FINANCIAL GUIDE

A GUIDE TO

INDIVIDUAL SAVINGS ACCOUNTS

Making the right moves to build tax-efficient wealth for your financial personality

Time is running out

Have you fully used your 2012/13 ISA allowance?

DID YOU KNOW?

The HM Revenue & Customs gets an extra £500 million in tax as a result of people not making full use of their Cash ISA allowance.

Source: Nationwide research, 2012

In times like these, every penny counts. Interest rates are at historic lows and rising inflation can erode our buying power. But one way to mitigate these effects is to shield savings from tax by investing through an Individual Savings Account (ISA).

Our ISA guide provides concise information on how they work, what to look for and how to make the most of your ISA allowance.

A flexible 'wrapper'

An ISA is not itself an investment – it's a flexible 'wrapper' under which a wide range of investments can be made, and the proceeds free of capital gains or income tax. You can choose from two types of ISA – Stocks & Shares ISAs (shares, bonds or funds based on shares or bonds) and Cash ISAs. Stocks & Shares ISAs are also known as Equity ISAs.

Your questions answered

The 5 April ISA deadline is fast approaching and, if you don't invest by then, you will lose your 2012/13 tax year ISA allowance forever.

Here are answers to some of the most common questions we get asked about ISAs.

Q. What is an ISA?
A. ISAs were introduced on 6 April 1999 by the government to replace Personal Equity Plans (PEPs) and Tax Exempt Special Savings Accounts (TESSAs). With an ISA you are entitled to keep all that you receive from that investment and not pay any tax on it. You can save up to £11,280 in the current 2012/13 tax year. A tax year runs from 6 April to 5 April in the following year. The ISA scheme provides different ways of saving to meet people's different needs. You can plan for the short term or put your money away for much longer.

Q. What are the different types of ISA?
A. There are two types of ISA: Cash ISAs and Stocks & Shares ISAs. In each tax year you can put money, up to certain limits, into one of each. Cash ISAs may be suitable for short-term savings, so that you can get at your money easily.

Stocks & Shares ISAs may be appropriate if you can afford to leave your money untouched for longer than, say, five years.

Q. Can I have an ISA?
A. You have to be aged 16 or over to open a Cash ISA, or 18 or over to open a Stocks & Shares ISA. You also have to be resident and ordinarily resident in the UK for tax purposes, or a Crown employee, such as a diplomat or a member of the armed forces, who is working overseas and paid by the government. The spouse, or civil partner, of one of these people can also open an ISA. You cannot hold an ISA jointly with, or on behalf of, anyone else.

Q. How many ISAs can I have?
A. There is a limit to the number of ISA accounts you can subscribe to each tax year. You can only put money into one Cash ISA and one Stocks & Shares ISA.

But, in different years, you could choose to save with different managers. There are no limits on the number of different ISAs you can hold over time.

Q. How much can I put into ISAs?
A. In the tax year 2012/13, which ends on 5 April 2013, you can put in up to £11,280 into ISAs. Subject to this overall limit, you can put up to £5,640 into a Cash ISA and the remainder of the £11,280 into a Stocks & Shares ISA with either the same or another provider.

So, for example, you could put:

- £5,640 into a Cash ISA and £5,640 into a Stocks & Shares ISA; or
- £3,000 into a Cash ISA and £8,280 into a Stocks & Shares ISA; or
- nothing into a Cash ISA and £11,280 into a Stocks & Shares ISA

Q. What are the tax benefits of an ISA?
A. ISAs provide a tax-efficient 'shelter' in which you can place a set amount of money each year. You pay no tax on any of the income you receive from your ISA savings and investments. This includes dividends, interest and bonuses. UK dividend income has been taxed at source at the rate of 10 per cent and this cannot be reclaimed by anyone. You also pay no tax on capital gains arising on your ISA investments (losses on ISA investments cannot be allowed for Capital Gains Tax purposes against capital gains outside your ISA). You can take your money out at any time without losing tax relief. You do not have to declare income and capital gains from ISA savings and investments or even tell your tax office that you have an ISA.

Q: Can I transfer an ISA?
A: You can transfer ISAs from one manager to another whenever they want. You could transfer:

- your current year ISA subscriptions (and any related income) and/or
- all or part of your previous years ISA subscriptions (and any related income)

If the ISA contains current year subscriptions only the entire account must be transferred. Subscriptions to a Stocks &

Shares ISA can only be transferred to another Stocks & Shares ISA. However, subscriptions to a Cash ISA can be transferred to another Cash ISA, or to a Stocks & Shares ISA.

Where current year subscriptions are being transferred from a Cash ISA to a Stocks & Shares ISA, the current year subscriptions are treated for all ISA purposes as if they had been made to the Stocks & Shares ISA. This means that you are regarded as never having subscribed to the Cash ISA. Within the overall subscription limit, therefore you may subscribe to a Cash ISA later in the current year (with the same or a different manager) without breaching the one-ISA-of-each-type-a-tax-year rule.

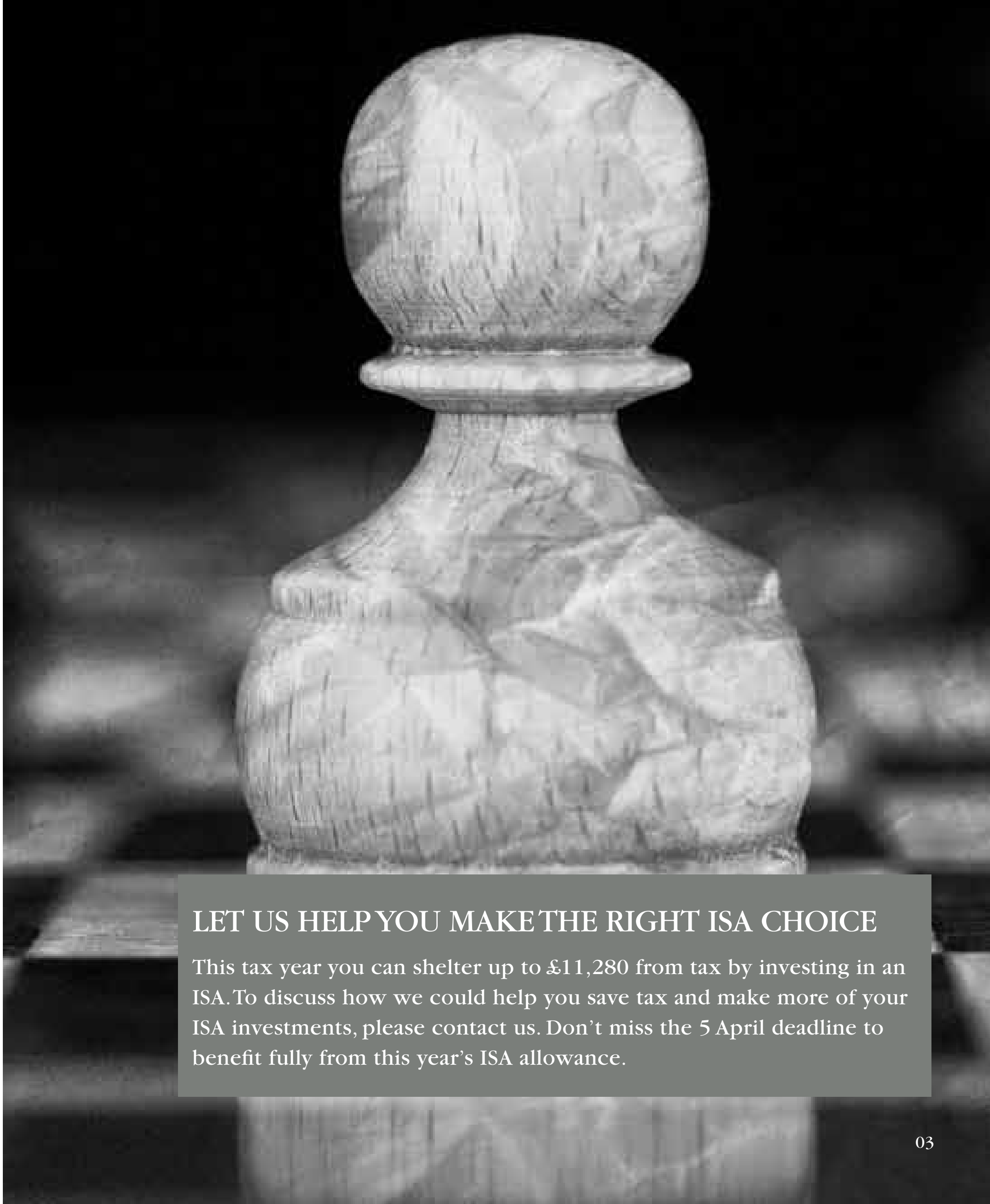
Q. Can I put money into an ISA for my child?
A. Junior ISAs are a popular way for family and friends to build up tax-efficient savings and investments to help with the cost of university, provide a deposit for a house or simply give children a start in life. Any child resident in the UK qualifies who wasn't eligible for a Child Trust Fund (CTF):

- Children born on or after 3 January 2011
- Children (aged under 18) born on or before 31 August 2002
- Children born on or between 1 September 2002 and 2 January 2011 who didn't qualify for a Child Trust Fund. Most children born between these dates did qualify for a CTF

The current maximum allowance per child per tax year is £3,600 and this will increase to £3,720 for the 2013/14 tax year. The account is held in the child's name and a parent or guardian can open and manage the child's account. Once a parent or guardian opens the account for their child, anyone, friend or family, is able to make a contribution up to the annual limit. No withdrawals are permitted until the child reaches the age of 18, at which point their account is automatically converted into an 'adult' ISA giving them full access to their investments and savings. ■

WAYS YOU COULD USE YOUR ISA ALLOWANCE

You can invest in	Current ISA limit	Circumstances
Junior ISA	up to £3,600 each tax year	You can invest any amount into either a Cash ISA or a Stocks & Shares ISA up to the Junior ISA limit.
Cash ISA	up to £5,640 each tax year	You can only invest half of your ISA allowance in a Cash ISA.
Cash ISA and Stocks & Shares ISAs	up to £11,280 each tax year	You can save up to £5,640 in a Cash ISA and the balance in a Stocks & Shares ISA.
Stocks & Shares ISAs	up to £11,280 each tax year	You can invest all of your ISA allowance in a Stocks & Shares ISA.



LET US HELP YOU MAKE THE RIGHT ISA CHOICE

This tax year you can shelter up to £11,280 from tax by investing in an ISA. To discuss how we could help you save tax and make more of your ISA investments, please contact us. Don't miss the 5 April deadline to benefit fully from this year's ISA allowance.

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Contact us today.

UK dividends and distributions carry a 10 per cent notional tax credit which cannot be reclaimed, whatever your personal tax status. Past performance is not necessarily a guide to the future. The value of investments and the income from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions are subject to statutory change and the value of tax relief (if any) will depend upon your individual circumstances.

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