to choose from a range of mainly shares-based funds with different investment objectives from four leading fund managers. So, with the help of your financial adviser, you can choose an investment strategy to suit your needs for your child, and change that strategy from time to time to take advantage of changing investment conditions. To find out more about the different funds available through Baby Bond® Choice and for details of the Initial Charge and the Annual Management Charge for each fund, see pages 13 to 34 of the Simplified Prospectus section of the Key Features.



Why invest in shares?

We agree with the government's view that shares should produce better returns than cash deposit accounts over the longer term. The Barclays Capital Equity Gilt Study 2008 shows that shares have outperformed cash deposits for all but one 18-year period since 1899. However, past performance is not a guide to the future.

But can't the value of shares go down as well as up? Yes – that's why Baby Bond® invests in a fund that aims to match the performance of the widest range of UK company shares, rather than just a few. And why Baby Bond® Choice allows you to choose the type of fund or funds to invest in, to suit your needs and attitude to risk.

Investing during a period when share prices are low can be an advantage in the early years of a long-term investment, as the money you pay in will buy more shares in the fund. It's in the later years that low share prices are a disadvantage. That's why, in order to do our best to safeguard the value of your child's CTF against a downturn in the later stages, we can gradually move the money into lower risk investments as they approach 18. With Baby Bond® Choice you can choose to start this process at an earlier age if you wish.

So, while there may be some ups and downs in the value of your child's account over the years – as you'll see from your yearly statements – your child could end up with the kind of amount shown in the chart on page 8. However, as investment in both Baby Bond® and Baby Bond® Choice is linked to shares, the account could pay out less than has been paid in.

Why choose The Children's Mutual?

- In 2008 we were awarded the MoneyFacts 'Best CTF Provider' award for the third year running.
- We are recognised by the Superbrands Council as a Kids' Superbrand. This is awarded to companies that demonstrate a high level of awareness and communication with their customers.
- We have been helping people provide for their families for over 127 years, and are the only company in the UK specialising exclusively in savings for children.
- We work with The Royal College of Midwives to ensure the best for mothers and their babies.



How do Baby Bond® and Baby Bond® Choice work?

The principle of both Baby Bond® and Baby Bond® Choice is simple. The aim is to build up a lump sum for your child when they reach 18. To take advantage of the potential for greater growth, we invest all money in a shares-based fund (or more than one fund for Baby Bond® Choice, in accordance with your instructions), until your child is 13.

Under current regulations (although these could change in the future), all investment growth and the lump sum at age 18 are free from personal taxes. We'll open your child's Baby Bond® or Baby Bond® Choice account as soon as we receive your application (and, if you're applying before 6 April 2009, your child's CTF voucher), and then give you a short period in which you could change your mind before we invest any money. Have a look at 'Can I change my mind?' in the Key Features. It's not possible for us to return any money once it's been invested, because it then belongs to your child.

It can take a little time for us to receive the government's contribution, but don't worry – if you, your family or friends want to add to your child's account before then, you can.

Once the account is opened we can only discuss details and take instruction from the Registered Contact – this must be someone with parental responsibility for the child. From 16 only your child can be the Registered Contact. At any time the Registered Contact can choose to transfer to another provider or another type of CTF account and there is no charge for this.



How can my child get the best from their Child Trust Fund?

The more you pay into your child's Baby Bond® or Baby Bond® Choice, the higher the final payment should be – which is very important when you think how much things cost today:

- Typical deposit on a first home is £17,016¹.
- Typical cost of a second-hand car is £2,275².
- 14-week plumbing course costs £6,795³.
- Gap year world trip costs £7,632⁴.
- Average university student debt is £12,363⁵.

And with inflation, these costs will be much higher when your child is 18. You, your child's family and friends – in fact anyone – can pay into your child's CTF account.

For Baby Bond® the minimum amount is £10. For Baby Bond® Choice the minimum monthly payment is £50, and the minimum lump sum is £250.

The most that can be paid in overall to either account is £1,200 a year (or £100 a month). If you paid in the maximum amount every year for 18 years, this could mean a final payout of £37,100 – a sum that could really make sure your child gets that flying start (see table on page 8). This assumes an investment growth of 7% a year and total charges of 1.5% of the account's value each year. Charges on Baby Bond® Choice could be higher than this.

This is only an example and is not guaranteed. Your child could get back more or less than this.

Sources:

1. Median first-time buyer advance (£113,879) and percentage advance (87%) as at June '08. www.cml.org.uk September '08.
2. www.whatcar.co.uk A typical 6-year old second hand car e.g. 2002 Fiat Punto Hatchback 1.2 3dr today (September '08) cost £2,275.
3. www.ableskills.co.uk Plumbing course costs £6,795 (September '08). This course, which can be completed in 14 weeks with some flexibility, leads to a City & Guilds qualification.
4. A round-the-world ticket lasting 364 days including flights and travel insurance. www.gogap.com September 2008.
5. Based on a student undertaking a three-year course with tuition fees at £3,000 a year and living costs for terms totalling eight months each year. The 2007 NatWest Student Money Matters Survey.

What could my child's Baby Bond® or Baby Bond® Choice be worth?

Amount paid in each month	Total amount paid in (including government contributions of £250 at start and age 7)	Possible value of Baby Bond® or Baby Bond® Choice Stakeholder account in 18 years' time		
		Based on 5% growth each year	Based on 7% growth each year	Based on 9% growth each year
£0	£500	£821	£1,090	£1,440
£10	£2,660	£3,790	£4,690	£5,840
£25	£5,900	£8,260	£10,100	£12,400
£50	£11,300	£15,700	£19,100	£23,400
£100	£22,100	£30,500	£37,100	£45,400

We've chosen the Insight Investment Foundation Growth Fund as the basis for this example as it is available for both Baby Bond® and Baby Bond® Choice.

We've also used 18 years as our example period because the money can't be taken out until your child's 18th birthday. These figures assume growth of 5%, 7%, and 9% each year and total charges of 1.5% of the account's value each year. They are only examples and are not guaranteed. Your child could get back more or less than this. Don't forget that inflation would reduce what you could buy in the future with the amounts shown.

Please note the charges on a Baby Bond® Choice account could be higher than this, depending on the fund(s) selected, and the assumed rates of growth on money invested in the UBS Medium Term Fixed Interest Fund are currently 4%, 6% and 8%.

For more detailed information about possible returns, please see the Key Features document accompanying this brochure.



How can I add to the account?

You, your family, and friends can all help, and pay into the account. For Baby Bond® the minimum amount is £10. For Baby Bond® Choice the minimum monthly payment is £50, and the minimum lump sum is £250. You can pay in as much as you feel you can afford as long as you don't contribute more than £1,200 a year between you. Like many people, you may choose to pay in some or all of your Child Benefit.

By regular Direct Debit

The easiest way to add to the account is to set up a regular Direct Debit. We'll send £20 worth of Mothercare vouchers as a special thank you for every Direct Debit that is set up when the account is opened (minimum £10 a month for Baby Bond® or £50 a month for Baby Bond® Choice) – see page 10 for details. There's a Direct Debit instruction in the enclosed application form, or you can set one up online or over the phone if you prefer.

Escalator Direct Debit

You can also opt for our Escalator Direct Debit. You set up an initial Direct Debit (minimum £10 a month for Baby Bond® or £50 a month for Baby Bond® Choice) and we automatically increase the monthly amount we collect by £5 or £10 each year on the first collection date on or after your child's birthday. So, if for example you decided to start paying £10 a month into a Baby Bond® CTF and set up a £10 Escalator, your monthly contribution would be £10 until your child's next birthday, then £20 for the next year, £30 for the year after that, and so on until the plan ends, or the monthly amount reaches £100, or you tell us to stop, whichever happens first. It's a hassle-free way to keep increasing your payments into the account. If your child's next birthday is less than six months from the date the account is opened, we won't start Escalator until their following birthday. To take advantage of Escalator, simply select this option when you complete the enclosed application form.

One-off payments

You can also make one-off payments (minimum £10 for Baby Bond® or £250 for Baby Bond® Choice) into your child's account whenever you want, either by Debit Card (online or by phone) or by cheque. Family and friends often like to make one-off payments as birthday or Christmas gifts. We currently do not accept contributions by credit card.

Please remember that all payments into the account belong to your child, and can't be returned to the payer should they change their mind. Your child can withdraw the money once they reach 18.



As a special thank you: £20 worth of Mothercare vouchers!

Simply start paying in more than the minimum amount (£10 for Baby Bond® or £50 for Baby Bond® Choice) a month for your child by Direct Debit and we'll send you £20 worth of Mothercare vouchers as a special thank you.



And if anyone else would like to contribute more than the minimum amount each month by Direct Debit to your child's CTF they'll receive £20 worth of Mothercare vouchers as well.

To qualify, application forms must be received by 30 September 2009. The incentive only applies when a Direct Debit is set up at the same time that the account is opened. Vouchers will be sent within 28 days of receipt of the first Direct Debit payment.

Please note that this voucher offer applies only to the first Direct Debit set up by any payer into a child's CTF account. Restarting a Direct Debit after a previous Direct Debit payment into the same account has been cancelled would not entitle the payer to further vouchers.

If the Direct Debit instruction in the enclosed application form is used it must be completed by the Registered Contact. Additional Direct Debit instruction forms for use by friends and family can be obtained from our website thechildrensmutual.co.uk or by calling the number on the back page of this brochure.

What are my investment options?

Until we start switching your child's investment to lower risk assets (for more information about this see the Key Features), we use money paid in to both Baby Bond[®] and Baby Bond[®] Choice accounts to buy shares in collective (or 'pooled') funds.

Baby Bond[®] money is invested in just one fund (the Insight Foundation Growth Fund), which aims to reflect the performance of a leading index of all major UK company shares. We call this the stakeholder fund. You may not choose any other fund for a Baby Bond[®] CTF.

Baby Bond[®] Choice offers you access to eleven funds (including the stakeholder fund) from four different fund managers. The next two pages contain information on these fund managers and their funds which are available for Baby Bond[®] Choice.

The aim of most of the funds is to achieve long-term capital growth by investing mainly in company shares. However, the UBS Medium Term Fixed Interest Fund aims to limit the risk of overall loss to an investor by investing primarily in gilts, money market instruments and other debt securities and the Gartmore Cautious Managed Fund aims to provide both income and long-term capital growth but with a 60% cap on share investment.

The value of all the funds, but especially the share-based funds, can go up and down, sometimes quite sharply, and it's possible that your child could get back less than has been paid in. However, The Children's Mutual believes that, for a long-term plan such as CTF, investing in shares for most of the term could provide a return that keeps pace with, or exceeds, inflation, although of course this is not guaranteed.

If you are not sure which funds could suit your circumstances, you should seek the help of a financial adviser who will be able to help you by considering your current financial situation, what you want for your child, and the level of risk you are comfortable with.

Gartmore Group

Gartmore Group is owned by Hellman & Friedman LCC (one of the world's leading private equity firms), together with members of Gartmore's senior fund management and executive team, it is committed to delivering maximum investment returns through a range of products designed to meet investors' needs. At 30 June 2008 it managed over £24 billion.

(Source: Gartmore Group)

The Cautious Managed Fund aims to provide income and long-term capital growth in a portfolio of shares, bonds and cash. The European Selected Opportunities Fund aims to provide long-term capital growth and income from a portfolio of Continental European investments. The US Growth Fund aims to provide long-term capital growth by investing in North American shares.

Insight Investment

Insight Investment is owned by the Halifax and Bank of Scotland Group (HBOS). It managed over £112 billion at 30 June 2008 and is one of the UK's largest investment managers.

(Source: Insight Investment Funds Management Limited)

The Foundation Growth and Evergreen funds both aim to achieve long-term capital growth. The Foundation Growth Fund aims to track the FTSE All-Share Index. The Evergreen Fund invests in companies throughout the world whose products, processes or services contribute to the restoration and renewal of the earth's ecology or to a cleaner and healthier environment.





INVESCO PERPETUAL

INVESCO PERPETUAL is part of the global AMVESCAP Group, one of the world's largest fund managers, with over £234 billion of assets under management at 30 June 2008.

(Source: INVESCO PERPETUAL)

The Income Fund is designed to be an 'all-weather' fund investing mostly in established UK companies to achieve good long-term capital growth. The World Growth Portfolio aims to achieve capital growth by investing in an actively managed selection of the 'best of best' INVESCO PERPETUAL funds. The UK Smaller Companies Equity Fund looks for growth opportunities from a wide-ranging portfolio of UK smaller companies.

UBS Global Asset Management

Among the world's largest asset managers, UBS Global Asset Management has a wealth of investment management experience and aims to provide investors with superior investment returns. UBS Global Asset Management managed £372 billion worldwide at 30 June 2008.

(Source: UBS Global Asset Management)

The Global Allocation Fund (UK) and UK Select Fund both aim to achieve long-term capital growth through active management of a diversified portfolio of shares. The Global Allocation invests mainly in UK and international shares and bonds, and the UK Select Fund invests mostly in UK shares. The Medium Term Fixed Interest Fund aims to limit the risk of overall loss to an investor by investing primarily in gilts, money market instruments and other debt securities.



How do I open my child's CTF account?

It's easy – and could take just 10 minutes to apply:

online at thechildrensmutual.co.uk, or

call us on **0845 077 1899** quoting the reference code at the top of the application form; lines are open from 8am to 8pm Monday to Friday, and from 9am to 1pm on Saturday, or

complete the application form (and the Direct Debit instruction if you want to make regular monthly payments), and send it to us using the freepost envelope provided.

However you apply, if it's before 6 April 2009, please remember to send us your child's CTF voucher.

Additional payment forms can be downloaded from our website for anyone – such as a friend, grandparent, or godparent – to use to contribute to your little one's account.

Please read the Key Features as it contains more information about how Baby Bond® and Baby Bond® Choice work, and about the investment funds. If you'd like more information, visit our website, thechildrensmutual.co.uk, or just give us a call on **0845 077 1899**.



The Direct Debit Guarantee

- This Guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the Scheme is monitored and protected by your own Bank or Building Society.
- If the amounts to be paid or the payment dates change, The Children's Mutual will notify you 10 working days in advance of your account being debited or as otherwise agreed.
- If an error is made by The Children's Mutual or your Bank or Building Society, you are guaranteed a full and immediate refund from your branch of the amount paid.
- You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to us.

Your relationship with The Children’s Mutual

By applying for a Baby Bond® or Baby Bond® Choice Child Trust Fund you are also entering into the following agreements with The Children’s Mutual. For the purposes of contract law, these agreements are between you (as Registered Contact on behalf of your child) and Tunbridge Wells Equitable Investments Company Limited, trading under the name The Children’s Mutual. For all purposes, your relationship to us will be as a ‘retail customer’. This means you will enjoy the highest level of consumer protection available under both European and United Kingdom laws and regulations.

1. Client agreement

This is the legal agreement which defines your relationship with us. It covers the following rights and obligations:

Your Rights	Our Obligations
<p>You have the right to be treated fairly with regard to:</p> <ul style="list-style-type: none">• the ability of the product to match your need• the clearness and accuracy of any and all information we provide• how we describe what the product can do before and after you purchase it• our maintaining a good quality of support for routine administration and taking effective action if something goes wrong.	<p>We promise to:</p> <ul style="list-style-type: none">• provide fair and accurate descriptions of the product’s ability to meet your need• provide accurate, relevant and understandable information about our product and service• ensure the product you have performs in the way you have been led to expect• ensure the service we provide for you is of a good standard.
Your Obligations	Our Rights
<p>We think it is reasonable to expect you to:</p> <ul style="list-style-type: none">• take reasonable care when giving us information or instructions• keep us informed of any relevant change in your circumstances, or those of your child• use the opportunities provided to become aware of, and understand, the aims of the plan and how we have described that these could be achieved.	<p>We think it is reasonable for us to:</p> <ul style="list-style-type: none">• rely and act on the information and instructions you provide• rely on the information we have about you as being up to date• act on our belief that you have made reasonable efforts to understand the aims of the plan and how you could help these to be achieved.

2. Initial service agreement

This agreement covers how we invest money we receive for payment into your child’s Baby Bond® or Baby Bond® Choice Up account, once it is open. You authorise us:

- to collect and accept payments into the account from you, or any other person;
- to invest payments in the way described in the brochure and Key Features;
- to the extent that investment is linked to shares, to invest payments into the fund(s) described in the Simplified Prospectus section of the Key Features.

Here's how to contact us about a Child Trust Fund for your child:



Online: thechildrensmutual.co.uk



By email: mail@thechildrensmutual.co.uk



By phone: 0845 077 1899



By post: The Children's Mutual
PO Box 2067
Gloucester
GL4 3YU

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The Children's Mutual provides information only about its own products and those of other selected providers; we do not offer advice.

This brochure has been prepared according to our understanding of current and announced future changes to UK tax law and practice as at July 2008.

The Children's Mutual is a trading name of the Tunbridge Wells Equitable Group, which includes Tunbridge Wells Equitable Investments Company Limited, registered in England under the Companies Act 1985, registered no. 4315370, FSA registered no. 208027. Authorised and regulated by the Financial Services Authority and members of the Financial Ombudsman Service. Registered Office: Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent TN4 8GN. You can check the details of our authorisation on the FSA's register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.