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ARE ISA'S THE ANSWER?

There are now very few tax breaks for savers; however ISA's are one product that based on current government policy, should be around for the long term. A Cash ISA is a good way of keeping interest on savings free from tax. This money could be earmarked for a car, holidays, or simply an emergency fund. I consider Cash ISA's as short term funds.

If you have already accrued sufficient cash, a consideration could be an investment linked ISA. Although there will always be some level of risk attaching to the investment ISA, it's benefits are its long term growth potential and its tax efficiency. The growth and income accrue tax free and they can be an extremely efficient part of your retirement planning.

In the current tax year, the ISA contribution limit is £15,240 and will increase to £20,000 from April 2017. If you do not utilise the annual allowance, then it is lost

ISA's enable an investor to build up a relatively large sum over a period of time. Other investments that are taxable can be utilised annually and moved to the same or revised funds within the ISA "wrapper". Over time an investor could hold a significant part of their investments within the ISA environment, with the obvious and significant tax advantages. Furthermore legislation now allows ISA's to be transferred between spouses on death; therefore your ISA can be passed on.

ISA's can also be transferred from one provider to another provide without losing the tax benefits. This means you are able to move between providers and access funds from the whole of the market. As investors will know it is important to be able to make changes for various reasons including changes in personal circumstances.

In the current low interest rate environment clients often query whether it still is a good idea to save in Cash ISA's. The answer is that all clients should maintain a cash reserve sufficient for their circumstances and Cash ISA's are an obvious choice. However for longer term savings you may wish to consider an alternative approach such as an investment linked ISA. It is important to understand the level of risk involved with the underlying funds as they have can range from quite low risk to very speculative. I would always suggest discussing your position within an independent adviser who will guide you and explain the benefits and risks involved before tailoring the ISA to your requirements.

Please contact us if you would like to discuss your personal situation.