



Get ready to beat the ISA deadline

Time to give your financial future a boost?

Savers and investors have less than three months to use the £20,000 they can put into their tax-efficient Individual Savings Account (ISA) before the end of the financial year on 5 April. The current tax year started on 6 April 2021 and ends on 5 April 2022.

ISAs enable you to minimise the amount of tax you pay on your hard-earned cash. Some ISAs give you instant access to your money and can be used to plan your finances for the short term. On the other hand, if you have longer-term savings goals, you can invest in an ISA for your future.

DON'T LOSE YOUR ISA ALLOWANCE

There is a limit you can pay into ISAs each tax year and this is called your ISA 'annual allowance'. For the 2021/22 tax year, your ISA annual allowance is £20,000 and you have until midnight on 5 April 2022 to use this allowance. If you don't use your ISA allowance, you will lose it as it cannot be carried forward.

However, you will have a new annual ISA allowance available from 6 April 2022 in the 2022/23 tax year, so if you have already put £20,000 into an ISA in the 2021/22 tax year, you could put another £20,000 away on or after 6 April 2022. You can only pay into one of each type of ISA in a tax year, within the ISA annual allowance.

ISA OPTIONS

Cash ISA

If you are a UK resident over the age of 18 (age 16 for a Cash ISA only), you can open one of each type in a tax year, providing you don't exceed the annual allowance. Cash ISAs are suitable for your short-term savings goals as they don't invest in the stock market but, with current low interest rates, your savings won't grow much and you might not be keeping up with inflation. You might consider a Cash ISA as your 'emergency' pot of money for any unexpected expenses or a last-minute holiday.

Stocks & Shares ISA

This is a tax-efficient investment that allows you to invest your money in shares, government bonds (gilts) and property with peace of mind that you won't pay any capital gains tax or income tax on the proceeds. This type of ISA is more suitable for your longer-term goals as it has the potential to out-perform Cash ISAs over the medium to long term, but with varying levels of risk.

The three main factors to consider when choosing between a Cash ISA and a Stocks & Shares ISA is the length of time you'll be saving or investing, your appetite for investment risk and the impact of inflation over time.

Innovative Finance ISA

This is a type of investment account that allows you to lend your money through peer-to-peer lending platforms to receive tax-efficient interest and capital gains. You could be lending money to serve personal loans, small business loans or property loans, or a combination of these.

Interest rates can often be much more attractive than Cash ISA rates, but peer-to-peer lending is a higher-risk form of investing and your capital is entirely at risk as there is no protection from the Financial Services Compensation Scheme (FSCS).

Lifetime ISA

If you are aged 18 to 39, and are looking to save for your first home or for later life, you could consider a Lifetime ISA. You can hold cash in a Lifetime ISA or





choose to invest it just as you would with a Stocks & Shares ISA. You can put in up to £4,000 each year up to and including the day before your 50th birthday but remember that this £4,000 allowance contributes to your full annual ISA allowance.

The government will pay a 25% bonus on your contributions (£1 for every £4 you put in), up to a maximum of £1,000 a year but you must be aware that a charge of 25% will be applied to any withdrawal if it is for any reason other than buying your first home, at age 60 or if you are terminally ill.

Junior ISA

A Cash or Stocks & Shares ISA account, or both, can be opened for a child subject to the annual Junior ISA (JISA) allowance which is £9,000 for the 2021/22 tax year.

The account must be opened by the child's parent or guardian, but anyone can contribute once the account has been opened. Savings in a JISA account

cannot be withdrawn until the child reaches 18. Any child owning a Child Trust Fund (CTF) can't hold a JISA unless the CTF funds are first transferred to a JISA and the CTF closed. ■

READY TO MAKE THE MOST OF YOUR ISA ALLOWANCE BEFORE IT'S TOO LATE?

With interest rates still at very low levels, you might be looking at investing for the potential to achieve a bigger return from your savings. For more information about how we can help you invest to enjoy a brighter future – please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

