OVER HALF OF PARENTS ARE UNAWARE OF JUNIOR ISAS

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Family Investments calls on the government and savings industry to do more to raise awareness.

Over half (56 per cent) of parents with children under eighteen have not heard of the Junior ISA, despite the one year anniversary of the product approaching* in November, according to research from Family Investments. This is despite the fact that 92 per cent of parents said they thought it was important to save on their child's behalf. This demonstrates that parents want to save but aren't aware of the options available to them.

Awareness has improved since the same period last year when 73 per cent of parents were unaware of the product; however Family Investments believes figures remain worryingly low for a product intended by the government to become a default option for children's savings. Figures released by HM Treasury revealed that just 72,000 Junior ISAs were sold in the first five months following its launch.

What is most worrying is the level of awareness amongst low income families with less than one in three parents (32 per cent) in households with an income under £28,000 having heard of the Junior ISA. More than two thirds of parents (65 per cent) believe that not enough information has been made available to the public and the same percentage believes the government should do more to raise awareness of the Junior ISA while 49 per cent thought it was the banks' responsibility.

Family Investments believes that only a combined effort can improve awareness and calls for the following:

Government initiatives:
• Government could partner with a parenting organisation and use its channels to communicate details about the Junior ISA.

• Government should establish an official list of Junior ISA providers and make this available online

• Government should ensure information is available via Citizen's Advice and Sure Start Children's Centres

Savings industry initiatives:
• Industry needs to ensure that Junior ISA is promoted year round and does not just become an ISA season product. It is a fundamentally different product despite the name

• Industry needs to ensure Junior ISAs are both easy to understand and affordable for those on all levels of income. Family Investments would like to see more providers reduce their minimum premiums and simplify their propositions

• Junior ISA would benefit from providers allowing more flexible ways to apply, i.e. online applications, making more products accessible to all.

• Provide products which offer more flexible parental control of savings beyond age eighteen
Kate Moore, Head of Savings and Investments at Family Investments said: "By our estimates, less than three per cent of eligible parents have taken out a Junior ISA and this is reflected in the low awareness figures.

"At the launch of the Junior ISA it was a stated aim of the government to encourage greater savings across society. To achieve this we need to encourage those who do not currently save to get into the habit of doing so, i.e. those on lower incomes. "The first set of HMRC statistics for Junior ISA show that the average contribution per account over the first five months of the scheme was £1,614, the equivalent of more than £300 per month, which seems to indicate that the Junior ISA is fast becoming an additional tax break for the wealthy rather than a universally inclusive savings product.

"Young adults today face very significant financial costs such as university tuition fees and deposits for a first home. If the current situation with children's savings is not addressed then the government is unlikely to achieve its objectives.

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“Both the government and savings industry need to act now to ensure the success of the product. Activity to raise awareness should be complemented by engaging with providers and listening to what parents want from the product when it comes to issues like affordability and parental control."

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