

DSL

DAVID S LOWE FINANCIAL
MANAGEMENT

ISA Guide 2010/11



*Each year you have the option of how
you would like to invest your ISA allowance*

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Welcome

Welcome to our Individual Savings Account Guide 2010/11. An Individual Savings Account (ISA) is not an investment itself. It is a wrapper surrounding your fund choice(s) that makes them more tax-efficient.

When you make an investment in an ISA you pay no income or capital gains tax (CGT) on the returns you receive, no matter how much your investment grows or how much you take out over the years. You don't even have to mention your ISA on your tax return.

An ISA is an ideal way to make the most of your tax-efficient savings limit and save for the future. The value of tax savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future.

“ An ISA is an ideal way to make the most of your tax-efficient savings limit and save for the future ”

ISAs are very flexible, and can be suitable for any long-term savings need. They have no fixed investment term, though we believe that you should only consider investment in equities over a period of five years or more.

Each year you have the option to select how you would like to invest your ISA allowance, either in cash or stocks and shares, or a combination of both. There are rules concerning how much and where you can invest.

AM I ELIGIBLE TO SAVE OR INVEST IN AN ISA?

To pay into an ISA you must be:

- A UK resident
- A Crown employee (such as diplomat)
- A member of the armed forces (who is working overseas but paid by the government), including husbands, wives or civil partners¹
- Aged over 16 years for the cash component, and over 18 years for stocks and shares
- An ISA must be in your name alone; you can't have a joint ISA

WHAT CAN I SAVE OR INVEST IN AN ISA?

ISAs can be used to:

- save cash in an ISA and the interest will be tax-free
- invest in shares or funds in an ISA – any capital growth will be tax-free and there is no further tax to pay on any dividends you receive

You can invest in two separate ISAs in any one tax year: a cash ISA and a stocks and shares ISA. This can be with the same or different providers. By using a stocks and shares ISA you invest in longer-term investments such as individual shares or bonds, or pooled investments (such as open-ended investment funds, life assurance investments or investment trusts).

HOW MUCH CAN I SAVE OR INVEST IN AN ISA?

As of 6th April 2010 you can invest a total of £10,200 each tax year into an ISA if you are a UK resident aged 18 or over.

There are two types of ISA – a cash ISA and a stocks and shares ISA.

You can save up to £5,100 in to a cash ISA each tax year.

Or, you can invest up to £10,200 in to a stocks and shares ISA each tax year.

The overall limit is £10,200 and as long as this is not exceeded you could open a cash ISA and stocks and shares ISA in the same tax year, keeping within the limits detailed above.

“ Make sure your ISA is part of your tax-efficient wealth creation portfolio ”

So for example, you could invest £4,000 in a cash ISA and £6,200 in a stocks and shares ISA.

All PEPs are now stocks and shares ISAs.

All Mini cash ISAs, TESSA-only ISAs, and the cash component of stocks and shares ISAs from before April 2008 have become cash ISAs.

ISAs can only be held individually and cannot be held as a joint account, and account holders must be 18 or over (16 or over if you are only investing in a Cash ISA), and a UK resident.



DO I HAVE TO PAY TAX ON MY ISA?

All ISAs are tax-efficient investments with no income tax on any income taken from the ISA. There is no CGT on any gains within an ISA. Interest paid on uninvested cash within the stocks and shares ISA is subject to a 20 per cent HM Revenue & Customs flat rate charge. Interest received in a cash ISA is tax-free. Dividends from equities are paid with a 10 per cent tax credit which cannot be reclaimed in an ISA but there is no additional tax to pay.

CAN I RECEIVE A TAX-EFFICIENT INCOME FROM MY ISA?

If you hold bond funds in your ISA the income generated would be free of income tax. This could be a real benefit if you need to take an income from your investments, perhaps as you near retirement.

Even if you don't want to invest in bonds at the moment, you may want to move money from equity funds into bonds in the future, perhaps when you need to take an income from your investments or if you want to reduce the level of risk in your portfolio as you near retirement.

DO I HAVE TO MENTION MY ISAS ON MY TAX RETURN?

You don't have to tell the taxman about income and capital gains from ISA savings and investments, this makes completing your tax return much simpler.

CAN I TRANSFER MY EXISTING ISA?

If you have money saved from a previous tax year, you can transfer some or all of the money from your existing cash ISA to a stocks and shares ISA without this affecting your annual ISA investment allowance. However, once you have

transferred your cash ISA to a stocks and shares ISA it is not possible to transfer it back into cash.

ISAs must always be transferred, you can't close the old one and start a new one, otherwise you will lose the tax advantage. If appropriate, you may wish to consider switching an existing stocks and shares ISA if you feel the returns are not competitive. But if you have a fixed-rate ISA, you should check whether you may have to pay a penalty when transferring.

IF YOU HAVE SOME MONEY TO SAVE OR INVEST AND WANT SOME SUGGESTIONS ABOUT SUITABLE ISAS, OR PERHAPS YOU WANT TO KNOW MORE ABOUT THE INCREASED ISA LIMITS, OR MAYBE YOU ARE INTERESTED IN TRANSFERRING YOUR EXISTING ISAS TO A NEW PROVIDER – PLEASE CONTACT US FOR FURTHER INFORMATION.

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