Fairstone
INTELLIGENT WEALTH MANAGEMENT

– BROCHURE

Guide to ISAs

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Welcome

If you're thinking about investing, or are looking for a better way to save, ISAs are a sensible option.

They're easy to understand, flexible, and most importantly, you don't have to pay income or capital gains tax on your savings or investments.

An ISA is an Individual Savings Account. There are different types of ISA to help you save or invest, depending on your goals including cash, stocks and shares and lifetime.

The amount you're allowed to put in ISAs is capped each tax year, the current overall ISA allowance is £20,000.

It is important to remember that tax rules can change and benefits of ISAs will depend on individual circumstances.

Money can be split between each type of ISA and you can pay into one of each this tax year.

£20,000

ISA allowance

Cash ISA

Stocks and shares ISA

Lifetime ISA*
(£4,000 maximum)

Innovative finance ISA

*Can only be opened by 18-39 year olds.

£9,000

Junior ISA allowance

Junior cash ISA

Stocks and shares junior ISA

ISA basics

Who can open an ISA?

Anyone over the age of 16 can open a cash ISA and from 18 all UK residents have access to the full range of ISA products.

To open a junior ISA, you'll need to be the parent or legal guardian of the child.

It's not possible to open a joint ISA, and not generally possible to open an ISA for another adult.

The ISA allowance

Each tax year (6 April to 5 April) a maximum ISA allowance is set by the Government and it is important to remember that this allowance doesn't carry over.

The current allowance is £20,000

The ISA allowance is only for the money that you put into ISAs each year. It doesn't include previous contributions or returns.

As an example, if you put £10,000 in an ISA in this tax year, you could still put up to £20,000 in the following tax year. You can only put a maximum of £4,000 into a lifetime ISA each year.

If you put £20,000 in a stocks and shares ISA and your investments grow, that growth won't count towards your allowance, but is still free from UK income and capital gains tax. This way, over time you could potentially hold quite a substantial savings pot tax-free in an ISA.

How many ISAs can you have?

You can only have one junior cash ISA and one junior stocks and shares ISA per child. You can have any number of the other types of ISA, but you can only pay into one of each type each tax year. You just need to make sure the money you put in across all your ISAs each year doesn't go over the total ISA allowance.

For example if you have a cash ISA, a lifetime ISA, and a stocks and shares ISA. You put £1,000 in your cash ISA and £3,000 in your lifetime ISA. That means there's £16,000 left of your £20,000 ISA allowance this tax year.

Types of ISA

Cash ISAs

Cash ISAs are similar to normal savings accounts, except you don't pay income tax on the interest you earn.

There are two main types of cash ISAs – variable and fixed rate. Variable products, such as easy access, give you the freedom to withdraw your money when you like, but the rate can change at any point.

Fixed rate products offer a guaranteed interest rate for the duration of the product, but you can usually only access your money when they end. They normally pay a higher rate than variable products and, typically, the longer you fix for, the better the rate is.

If you have a flexible cash ISA you can withdraw money and replace it in the same tax year without using up more of your annual ISA allowance for that year.

Is a cash ISA right for you?

A cash ISA is a low-risk way to save, but it isn't risk-free. Inflation will reduce the value of your money over time so you should keep an eye on the interest rate you're getting and compare it to the rate of inflation.

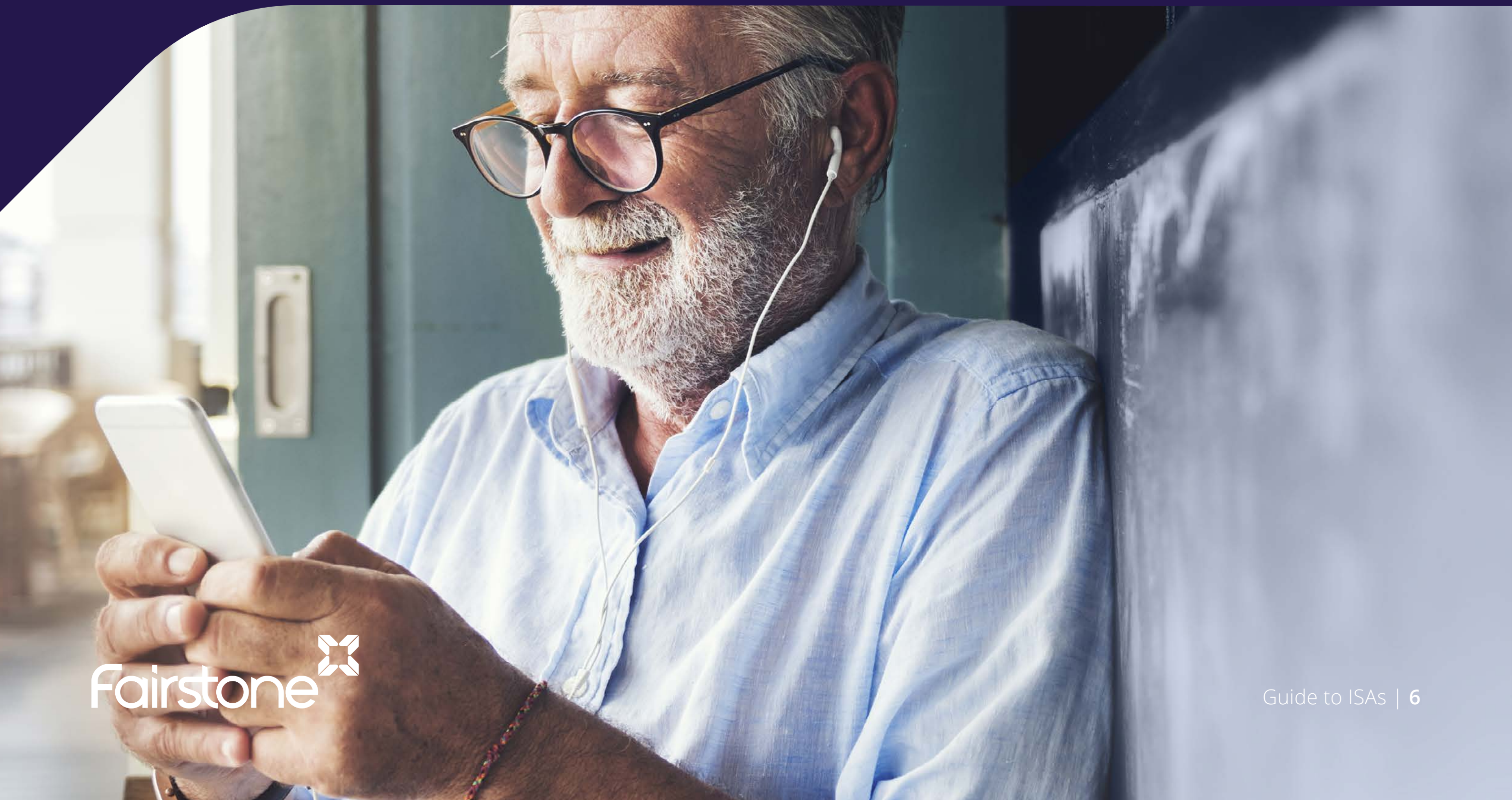
It's always a good idea to keep enough of your money in cash to cover emergencies and any known expenses within the next five years.

If you're saving for the longer term then a stocks and shares ISA might be a more appropriate option. Your Fairstone adviser can support you in making the best decision for you and your circumstances.

Your Fairstone adviser can provide more information to help you make an informed decision.

An overview of Cash ISAs

- Low-risk way to save money
- No UK income tax
- Fixed and variable rates available
- Withdraw cash when you need to
- Growth can be limited when interest rates are low
- Inflation could reduce your savings' worth over time



Stocks and shares ISAs

A stocks and shares ISA enables you to buy shares, funds and other types of investments in a tax efficient way.

The money you invest is free from capital gains tax, however, it is important to remember that there is always a risk attached to investing.

Stocks and shares ISAs are generally best if you're looking to invest for at least five years. That's because the longer you invest, the greater the chance that your money will outperform cash.

When your money's invested in a stocks and shares ISA you can still withdraw it whenever you need to, however, it may take longer to access than cash.

Is investing right for you?

Whether investing is the right option for you depends on your goals, how comfortable you are making investment decisions, and how you feel about taking risks.

Choosing investments

Whether you're new to choosing investments or more experienced, you can use investment updates, research articles and guides to learn about opportunities and grow more confident in your own decisions.

And if you'd rather not select your own individual investments your Fairstone adviser can help you to set up and manage your portfolio.

Investment options

In a stocks and shares ISA, you can usually invest in:

- Funds
- Shares
- Investment trusts
- Exchange-traded funds
- Government bonds (gifts)
- Corporate bonds

You can also hold cash in your stocks and shares ISA

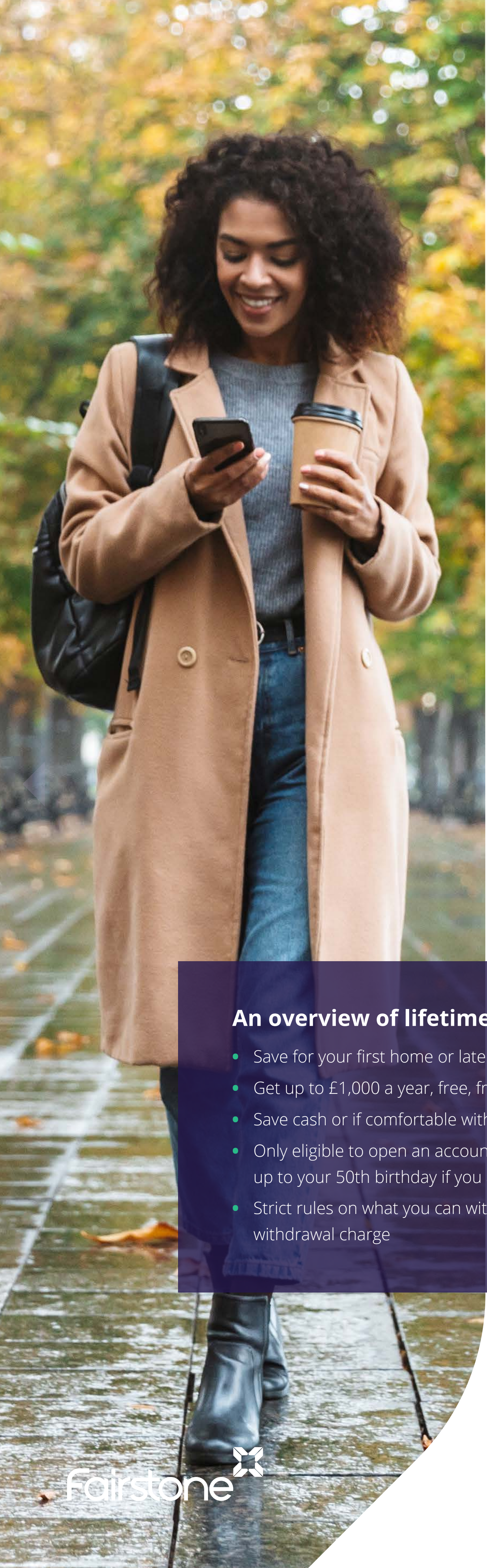
An overview of stocks and shares ISAs

- No UK income or capital gains tax
- Freedom to invest if you're comfortable with the risk (you can also hold cash)
- Although investing is for the long term, you can withdraw money when you need to
- Risk of losing money, because you're investing in the stock market
- Withdrawing money may not be immediate – it can take a few days

Rates of tax	Basic rate tax payer	Higher rate tax payer	Additional rate tax payer	ISA investor
Capital gains (in excess of the £12,300 annual allowance)	10%	20%	20%	0%
Dividend income over £2,000* (i.e. income from shares)	7.5%	32.5%	38.1%	0%
Interest income (i.e. from cash, corporate bonds and other fixed interest investments)*	20% (over £1,000)	40% (over £500)	45%	0%

Tax rules can change and benefits depend on individual circumstances.

* This example assumes an English individual has fully used their personal allowance and none of the interest falls within the starting rate for savings.



Lifetime ISAs

Offering you a helping hand towards saving for your first home or later life.

Lifetime ISAs were created to support those between 18 and 39 in buying a first property or saving for future retirement.

How it works

Until your 50th birthday you can put up to £4,000 into a lifetime ISA each year, and the government will add an extra 25%, up to £1,000 a year. All money in your lifetime ISA is free of UK tax, so it's a great bonus for your savings.

There are strict rules about when you can take money out of a lifetime ISA without paying a government withdrawal charge.

You can withdraw your money if you're buying your first home (with a purchase price of up to £450,000). You also have the option of leaving the money in your lifetime ISA and withdrawing it from age 60.

In most other cases, if you want to withdraw your money you will pay the government withdrawal charge of 25% of the amount withdrawn, so you could get back less than you put in.

An overview of lifetime ISAs

- Save for your first home or later life
- Get up to £1,000 a year, free, from the government
- Save cash or if comfortable with the risk, invest in the stock market
- Only eligible to open an account if you're 18-39 years old (though you can continue to contribute up to your 50th birthday if you already have an account)
- Strict rules on what you can withdraw the money for, and when, without paying a government withdrawal charge

Junior ISAs

Any parent or legal guardian can open a junior ISA for a child under 18 years old.

Just like regular ISAs, there are junior cash ISAs and junior stocks and shares ISAs. Their yearly ISA allowance is different from adult ISAs though – this tax year it's £9,000.

Anyone can add money to your child's junior ISA – for example grandparents, friends and relatives.

And if your child is 16 or older, they can have a junior ISA in addition to a cash ISA – meaning their total ISA allowance could be £29,000.

When your child turns 18, their junior ISA becomes a regular ISA and they can save and invest themselves. Usually only your child can withdraw the money in their junior ISA, and only from their 18th birthday.

An overview of Junior ISAs

- Start saving or investing early for a child under 18
- Anyone can add money to your child's junior ISA
- Choose from junior cash or junior stocks and shares ISAs
- Transfer a child trust fund to a junior ISA
- Only your child can withdraw money, from their 18th birthday
- Risk of losing money in junior stocks and shares ISA – value will go up and down

Maximum you can put in a Junior ISA this tax year: £9,000

Child trust funds

A child trust fund (CTF) is a tax-free savings account, similar to a junior cash ISA. They were available for children born in the UK between 1 September 2002 and 2 January 2011.

If your child already has a child trust fund, you can't open a junior ISA for them straight away. You'll need to transfer their Child Trust Fund to a junior ISA first.

Transferring ISAs

You can move your ISAs to a new provider as often as you like, and whenever you want.

The best part is, transferring doesn't count toward your ISA allowance (although if transferring to a lifetime ISA it may count towards your lifetime ISA allowance).

Transferring between types of ISA

You can also move between types of ISA, for example if you'd like to transfer your cash ISA to a stocks and shares ISA. Just remember that if you have a fixed rate cash ISA and you transfer it before the fixed term ends, you may have to pay a penalty.

Transferring part of an ISA

One important aspect to note when transferring - if you're transferring an ISA you paid into this year, you have to transfer the whole amount from this year.

For example, let's say you want to transfer from a cash ISA to a stocks and shares ISA. You have a cash ISA with £40,000 in it from previous years, and this year you've added £10,000 to it. You can transfer all or just part of the £40,000 from previous years to your new stocks and shares ISA. But you'd have to transfer the entire £10,000 you'd paid in this year if you wanted to move it.

An overview of ISAs

An ISA is an Iidividual savings account. It lets you save and invest without paying UK income or capital gains tax.

Each tax year there's a maximum allowance you can pay into ISAs.

The ISA allowance is £20,000.

- A cash ISA is for saving cash.
- A stocks and shares ISA is for investing in the stock market.
- A lifetime ISA is for saving to buy your first home (or for later life).
- An innovative finance ISA is for peer-to-peer lending.
- Parents or legal guardians can open a Junior ISA for a child under 18.
- Any UK resident over 16 can have a cash ISA – for all other types of ISAs (except junior ISAs) you'll need to be 18 or older.
- Please not that some providers do not permit children under 18 to open or manage an account independently.

For more information and to find out how ISAs could work for you, get in touch with a Fairstone financial adviser.

Book your no obligation initial consultation

Whether you're looking for advice for the first time, or a second opinion, Fairstone can help.

Get in touch today to book your first meeting:

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