Expert investment, retirement, and financial planning advice for individuals and families all over the UK

New ISA (NISA)
Junior ISA (JISA)
Help to Buy ISA
Lifetime ISA (LISA)
Innovative Finance ISA

ISAs
YOUR CHOICES EXPLAINED

The beauty of an ISA is that it's actually quite simple, in theory. You put some money into an account and it's protected from any income or capital gains tax.

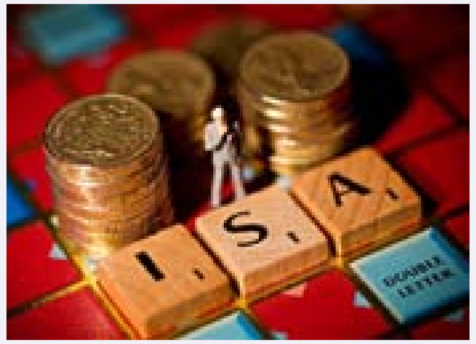
Naturally, as is the way in finance, things then start to get complicated. Since ISA were first introduced in April 1999, we've seen a few different types of ISA come and go. What we now have is a reasonable blend of ISA for young and old that still works really well if you're able to focus in on one that you think will suit you best.

New ISA (NISA)

Not many people know this as the NISA but to you and me it's called either a Cash ISA or a Stocks and Shares ISA. Technically those two ISAs don't really exist but we're so used to, and comfortable with the names (Cash ISA and Stocks and Shares ISA)that they've stuck.

The reason it's a NISA and not a Cash ISA or Stocks and Shares ISA is because the Government changed the rules in a good way, so that you can freely move money to and from Cash and Stocks and Shares, within your ISA. Previously, you could only move money from a Cash ISA to a Stocks and Shares ISA, but not the other way. So they are much more flexible now.

On the subject of flexibility; as of 6 April 2016 you can now take money out of an ISA and then put it back in before the end of the tax year without it affecting your yearly allowance.



That's also a great new move that will help people access money for short term needs without having to affect their tax free savings. The investment allowance for this 2016/17 tax year is £15,240.

So the NISA itself, is pretty simple - you can put money in to a Cash ISA usually with a Bank or Building Society, and the interest you earn will be tax free. Or, you could put money into a fund that will invest into shares and bonds, usually via an investment provider, and the income and gains will be tax free.

The main confusion tends to be that an ISA is a product that you can buy to invest money in - it's not. An ISA is an account that you can invest money into but then you can choose what to invest 'in' within that account. That makes ISAs much more flexible than most people think they are.

The full/adult ISA is only available in individual names and cannot be held jointly. You have to be at least 16 to have a Cash ISA and at least 18 to hold a Stocks and Shares ISA.

Junior ISA (JISA)

As the name suggests the JISA is just a junior version of the full ISA. So any child, from birth, can hold a Junior ISA and invest up to £4,080 in this 2016/17 tax year.

Like the adult ISA there is a Cash and Stocks and Shares option. However the rules surrounding these JISAs should be considered carefully. While the parents are responsible for managing the ISA until the child reaches age 16, any money that goes into a JISA is technically the property of the child straight away.

That means once money goes in to the account you can't take it back out. When the child reaches 18 it's their money and they can do whatever the like with it.

So as a parent or grandparent contributing to the JISA you have to be sure that you'll never need access to the money yourself, and that you're comfortable handing that money and responsibility over to the child.

Help to Buy ISA

This is another potentially good idea from the Government but it all depends on how well used and accepted it becomes over time. The theory is sound though. You can invest up to £1,200 as a lump sum and then up to £200 per month.

The Government will give you a 25% bonus which is claimed by your solicitor on your behalf when you use and close down your Help to By ISA in the process of buying your first home.

The minimum you need to have invested is £1,600, which would be boosted to £2,000. The maximum Government bonus you can claim is £3,000, i.e. by putting in £9,000 yourself.

Lifetime ISA (LISA)

The Lifetime ISA was announced in the March 2016 Budget and is seen as being the first move in trying to make Pensions more flexible. Although it's an ISA in reality it's there to rival Pensions.

The idea is that anyone aged between 18 and 40 can start a LISA and save up

Jaskarn Pawar is an Independent Financial Planner, for more information or advice on creating a financial plan, contact:

01604 211234 me@investorprofile.co.uk www.investorprofile.co.uk

to £4,000 each tax year into a LISA and the Government will top up your contribution by 25%. Assuming you started the account before you turned 40, you'll be able to continue making contributions and receiving the top ups until you reach 50.

Because of the similarity to Pensions, where you can invest, for example £4,000 into a Pension and get a tax rebate paid in immediately of £1,000, i.e. 25% of your contribution, it is a direct rival to Pensions.

However, unlike Pensions the LISA will not provide the Government top up until the end of the tax year in which your contributions are made. With Pensions, the top up is usually immediate. Also, you can invest up to 100% of your earning subject to an overall limit of £40,000 per tax year into a Pension. So the £4,000 (£5,000) limit for the LISA is comparatively low.

The LISA is progressive (in comparison to a Pension) due to the fact that you can access it early. Pensions can only be accessed after the age of 55, but the LISA can be accessed earlier. If you need to access the money to buy a home then withdrawals will be penalty free, although early withdrawals for any other reason will be charged a 5% penalty.

The LISA rules are still being worked on and are yet to be finalised, but they will be available from 6 April 2016.

Innovative Finance ISA (Peer to Peer, P2P, Lending)

As of 6 April 2016, we also have a new ISA type, the Innovative Finance ISA. This has been brought about by the growth in popularity of Peer to Peer lending. The Government has sought to make the income and gains made from this type of investment tax free.

Clearly, P2P lending is not for everyone and there are very different risks involved in investing in this type of ISA as opposed to, for example, a Cash ISA.

There has also been less 'noise' about this ISA in the press, partly perhaps because few lending companies have gained the necessary permissions to offer this ISA, and so the market for it is not as big as it could be right now. The bigger lending platforms are likely to have this in place though making it an attractive option, i.e. to invest via an ISA, if you are already investing in this area yourself.

I should say that it is not something we would necessarily recommend that you do or even consider. You should make sure you are fully aware of what is involved before investing.

If you'd like to discuss this or any other ISA mentioned in relation to your own investing plan then please feel free to book an advice session online - www.investorprofile.co.uk

Jaskarn Pawar is an Independent Financial Planner,
for more information or advice on creating a financial plan, contact:

01604 211234 me@investorprofile.co.uk www.investorprofile.co.uk