

A guide to ISAs



What is an ISA?

An Individual Savings Account (ISA) is a Government savings scheme that allows you to save tax free. The Government set a limit of how much you can save in an ISA each tax year. The ISA allowance for the current tax year is £20,000.

Types of ISAs

There are several types of ISAs which are detailed below.

Cash ISA:

An account that allows anyone aged 18 or over to save up to the annual adult ISA allowance without paying tax. You'll find that many organisations have varying withdrawal restrictions linked to their Cash ISAs. Here at the Tipton, our Branch ISA allows you to withdraw money whenever you need to.

Pros:

- Earn interest tax-free on your savings.
- Many providers will offer different types of Cash ISAs, making it easier to find an account to suit your needs best.

Cons:

- The Government will limit the amount you can save in these types of accounts each tax year.
- If you do not use your full allowance in one tax year, you cannot carry it over.

Help to Buy: ISA:

An ISA designed to help first time buyers save to move into their first home. When you close your account to buy your first home, the Government will give you a 25% boost on your savings. This scheme was withdrawn on 30 November 2019.

Pros:

- Earn a Government bonus towards buying your first home.
- Earn tax-free interest on your savings.

Cons:

- Restrictions apply on property prices, etc. to qualify for the bonus.
- Limited on the amount you can save in this account each month.

Stocks and Shares ISA:

These ISAs are designed for savers who are looking to invest over a longer period of time and prepared to accept the risks of investing in the stock market. Through our partnership with Wren Sterling, we can arrange for you to speak with a Wren Sterling Financial Adviser who can offer advice on investing in Stocks and Shares ISAs. To speak with an adviser simply complete our online contact form: www.thetipton.co.uk/contact-us, or call one of our branch offices to make an appointment.

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Pros:

- There is potential to earn considerably more than you would in a Cash ISA.
- Ability to invest, where you prefer.

Cons:

- Return on stocks and shares are not guaranteed.

Please note, we do not currently offer stocks and shares ISAs at the Tipton.

Junior ISAs

Also known as JISAs, Junior ISAs are children's savings account, set up by a parent or guardian, specifically for when the child gets older. The child named on the account can only access the money once they reach 18 years old. However, the money in the account is always technically owned by the child, and while they cannot withdraw the money until their 18th birthday, they will be able to start managing the account when they turn 16.

Pros:

- There is no tax payable on Junior ISAs.
- Getting your children into saving from a young age can benefit their money skills in their adult life.
- Savings over a long period of time, while your children are young will be easier than trying to find a lump sum when they are older (if you are hoping to support them financially in their early adult lives.)

Cons:

- The maximum amount they can save per tax year is limited by the Government.
- While you may be saving for a set thing, for example money to support them through their higher education, or a house deposit, once they reach 18, they will be able to withdraw the money and spend it on whatever they want.

Please note, we do not currently offer Junior ISAs at the Tipton.

Innovative Finance ISAs

Innovative Finance ISAs are a more complicated type of ISA. They allow you to use your tax-free ISA allowance, while investing in Peer to Peer (P2P) loans, crowdfunding debentures or cash.

Pros:

- Earn tax-free, up to Government's set ISA limit.
- Be in control over how you invest your savings.

Cons:

- With lending money, there is always the risk that the borrower will default on their repayments, leaving you out of pocket.
- You will still have to stay within the ISA limit set by the Government.

Please note, we do not offer Innovative Finance ISAs at the Tipton.

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Lifetime ISAs (LISA)

Lifetime ISAs were introduced to help save towards the purchase of your first home, or to save for your later years. In order to open a LISA, you must be aged between 18 – 40 years old. The amount you can save in these accounts is limited to a maximum of £4,000 per year, which will count towards your annual ISA limit (set each tax year by the Government). Each year, the Government will give you a 25% bonus on your savings, up to a maximum of £1,000 per year. Once you reach 50 years old, you will no longer be able to add to your LISA.

Withdrawal restrictions on Lifetime ISAs are very important. You can only withdraw from your LISA when you are buying your first home, are ages 60+ or are diagnosed as terminally ill (with less than 12 months to live).

Pros:

- Earn up to £1,000 per year in a Government bonus for your savings.
- Regular small sums can add up over the time you have the account, supporting your financial security in your later life, or when you come to buy your first home.

Cons:

- You are limited to a maximum of £4,000 per year in this account, which will be deducted from your overall ISA limit.
- There are strong restrictions on how you can use and access your savings.

Please note, we do not offer Lifetime ISAs at the Tipton.

Investment limits

Each tax year, the Government set a limit on the amount of money you can save in your ISA. If you do not reach this limit, the allowance will not rollover to the following tax year.

The ISA allowance for the current tax year is £20,000. HMRC allows you to subscribe to multiple ISAs of the same type, except for Lifetime ISAs and Junior ISAs in the same tax year, as long as your subscriptions remain within the overall ISA subscription limit set by HMRC. At the Tipton, we only allow you to subscribe to one account with ourselves in the same tax year.

On 6 April 2016 the Government introduced new flexible terms that allow you to pay back in to an ISA any money you may have withdrawn during the tax year without it counting towards your ISA allowance. These new flexible terms may not apply to any existing ISAs you hold with other providers. At the Tipton, flexible terms do not apply to our Cash ISAs. You should always check with your ISA provider whether flexible withdrawal terms apply before withdrawing any money.

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Transferring your ISA

We can only accept the transfer in of current years subscriptions if they are transferred to us in full, you may however transfer part of previous years subscriptions. You can transfer your ISA to us by completing the ISA Transfer In Form and posting it to us at 70 Owen Street, Tipton, DY4 8HG.

If you already have an ISA with us, you can transfer it out to another provider. If you let your new provider know, they'll manage this process with us. The process of transferring your ISA is very simple. Firstly, decide who you would like you transfer your ISA to and get in touch with them. Your new provider will ask you to complete an ISA Transfer form. Once you have returned the completed form, they will deal with the rest. It can typically take up to 15-30 days for the process to complete, depending on the type of ISA you are transferring.

Additional permitted subscriptions (APS) and continuing ISAs

Since 3 December 2014, where a person holding an ISA dies and they were married or in a civil partnership, the surviving spouse or civil partner is entitled to an extra ISA allowance known as the APS allowance.

On 6 April 2018, the APS allowance is changing. The Building Societies Association have produced a leaflet that gives you more information about APS limits and continuing ISAs.

What happens to your ISA when you die?

If you still have an ISA when you pass away, it will end when either your executor closes it, or the administration of your estate is completed. If neither of these are done, the ISA provider will close the account exactly 3 years and 1 day after you die.

While there will be no Income Tax or Capital Gains tax due, it is important to note that your ISA will form part of your estate, and therefore will be considered for Inheritance Tax purposes.

Tax Free - Interest earned on ISAs is tax free as long as the statutory conditions of the scheme are not breached. Tax treatment depends on your individual circumstances and may be subject to change in the future. Terms and conditions apply. We'll notify you if, by reason of any failure to satisfy the provisions of the ISA Regulations, an ISA has, or will, become void. Any tax due on interest paid will be debited to the account on closure. Where a break between subscriptions lasts for a whole tax year you must make a new application before you can continue subscriptions. None of the rights of the account holder in respect of the ISA may be assigned or used as security for a loan. Tax assumptions are based on current legislation. The favourable tax treatment may not be maintained as it is the Government that is responsible for the tax treatment. Cash ISAs can remain open following the death of an account holder but will be closed when the deceased's estate is finalised. An account will cease to be a Cash ISA if the account holder becomes bankrupt. Where we are instructed by the member or HM Revenue & Customs to cancel an ISA due to breaches of regulations, any interest paid will not be exempt from tax.

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