

Tax Advantaged Savings

Individual Savings Accounts (ISA)

What is it?

A savings account with tax advantages.

Who can have one?

Generally, UK resident persons aged 18 or over. (Age 16 or over for Cash ISA's).

What type of investment are they?

There are several different types of ISA, some for special situations, further details of some of the different types are explained later.

The basic ISAs fall in to two categories:

- A Cash ISA, very much like a bank and/or building society deposit account. (some may restrict interest and any bonuses if a withdrawal is made early). **Tip: Find out if there any such restrictions before opening your ISA.**
- A Stocks and Shares ISA, these types of ISAs invest in traded investments, they carry a higher risk, but with the potential to return greater amount than a deposit account. There is a risk that you could lose some or even all the amount you invested, especially if only held for a short period of time. **Tip: It is advisable to take professional investment advice before making this type of ISA investment.**

All ISA accounts can only be set up by an approved account manager, an individual cannot manage their own ISA. Most banks, building societies, and other recognised financial bodies offer ISAs.

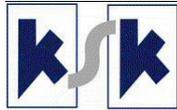
What are the tax advantages?

Tax Free! There is no income tax on the income earned and no capital gains tax on investment disposals for the ISA investor.

Are there limits for the amounts you can invest in ISAs?

For the basic ISAs, described above, the maximum amount that an individual can invest each year is £20,000 (current tax year 2019/20). You can have one Cash ISA and one Stocks and Shares ISA, and possibly one or more of the other special types ISA described below, up to the annual maximum amount spread across all ISA accounts.

There are special rules for investors who have ISAs from previous years who want to withdraw from one provider and reinvest into a different ISA account.



Do I have to hold an ISA for a set period?

There is no general restriction on withdrawing funds. You should be able to have access to all or a part of your ISA fund straight away. Tip: You do need to understand the terms of your ISA account: -

- For cash ISAs there may be a restriction on the interest or bonus offered on the account if money is taken early.
- With a Stocks and Shares ISA, an early withdrawal will require the sale of the investments held, and you could lose some of your money.

Special Types of ISA

As mentioned above there are other special types of ISAs designed to help people in different circumstances, if you are interested in this type of investment you should seek specific professional advice. Here is a little bit more information about them: -

Help to Buy ISAs

This is a type of Cash ISA designed to help first-time buyers save up a deposit for their home. The government will add 25% to your savings, up to a maximum of £3,000 on savings of £12,000.

The main points: -

- ☺ You need to be a first-time buyer
- ☺ You must be aged 16 or over
- ☺ You can use it to buy a home worth up to £250,000 (or up to £450,000 in London)
- ☺ You can use it with any mortgage; you are not restricted to a Help to Buy Mortgage
- ☹ You cannot use it buy a property you rent out
- ☹ You cannot use it to buy a property outside the UK
- ☹ You Cannot have more than one Help to Buy ISA. However, couples who are both first time buyers and buy a property together can each have a Help to Buy ISA.

Lifetime ISAs

You can use a Lifetime ISA to buy your first home or save for later life. You must be 18 or over but under 40 to open a Lifetime ISA.

You can put in up to £4,000 each year, until you're 50. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year.



The Lifetime ISA limit of £4,000 counts towards your annual ISA limit. This is £20,000 for the 2019/2020 tax year.

You can hold cash or stocks and shares in your Lifetime ISA; or have a combination of both.

When you turn 50, you will not be able to pay into your Lifetime ISA or earn the 25% bonus. Your account will stay open and your savings will still earn interest or investment returns.

Junior ISAs

Junior Individual Savings Accounts (ISAs) are long-term, tax-free savings accounts for children.

Junior ISAs are long-term, tax-free savings accounts for children; under the age of 18.

There are 2 types of Junior ISA:

- a cash Junior ISA, for example you will not pay tax on interest on the cash you save
- a stocks and shares Junior ISA, for example your cash is invested and you will not pay tax on any capital growth or dividends you receive

Your child can have one or both types of Junior ISA.

Parents or guardians with parental responsibility can open a Junior ISA and manage the account, but the money belongs to the child.

The child can take control of the account when they're 16; but cannot withdraw the money until they turn 18.

Innovative Finance ISAs

This is a more specialist type of ISA allowing investors to participate in peer to peer lending with the benefit of tax-free savings. You should take specialist financial advice before investing in this type of ISA.