

TISCO MONEY

GUIDE TO
**INDIVIDUAL
SAVINGS
ACCOUNTS**

Don't miss the 2022/23 ISA deadline

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TISCO Financial Planning Limited

Morton House, 80A Victoria Street, St Albans, Herts, AL1 3XH

Tel: 01727 734040 **Fax:** 01727 734041 **Web:** www.tisco.co.uk

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GUIDE TO

INDIVIDUAL SAVINGS ACCOUNTS

Don't miss the 2022/23 ISA deadline

Time is running out to take advantage of this year's Individual Savings Account (ISA) allowances. You get one ISA allowance per tax year. So use it or lose it soon, when the tax year ends on 5 April.

Any unused ISA allowance will not be rolled over into the new tax year. On 6 April when the new tax year starts, if you haven't used all of your or your children's ISA allowances from the previous tax year, it will be lost forever.

Time to take control of your ISA?

The ISA allowance limits apply to everyone on an individual basis, so if you're married or in a relationship, you could both hold your own ISA, each with the full allowance - so that's a combined £40,000 in the current tax year - and you don't pay any tax on the income or capital gains from the proceeds of a Stocks & Shares ISA or interest on a Cash ISA.

An ISA doesn't need to be declared on your annual tax return. What's more, you can access your money whenever you wish, although most ISAs are designed to be medium to long term investments, which is typically a period of at least 5 years.

Want to know more about investing in an ISA? Your ISA questions answered

Q: What is an Individual Savings Account (ISA)?

A: An ISA is a 'tax-efficient wrapper.' Types of ISA include a Cash ISA and Stocks & Shares ISA. A Cash ISA is similar to a normal deposit account, except that you pay no tax on the interest you earn. Stock & Shares ISAs allow you to invest in equities, bonds or commercial property without paying personal tax on your proceeds.

Q: Can I have more than one ISA?

A: You have a total tax-efficient allowance of £20,000 for this tax year. This means that the sum of money you invest across all your ISAs this tax year (Cash ISA, Stocks & Shares ISA, Lifetime ISAs, Innovative Finance ISA, or any combination) cannot exceed £20,000. However, bear in mind that you have the flexibility to split your tax-efficient allowance across as many ISAs and ISA types as you wish. For example, you may invest £10,000 in a Stocks & Shares ISA and the remaining £10,000 in a Cash ISA. This is a useful option for those who want to use their investment for different purposes and over varying periods of time.

Q: When will I be able to access the money I save in an ISA?

A: Some ISAs may tie your money up for a period of time. However, others are flexible. If you're after flexibility, variable rate Cash ISAs don't tend to have a minimum commitment. This means you can keep your money in one of these ISAs for as long - or as short - a time as you like. This type of ISA also allows you to take some of the money out of the ISA and put it back in without affecting its tax-efficient status.

On the other hand, fixed-rate Cash ISAs will typically require you to tie your money up for a set amount of time. If you decide to cut the term short, you usually have to pay a penalty. But ISAs that tie your money up for longer do tend to have higher interest rates.

Stocks & Shares ISAs don't usually have a minimum commitment, which means you can take your money out at any point. As with all investing, it's recommended that you invest your money for at least five years or more. Staying invested for longer allows your investment to grow and to better weather any market volatility. With the cost of living in the UK rising at its fastest rate in 41 years, can you really afford to see the purchasing power of your hard-earned savings stagnate in a bank account?

Q: Could I take advantage of a Lifetime ISA?

A: You're able to open a Lifetime ISA if you're aged between 18 and 39. You can use a Lifetime ISA to buy your first home or save for later life. 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.

Q: What is an Innovative Finance ISA?

A: An Innovative Finance ISA allows individuals to use some or all of their annual ISA allowance to lend funds through the Peer to Peer lending market. Peer to Peer lending allows individuals and companies to borrow money directly from lenders. Your capital and interest may be at risk in an Innovative Finance ISA and your investment is not covered under the Financial Services Compensation Scheme.



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An ISA is a tax-efficient way to invest because your money is shielded from Income Tax, tax on dividends and Capital Gains Tax.

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Q: What is a Junior ISA?

A: This is a savings and investment vehicle for children up to the age of 18. It is a tax-efficient way to save or invest as it is free from any Income Tax, tax on dividends and Capital Gains Tax on the proceeds. The Junior ISA subscription limit is currently £9,000 for the tax year 2022/23.

Q: Is tax payable on ISA dividend income?

A: No tax is payable on dividend income. You don't pay tax on any dividends paid inside your ISA.

Q: Is Capital Gains Tax (CGT) payable on my ISA investment gains?

A: You don't have to pay any CGT on profits.

Q: I already have ISAs with several different providers. Can I consolidate them?

A: Yes you can, and you won't lose the tax-efficient 'wrapper' status. Many previously

attractive savings accounts may cease to have a good rate of interest, and naturally some Stocks & Shares ISAs don't perform as well as investors would have hoped. Consolidating your ISAs may also substantially reduce your paperwork. We'll be happy to talk you through your options.

Q: Can I transfer my existing ISA?

A: Yes, you can transfer an existing ISA from one provider to another at any time as long as the product terms and conditions allow it. If you want to transfer money you've invested in an ISA during the current tax year, you must transfer all of it. For money you invested in previous years, you can choose to transfer all or part of your savings.

Q: What happens to my ISA if I die prematurely?

A: The rules on ISA death benefits allow for an extra ISA allowance to the deceased's spouse or registered civil partner. ■

TIME TO TAKE YOUR ISA TO THE MAX?

ISAs are one of the most straightforward ways to achieve tax-efficient gains. Remember you can currently invest up to £20,000 this tax year in an ISA, so a couple can put £40,000 out of the reach of the taxman. And don't forget your children or grandchildren. Parents and guardians can invest up to £9,000 in a Junior ISA. To find out more or discuss your requirements, please contact us.

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE AND YOU COULD GET BACK LESS THAN YOU INVEST. IF YOU'RE NOT SURE ABOUT INVESTING, SEEK PROFESSIONAL ADVICE. TAX RULES CAN CHANGE IN FUTURE. THEIR EFFECTS ON YOU WILL DEPEND ON YOUR INDIVIDUAL CIRCUMSTANCES.

WANT TO MAKE THE MOST OF YOUR ISA ALLOWANCE?

Make your savings work harder with an ISA and pay no income or capital gains tax on the returns. With savings rates so low you could see your money eroded by inflation. If appropriate, a Stocks & Shares ISA will give your money the chance to grow faster than inflation.

To discuss your plans for the future and how we can help, please contact us.

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