

An introduction to ISAs



A quick guide

Everyone has their own long-term financial goals. In the past you could hope to generate a sufficient income by simply putting your money into a savings account. However, nowadays we need our money to work as hard as possible.

ISAs can be one of the most valuable tools available to people focused on saving for the long term (for five or 10 years or more). With no personal liability to tax on interest payments, dividend payments, or capital gains to pay when you withdraw your money, and no need to declare ISAs on a tax return, their potential benefits are certainly impressive.

Important information:

The value of your Stocks and Shares ISA investment can go down as well as up so you might not get back the amount you put in. Also, tax rules can change and the impact of taxation depends on your circumstances and where you live.

What's an ISA?

An Individual Savings Account (ISA) is a tax-efficient investment wrapper in which you can hold a range of investments, like bonds, equities, and even cash, giving you control over where your money's invested.

Some like to think of it as a shopping trolley, into which you place a selection of different asset classes which then become tax-efficient. However, it's important to remember that an ISA is a tax-efficient investment wrapper. It's not an investment in its own right.

ISAs are becoming a serious part of financial planning as they offer a unique range of benefits:

- There's no income tax on interest payments (which are made by bond funds)
- There's no personal liability to tax on dividends
- Depending on the type of ISA you choose, your money isn't locked away, so you can still access it whenever you need to
- There's no capital gains tax on any growth your investments may achieve, so you could use withdrawals to boost your income when necessary. Please note, any losses made in the ISA cannot be used to offset gains made elsewhere. Please remember that any money you take from your ISA will reduce the value of your investment.

There are also a number of additional and perhaps lesser known benefits of investing within an ISA which we explain in greater detail in this brochure.



How do **Stocks & Shares** and **Cash ISAs** compare?

	Stocks and Shares ISAs	Cash ISAs
Designed for	Longer-term investments for five years or more, letting you share in the potential growth of the stockmarkets. But please be aware the value of your investments can fall and rise so you might not get back the amount you put in	Short-term savings for less than five years, with less risk to your money. But the real-life 'spending power' of your investment may fall if the interest rate you're getting is lower than the UK's annual rate of inflation
Maximum investment	£20,000 per tax year – you can split your overall annual ISA allowance between Cash, Stocks and Shares and Innovative Finance. For a Lifetime ISA (LISA) this is restricted to £4,000 per tax year and counts towards the overall £20,000 limit	£20,000 per tax year – you can split your overall annual ISA allowance between Cash, Stocks and Shares and Innovative Finance. From April 2027, the Cash ISA limit for under 65s will be £12,000 per tax year. Those over 65 will not be affected. For a Lifetime ISA (LISA) this is restricted to £4,000 per tax year and counts towards the overall £20,000 limit
Investment options	You can choose from a wide range of investments including funds, trusts, bonds and individual shares	With a Cash ISA there's no choice of investments – you'll simply get interest on your savings at a fixed or variable rate
Risks and returns	Depending on the performance, the value of your investments can fall and rise so you might not get back the amount you put in	A Cash ISA offers less risk to your money, with interest added every year, or sometimes more frequently
Taking your money out	Depending on which provider you choose, you can normally withdraw cash from your account within eight to ten days. Any money you take from your ISA will reduce the value of your investment	Variable interest accounts can offer instant access. But with fixed term accounts, you could lose interest if you withdraw cash early. Any money you take from your ISA will reduce the value of your investment

Both cash ISAs and stocks and shares ISAs have their merits. The decision as to which your adviser will recommend often boils down to how much money you need to meet your everyday expenses (with a pot put by for any unexpected needs), your attitude to risk and the amount of time you want to put your money away.

Cash ISAs:

If you're only looking to save for a short period of time (one to five years), your adviser might recommend a cash ISA as the way to go. Likewise, if you want to know for sure how much interest you will earn over a particular period, a fixed-rate cash ISA could be an option too.

Stocks and shares ISAs:

If you're able to invest your money over the long term, your adviser may suggest a stocks and shares ISA, where your savings have the potential to achieve greater returns than cash over a longer period of time – depending on what you invest in. But there's also the risk that the value of your investments could go down as well as up and you could lose money.

Can I invest in both?

That's a viable option too. Your adviser may recommend a 'mix and match' approach, to diversify your money by spreading your allowance between both a cash and a stocks and shares ISA. So it makes sense to speak to them about all the options available to you.

As we've mentioned in the table above, there are also other types of ISAs available, like Junior ISAs (cash or stocks and shares) Lifetime ISAs (LISA) and Innovative Finance ISAs which your financial adviser will be able to explain more about.



The key benefits of ISA investing – a recap

1 Pay no income tax

When you invest through an ISA, your money's protected from the taxman, so you don't have to pay personal income tax on any interest or dividends you receive from your investments. But tax rules can change and the impact of taxation depends on your circumstances and where you live.

2 Protect your profits from Capital Gains Tax (CGT)

When your investments are held in ISAs, you don't have to pay any CGT on their growth.

3 Save time on your tax return

You don't have to declare any investments held in ISAs on your tax return. This may not seem like much, but if you have to file an annual Self-Assessment tax return, you'll know that any way of simplifying your financial administration can be very helpful.

4 Freedom to transfer

If you feel like your existing ISA provider is no longer right for your needs or you are looking to bring your investments together under one roof, with an ISA you're free to transfer your investment between providers to suit your individual needs. For more information about transferring ISAs and the things you need to consider just reach out to your financial adviser.

Please note, your current provider may apply a charge when you transfer your investment. Whilst your investment is being transferred it will be out of the market for a short period of time and will not lose or gain in value.

5 Potential benefits for those saving for or currently in retirement

ISAs can offer a degree of flexibility in retirement, and could have a place alongside your pension, as with ISAs, you can take as much money out as you like, whenever you want. Savings in an ISA and withdrawals from an ISA are free from personal taxation. But remember, any money you take from your ISA will reduce the value of your investment, so it makes sense to speak with a financial adviser who will understand your individual situation.

What if you've used up your annual ISA allowance?

If you've already used up your ISA allowance for this tax year, remember that your partner or any children you have over 18 years of age can open an ISA too. Allowance is only limited to one per person each tax year, not one per household.

If you'd like to know more about investing outside of an ISA your financial adviser will be able to let you know more about your options and recommend the right path for you.

Learn more about how ISAs work

If you'd like to brush up on your ISA knowledge, [MoneyHelper](#), is a great place to start. You'll find useful guides on the different types available and what they mean for your money. There's also a range of bite-sized resources and tools designed to help you get to grips with other financial topics.



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