



Advantages of the trust fund for the children

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Trust funds offer a structured way to secure children's financial futures by holding and managing assets under specific conditions. This article examines their benefits, types, and challenges, contrasting them with wills. Key advantages include controlled fund distribution (e.g., age-based payouts or education-only use), tax benefits, and probate avoidance. However, setup costs, administrative complexity, and risks of overdependence pose challenges.

Kalit so'zlar Trust funds, children's financial security, asset management, inheritance planning.

Преимущества трастового фонда для детей

Аннотация. Трастовые фонды обеспечивают финансовую безопасность детей, позволяя управлять активами по заданным условиям (например, выплаты по возрасту или только на образование). В статье анализируются их типы (образовательные, наследственные), преимущества перед завещаниями (избежание судебных процедур) и риски (высокие затраты на создание, сложность администрирования).

Ключевые слова: трастовые фонды, финансовая защита детей, управление активами.

Introduction: Every parent dreams of providing a secure and prosperous future for their children. In an era marked by economic uncertainties and rising costs of education and living, financial planning has become more critical than ever. One powerful yet often overlooked tool for safeguarding a child's future is a trust fund. While many associate trust funds with wealthier families, they are, in fact, a versatile financial instrument accessible to parents across various income levels.

Trust funds offer a structured way to set aside assets whether cash, property, or investments under managed conditions that ensure the funds are used precisely as intended. For example, parents can stipulate that the money be used exclusively for education, released in phases as the child matures, or even withheld until the

beneficiary reaches a certain age. This level of control distinguishes trust funds from other forms of inheritance or savings, providing both security and intentionality.

The relevance of trust funds has gained attention in recent years, particularly in the UK, where government initiatives like the Child Trust Fund (CTF) highlighted their potential. Launched in 2002, the CTF provided vouchers to families to invest in their children's futures, with funds becoming accessible at age 18. Though the program was discontinued in 2011, it demonstrated how trust funds can serve as a lifeline for young adults entering higher education or the workforce. Today, with the rising costs of tuition and housing coupled with economic volatility trust funds are increasingly recognized as a proactive measure to mitigate financial hurdles.

Despite their benefits, trust funds remain underutilized due to misconceptions about complexity or exclusivity. Many parents assume they require substantial wealth or legal expertise, but in reality, trusts can be tailored to fit diverse family needs and budgets. This article aims to demystify trust funds, exploring their advantages, types, and practical considerations. By understanding how they work, parents can make informed decisions to protect their children's futures ensuring financial stability, educational opportunities, and a safety net in an unpredictable world.

A trust fund is a legal entity that can hold property on behalf of someone or some group. The person who creates a trust fund is called a trustor, grantor, settlor, or trust maker. The trustor chooses the conditions and rules behind the trust and decides what property the trust will own. The person who the trustor wants to provide the money or property is known as the beneficiary. The beneficiary of the fund may not be called an owner as there are certain conditions attached. For instance, a trust fund allows a beneficiary to live in the house but he cannot sell it or other conditions like inheriting the property after turning 25. Another term related to the trust fund is a trustee. A trustee is an entity or person who oversees the money and property of the trustor. This person ensures that all conditions are met while distributing the property to the beneficiary. Trusts can have multiple or co-trustees. The trustee is often paid a small management fee.

Many people get confused about how the trust fund works. It can be understood by an example. Suppose a person has a granddaughter and he is concerned about her future education. But he only wants the money to be used only for educational purposes. Thus, the grandfather can specify such conditions in the trust fund that the money can be used by his granddaughter only for education. The granddaughter can take the benefit of these funds to fulfill her educational aspirations.

Types of trust funds for children

Trust Funds can be very beneficial for children. It can help them in the future in various ways and gives a sense of protection to them. Basically, there are two broad categories of trust- revocable trust and irrevocable trust. In the former, any changes can be made by the trustor at any time while the latter cannot be changed and gets over only when tenure is over. There are various types of Trust Funds for Minors or children:

•Pot trusts

These trusts are beneficial for families having more than one minor child. These funds are generally for the use of the children. The parents need to determine a specific stage where the provision of the trust fund ends. For example, when the child turns 18,

or they graduate, etc. The fund remains in trust until this stage is reached by the last child. After the stage, the distribution may take place between children.

- Education trusts**

As the name suggests these kinds of trust funds relate to only the educational purpose of the children. These trust funds can be revocable or irrevocable. Irrevocable means that no changes can be made to the trust once it has been created by the trustor. For example, a trust fund created for meeting the educational expense of the children when they reach college is an educational trust fund.

- Trust-bound life Insurance**

This is also an irrevocable trust that includes a life insurance policy. The benefit of such trusts is that it removes the death benefit from the general estate for tax purposes. This would lead to a tax-free payout to the minor children upon the death of the trustor. The drawback is that since it is an irrevocable fund, no changes can be made by the trustor.

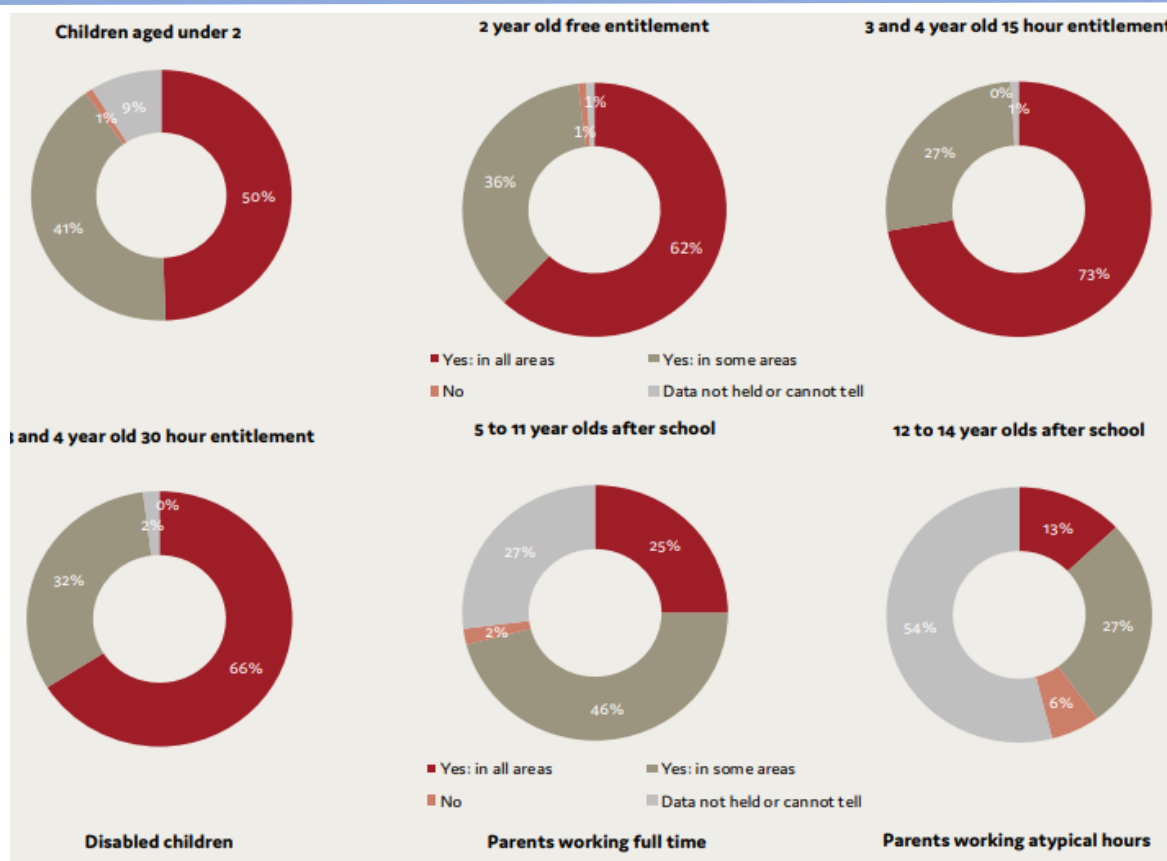
- Grandchildren trusts**

Sometimes, the grandparents want to leave behind property and assets for the better future of their grandchildren. This prevents their children from spending their inheritance on themselves. But the parents of the grandchildren may have access to the trust in order to support the grandchildren, depending on written terms and conditions.

Advantages of trust funds for children

The trust fund can be very beneficial for children and their future. Some of the advantages of the trust fund is mentioned below:

- The trust exactly specifies who should receive the benefits. Thus, there will be no confusion regarding who should get what.
- In a trust fund, conditions can be applied. For instance, a beneficiary would receive the funds only after reaching a particular age. This actually helps in maintaining the objective of giving such benefits to children.
- The trust helps in preventing the children to depend on others if their parents are no more. If the parent had a trust fund for their children, then the children can take those funds to carry forward their life.
- The trust fund can provide the child with a solid start to his or her adulthood. It can provide them financial security in their life.
- The trust also ensures that the property transferred is safe and protected. This is done by the trustee. The trustee ensures that the fund is used in the proper and correct manner as per the wish of the trustor.
- The trust fund would ensure that the fund is not used lavishly and carelessly by the children.
- The trust fund also ensures that money is available when there is a need. Especially in a country like India where the fees involved in higher education are high, these trust funds can help to overcome such problems and thus remove the financial hindrance that may develop in the education of the children.



Childcare sufficiency in England (% local authorities)

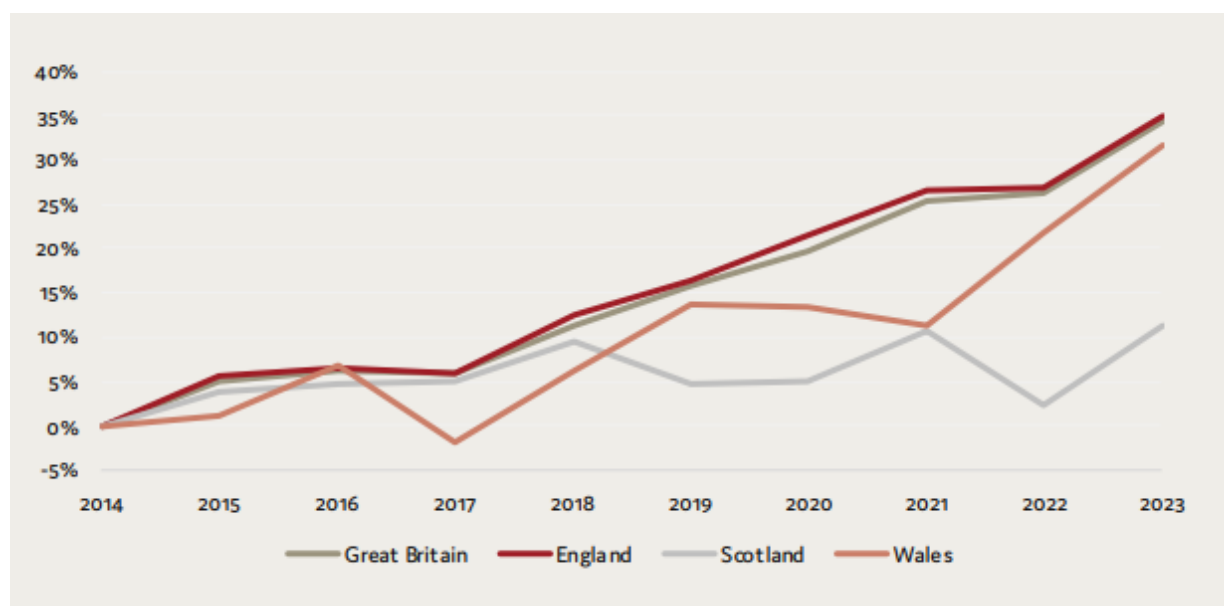
Data from local authorities across England reveals significant variation in their ability to provide sufficient childcare for different age groups and demographics. While some areas meet demand comprehensively, others report critical shortage particularly for infants, disabled children, and families with non-standard work schedules.

- **Under-2s:** Only 1.5% of LAs have enough childcare everywhere; 41% report shortages.
- **3-4-year-olds:** Better coverage (25-35% sufficient), but 7-27% of LAs still lack capacity.
- **School-age:** After-school care is patchy (13-52% sufficient), with 18-22% of LAs reporting gaps.
- **Data issues:** 30-66% of LAs lack data on certain age groups, masking true shortages.

England faces a childcare sufficiency crisis, with critical gaps in provision for the youngest children, school-age pupils, and vulnerable groups. While entitlements for 3-4-year-olds are largely met, severe shortages persist for under-2s and after-school care. Inconsistent data collection exacerbates these challenges, masking the true scale of unmet need. To address this, policymakers must prioritize:

1. **Targeted funding** to expand infant and disability childcare provision
2. **Improved monitoring** to identify and resolve local shortages
3. **Support for working families**, particularly those with atypical hours

Without urgent action, these systemic failures will continue to disadvantage children and limit parents' workforce participation. A coordinated national strategy, backed by sustained investment, is needed to ensure all families can access quality childcare when and where they need it.



Increase in price of 25 hours of childcare for children under two in Great Britain since 2014

Issues related to trust funds

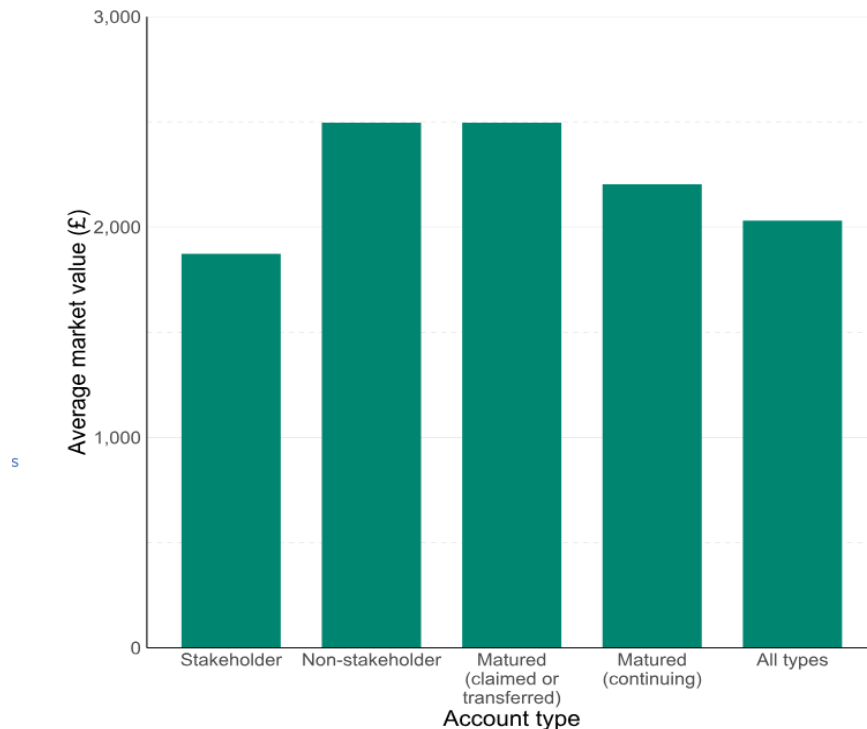
Though there are many advantages related to the trust fund. Still, there are certain issues that relate to the trust fund. Some of the issues are:

- The cost related to the creation of a trust can be a problem for many people. This is the reason many don't indulge in trust funds.
- Administering the trust fund may be more complicated than simply transferring assets to a beneficiary after the trustee passes away.
- Although trust funds may make sense in some cases because of the tax benefits, living trusts don't actually confer the same major tax benefits as irrevocable trusts.
- Another disadvantage is setting up a trust fund for a child who is not capable of handling the responsibility. Thus structuring the fund is very important so that the money is distributed over time.
- Trust funds can also lead to children becoming more reluctant to excel and work as it provides them a sense of financial security. This leads to the overdependence of children on trust funds for spending their life.
- The trust fund involves the transfer of property or assets. Thus, the trustor may lose his property and in case of an irrevocable trust fund, no further changes can be made by the trustor in the future.
- Trust is more complicated to draft than a will.
- People sometimes tend to forget that they even had a trust fund account for their children. This has been the case in the recent trust fund scheme of the UK in 2002. Now, most of the people don't remember or have lost the details about the trust fund account.

As of 5 April 2022 there were around 5.3 million open Child Trust Fund (CTF) accounts, of which around 428,000 were matured accounts continuing as CTF accounts. Around a further 338,000 accounts matured during the tax year 2021 to 2022 and were claimed or automatically transferred to an ISA. The number of

open CTFs is decreasing, mainly due to matured accounts being claimed or transferred to ISAs, and accounts that have not yet matured being transferred to Junior ISAs. The oldest children on the scheme turned 18 in September 2020. Between then and April 2022, around 956,000 accounts matured in total, of which around 528,000 were claimed or automatically transferred to an ISA as of April 2022.

Average market value of Child Trust Funds in 2020 to 2021



Given chart shows that the average market value of a CTF in April 2022 was £2,031. This is up from £1,912 in April 2021.

The average market value of stakeholder and non-stakeholder accounts as of April 2022 were £1,872 and £2,496, respectively. The average market value of a matured account that was claimed or automatically transferred to an ISA in 2021 to 2022 was £2,497. The average market value of a matured account that was continuing as a CTF as of April 2022 was £2,203. This has changed from April 2021, where continuing matured accounts had a higher average market value than claimed or transferred matured accounts, at £2,721 compared with £2,143.

The Children's Trust has announced a substantial investment of nearly \$8 million over five years to empower local community-based organizations to help ensure that public benefits enrollment becomes more accessible to families with children who are seeking help and essential resources.

In July, The Children's Trust Board of Directors unanimously approved more than \$1.5 million per year for the next five years to initiate the project commencing this month. The Trust's Health & Wellness: Public Benefits Enrollment Initiative seeks to address the pressing needs of Miami-Dade families grappling with economic challenges, especially during Miami-Dade's current affordability crisis.

Conclusion. Trust funds represent a powerful and flexible tool for parents and guardians seeking to safeguard their children's financial future. Far from being exclusive to the wealthy, these legal arrangements offer structured, conditional support

tailored to a child's needs—whether for education, housing, or long-term stability. As explored in this article, trust funds provide unparalleled advantages, including controlled asset distribution, protection from probate, and tax efficiencies, while addressing challenges like mismanagement or overdependence through careful planning.

The UK's Child Trust Fund (CTF) initiative serves as a compelling example of how trust funds can democratize financial security. Though the program ended in 2011, its legacy—evidenced by matured accounts averaging £2,031 in 2022—demonstrates their potential to empower young adults. Similar models, like education-specific trusts or grandchild-focused funds, highlight the adaptability of trusts across cultures and financial contexts.

However, the effectiveness of a trust fund hinges on deliberate design. Selecting a trustworthy trustee, defining clear distribution rules (e.g., age-based milestones or purpose-bound withdrawals), and regularly reviewing the trust's terms are critical steps. Parents must also weigh trade-offs: revocable trusts offer flexibility, while irrevocable trusts provide tax benefits but lock in terms. Legal and administrative costs, though sometimes prohibitive, are often offset by long-term gains.

Looking ahead, trust funds will likely grow in relevance as economic volatility and rising education costs strain families globally. Governments and financial institutions could amplify their impact by promoting awareness, simplifying setup processes, and offering subsidies for low-income families. For parents, the message is clear: proactive planning today can prevent financial insecurity tomorrow. By demystifying trust funds and tailoring them to individual needs, families at all income levels can ensure their children inherit not just wealth, but opportunity and resilience.

In closing, trust funds are not merely financial tools—they are a pledge to future generations. Whether funding a college degree, preserving a family business, or providing a safety net, they embody a commitment to nurturing potential. As more families recognize their value, trust funds may well become a cornerstone of responsible parenting in an uncertain world.

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