



# INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

*Your guide to investing and saving your wealth using ISAs.*

 Integrity  
365

# LET'S START WITH THE BASICS



ISAs are one of the most popular methods for saving in the UK, and are a great way to invest and save your wealth in a tax free environment.

### What is an ISA?

The term 'ISA' is an acronym for an Individual Savings Account. You can save up to the annual allowance each year and will not pay tax on interest of the cash in an ISA, or on income or capital gains tax from investments in an ISA.

ISAs can be a great tool as part of your wider financial plan, allowing you to save and invest your wealth in this tax-free environment.

Throughout this guide we will explain the key features of an ISA, and the different options you can choose from. If you have any questions following this or would like to speak to an Independent Financial Adviser, please do not hesitate to use our contact details at the end of this document.

A close-up photograph of water being poured from a metal spout into a clear glass jar. The water is captured in mid-pour, creating a dynamic, splashing effect. The background is a soft, out-of-focus light blue. A dark purple horizontal band is overlaid on the top portion of the image, containing the title text.

# UNDERSTANDING YOUR ALLOWANCES

## Before looking at your ISA options, it is important to note the annual allowances which limit how much you can save into these savings accounts each year.

Each tax year - from 6th April when the tax year begins to the following 5th April - you can save up to the annual allowance into your ISA(s). As it stands, the ISA allowance for the 2024/25 tax year remains at £20,000. This includes:

- Cash ISAs
- Stocks and Shares ISAs
- Lifetime ISAs (£4,000 maximum - see p14)
- Innovative Finance ISAs
- British ISA - launch date TBC

The annual allowance differs for Junior ISAs however, which is currently £9,000 for the 2024/25 tax year. This includes Junior Cash ISAs and Stocks and Shares Junior ISAs.

The annual allowance accounts for your overall savings each year into any of your ISAs. Whether you split this

between multiple accounts or only save into one per tax year, your total annual allowance remains the same.

Please note that these figures apply to 2024/25 tax year and allowances may change in future.

### Top Ups

You can top up your ISA throughout the financial year as long as you do not go over the annual allowance. Your Integrity365 adviser can help you do so, however it is wise to plan well ahead of the end of tax year to ensure there is still time to make the most of your allowances.

You can also make these contributions yourself directly through online banking or by making a payment using the details provided by your financial adviser.

# THE FUNDAMENTALS OF ISAs

## Who is eligible for an ISA?

As there are a variety of different types of ISAs, each have their own eligibility criteria.

Since April 2024, the minimum age for opening a Cash ISA has been harmonised to age 18. It is no longer possible for 16 and 17-year-olds to open a Cash ISA. As with Stocks and Shares or Innovative Finance ISAs, you must be over 18, and for a Lifetime ISA you must be aged 18 to 39. For each of these, you must also be either a UK resident, a Crown servant, or a spouse/civil partner of a Crown servant if you do not live in the UK.

However, a Junior ISA can also be opened for children living in the UK aged under 18, or those outside of the UK can open one if, again, you are a Crown servant and they depend on your care. Only a parent or parental guardian can open a Junior ISA for under 16s.

## How many ISAs can you have?

You can have as many ISAs as you like. As of 6th April 2024, customers can open and pay into multiple ISAs of the same type each tax year. This is a change from previous years where you could only pay into one of each type per tax year.

However, Junior ISAs are different in which you can only have one of each type i.e. one Junior Cash ISA and one Junior Stocks and Shares ISA.

## Can I transfer my ISA?

After opening an ISA, it is possible to transfer this between providers or to a different type of ISA at a later date if you wish to or should your circumstances change.

# Did you know that UK taxpayers pay billions of pounds in unnecessary tax each year, which could be minimised with the use of an Individual Savings Account?

Transferring an ISA does not count toward your ISA allowance (although if transferring to a Lifetime ISA it may count towards your Lifetime ISA allowance).

You can also move between types of ISA, for example if you would like to transfer your Cash ISA to a Stocks and Shares ISA or vice versa. This can be done as often or as many times as you wish.

*Please note that if you transfer a fixed rate Cash ISA before the fixed term ends, you may have to pay a penalty.*

How does this affect your allowances?

The example below shows how someone might save into various accounts each tax year. As you will see, the total amount saved goes above the annual allowance threshold, but remember that Junior ISAs are not included in the £20,000 cap, and have their own allowance of £9,000.

Account	Savings made in 2023/24
Cash ISA	£6,000
Lifetime ISA	£4,000
Child's Junior ISA	£9,000
Stocks and Shares ISA	£5,000
<b>Total Amount Saved</b>	<b>£24,000</b>
<b>Annual Allowance Remaining</b>	<b>£5,000</b>

# TYPES OF ISAs:

## CASH ISAs





One of the simplest and most popular types of ISAs, Cash ISAs, offer a safe, tax-free way to save your money where you can keep all of the interest you earn on top.

## Cash ISAs

Cash ISAs - a popular choice - allow you to save your cash in a bank account without paying income tax on the interest you earn. They do not have any element of investment risk but do carry an inflationary risk that may erode the real value of your money if the rate of interest is below the prevailing rate of inflation.

You can invest into fixed rate products, which offer a guaranteed interest rate for the duration of the product. Typically, you can only access your money when the fixed rate period ends, but if you do access the cash before this period it can affect the interest on your investment.

Fixed rate products will normally pay a higher rate than variable interest options, meaning the longer you

remain invested, the better the rate you will receive. However, it is important to shop around to see what other interest rates are on offer before you commit to an investment.

Flexible cash ISAs enable you to withdraw money and replace it in the same tax year without using up more of your annual ISA allowance.

Cash ISAs can be perfect for keeping excess cash to help cover emergencies and any known future expenses you may have in the short term. For example, the funding of home improvements, or a new car.

# TYPES OF ISAs: BRITISH ISAs



Those who utilise their full ISA allowance of £20,000 each tax year may be interested to hear of a new type of ISA being introduced which offers an additional allowance and opportunity to grow your wealth.

### What is a British ISA?

In the 2024 Spring Budget, a new type of ISA was announced; the British ISA which offers tax-free investment into UK shares.

British ISAs are not planned to form part of the current £20,000 annual ISA allowance. Instead, the British ISA is planned to have a new allowance on top of this of £5,000.

### When will British ISAs be available?

Although the launch date is yet to be announced, some experts have predicted that these could be available as early as April 2025. However, these will not be rolled out for use within the 2024/25 tax year.

A consultation process on the specifics of how it is to be implemented is going to run until 6th June 2024. The Government is inviting responses to the consultation until that point, so savers will not see any action on the British ISA until after that point.

# TYPES OF ISAs: STOCKS AND SHARES ISAs



## For investors looking for a mid to long term saving solution, Stocks and Shares ISAs offer the opportunity to potentially earn a greater return than with a Cash ISA.

There are ways in which you can use ISAs to not only save, but also to grow your money.

Stocks and Shares ISAs are generally best for investors with an investment time horizon of at least five years. This is because there is a longer period in which the investment can outperform cash-based returns. However, this will depend on your goals and objectives.

Like Cash ISAs, with Stocks and Shares ISAs you can withdraw your monies whenever you need to – but remember investing should always be considered for the longer term. However, your investments would need to be sold first, meaning your money might not be available for a few days due to administrative actions.

In a Stocks and Shares ISA, you can usually invest in funds, shares, investment trusts, exchange-traded funds, gilts, and corporate bonds, as well as being able to hold cash.

Some Stocks and Shares ISA providers may offer ready made portfolios to help meet your risk profile, however it would also be a good idea to consult an Independent Financial Adviser to ensure that your investments are best suited to your greater financial goals and individual circumstances.

It is important to note that, as with all investments, these can go down in value as well as up. This means you could stand to lose money on your investment.

# TYPES OF ISAs:

## JUNIOR ISAs



Children are taxed the same as adults. If gifts from an individual parent or legal guardian generate income for the child that exceeds £100, the income will be assessed on the adult\*.

If you are thinking about saving or investing for your child's future, a Junior ISA will enable you to invest for a child under the age of 18. It also enables anyone to add money into your child's Junior ISA, which can be in the format of either a Junior Cash ISA, or a Junior Stocks and Shares ISA.

Any parent or legal guardian can open a Junior ISA for a child under 18 years old. Anyone is able to contribute to your child's Junior ISA – for example, grandparents, friends and relatives.

A Junior ISA accepts the transfers in of a Child Trust Fund (CTF) - a tax-free savings account that pre-dated the arrival of Junior ISAs. If you had a CTF then you

cannot open a Junior ISA unless the CTF funds are transferred into the Junior ISA at the outset.

Only the child can withdraw the money from the investment once they have reached the age of 18. Should the funds remain invested, the Junior ISA will turn into a regular ISA which they can elect to continue to save and invest should they wish to.

*\* This rule does not apply to money held in a JISA that was given by the parent or legal guardian.*

# TYPES OF ISAs: LIFETIME ISAs





## There are ISAs available that the government will contribute into, allowing you to further grow your investment. These include Lifetime ISAs, which can be saved into until your 50th birthday.

Lifetime ISAs were created to give you a boost towards buying your first property, and can be opened by adults between the ages of 18 and 39 years old.

You can hold cash in a Lifetime ISA, or choose to invest it, just as you would in a Stocks and Shares ISA. This also means that Lifetime ISAs also hold the risk of potentially losing money as well as growing it.

Should you already have a Lifetime ISA, you can continue to contribute up to £4,000 a year until your 50th birthday, and the government will then add an extra 25% (up to £1,000) a year on top of your contributions.

All funds within your Lifetime ISA are free of UK tax, making it a great bonus for your savings. However,

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 are 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 for income in later life.

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

# TYPES OF ISAs: INNOVATIVE FINANCE ISAs



Another solution that would allow you the opportunity to potentially generate a higher return on your investment through an ISA is an Innovative Finance ISA. However, these also come with their own risks.

An Innovative Finance ISA (IFISA) is for peer-to-peer (P2P) lending. This is a specialist area where investors should seek the advice of an Independent Financial Adviser with the relevant experience in these areas, due to the complexities involved.

P2P lending is a form of investing where you lend money directly to borrowers and businesses by using an online portal for the exchange of cash. The borrowers then pay back the amount lent, along with added interest on top. This is your return for lending the money and is tax-free.

However, this type of investing is riskier than the likes of a Cash ISA, as they also do not carry the financial protection of the Financial Services Compensation Scheme (FSCS).

With an Innovative Finance ISA, your ISA account contains P2P loans. With a Cash ISA it contains cash, and with a Stocks and Shares ISA it contains stocks and shares. You are allowed to pay your full ISA allowance into your Innovative Finance ISA if you choose to do so, however, be mindful that withdrawals can be slow and that you may have to wait some time until you can access your money.

The range of investments is now expanded, with long-term asset funds and open-ended property funds with extended notice periods allowed inside Innovative Finance ISAs as of April 2024.

# TYPES OF ISAs: HELP TO BUY ISAs



## Help to Buy ISAs were introduced in December 2015 by the UK government to help first time buyers save for a mortgage deposit on their first home, where they offer an additional contribution.

On 30 November 2019 Help to Buy ISAs closed to new account applications. However, if you have already opened a Help to Buy ISA you can keep saving into your account until November 2029, with a further 12 months to claim your government bonus towards your first home.

A Help to Buy ISA is a government scheme designed to help you save for a mortgage deposit to buy a home, in which you can save up to £200 per month. To qualify, you must be a first-time buyer (i.e. not own a property anywhere in the world), need to live in the UK and be aged 16 or over.

The government will top up any contributions you make by 25%, up to the limit of £12,000. For example, for every £200 you save, the government will contribute £50. This means you can earn a maximum of £3,000 from the government if you save the full £12,000.

The minimum amount you need to save to qualify for a government bonus is £1,600 (which gives you a £400 bonus). Both your initial deposit and monthly payments qualify for the 25% boost from the government.

Help to Buy ISAs were available to each first-time buyer, not each home. Therefore, if you are buying a property with your partner and each of you have a Help to Buy ISA in your name, then you will be able to get up to £6,000 towards your deposit.

This can be used to purchase any home worth up to £250,000 (or up to £450,000 in London), and with any mortgage (you are not restricted to a Help to Buy mortgage). However, you are unable to use a Help to Buy ISA if you then intend on renting out the property.

# WHAT HAPPENS TO MY ISA WHEN I DIE?

## Cash and Stocks & Shares ISAs

Upon the event of your death, the money and investments you hold in your Cash or Stocks and Shares ISAs will be passed on to your nominated beneficiaries. It is worth noting that, until either one of the following occur, your ISA will still retain its tax benefits:

- The administration of your estate is completed.
- The ISA is closed by your beneficiary.

If neither of these events occur, your ISA will be closed three years following the date of your death.

You can nominate a person of your choosing to inherit your ISA within your will. A spouse or civil partner can inherit the tax-free status of your ISA as a one-off boost to their own allowance, meaning you can pass on not

just the wealth within your ISA to them, but also the tax advantages.

This inherited allowance is equal to the value of your ISA at the date of your death, or when it is closed (whichever value is higher).

For example:

If you have an ISA worth £50,000, when you die your spouse or civil partner will receive an additional one-off ISA allowance of £50,000, on top of their standard ISA allowance of £20,000. This is known as an Additional Permitted Subscription.

As part of a robust financial plan, it is wise to not only think about how your assets within your estate can provide for you and your family when you are alive, but also what happens to these upon your death.

### Lifetime ISAs

If you die with a Lifetime ISA, this can remain open as a continuing account. A government bonus can be accrued on payments made into the Lifetime ISA on or prior to the date of death, however this can only be transferred into the investor's estate on the closing of the Lifetime ISA.

### Junior ISAs

Whoever is set to inherit a child's estate in the event of their death will receive the savings contained within their Junior ISA if this occurs. This typically tends to be their parents, however if they were over the age of 16 and married or in a civil partnership, it could also be their spouse or partner.

### Innovative Finance ISAs

When it comes to your Innovative Finance ISA, all assets will be transferred into your Client Account following the event of your death. It is important to note that the tax benefits of your Innovative Finance ISA will then stop, as future interest payments will not be tax exempt.

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*Please remember that tax rules can change in the future, and how you are taxed will depend on your personal circumstances.*

# MAKING THE NEXT MOVE





Everyone has their own unique circumstances and set of financial goals, and so we believe in providing you with a personalised financial plan that reflects this.

### Our Aim

The core objective of the team at Integrity365 is to help you meet your financial objectives. We also want you to sleep well at night, knowing that we are reviewing and monitoring your plan and constituent investments on an ongoing basis and making any necessary changes should the need arise.

If you would like more information please do not hesitate to contact us using the details on this page.

### Get in touch:

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Please note: this guide was updated in April 2024 and all information is correct as at this date.

This document is intended for information purposes only and in no circumstances should be taken as advice. If you do require personal financial advice please contact your financial adviser.

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