Individual Savings Accounts (ISAs)

The Individual Savings Account (ISA) was introduced from 6th April 1999 to replace Personal Equity Plans (PEPs). PEPs opened before 5th April 1999 can continue to be held free of income and capital gains tax. A 10% tax credit on dividends from UK equities applied to PEPs until 5th April 2004.

ISAs may be arranged on a lump sum or regular contribution basis and can invest in Stocks & Shares (Unit Trusts, OEICs, Investment Trusts) and/or Cash.

There are two different types of ISA: Stocks & Shares ISA and Cash ISA. This enables you to choose which type of ISA suits your financial needs. Savers can transfer some or all of the money saved in Cash ISAs to Stocks & Shares ISAs. This will not affect your annual ISA subscription allowance but please note that the rules do not allow for the transfer of cash from Stocks & Shares ISAs to Cash ISAs.

Stocks and Shares ISA	Cash ISA
❑ Maximum investment £10,680 per annum. Investors can have one ISA per year and they will be able to change managers each year.	❑ Maximum investment £5,340 per annum . Investors can have an individual ISA for each component with different ISA managers.

As with PEPs there is no personal liability to tax with ISAs and money invested in an ISA grows tax-free, as it does in a PEP. There is, however, a 20% deduction on interest from cash held in a stocks & shares ISA. The tax credit claimed back on dividend income from UK equities was reduced for ISAs and PEPs to 10% from 6th April 1999, and was abolished from April 2004. Income from ISAs does not have to be declared on your tax return.

Although the immediate value of the tax concession to ISA investors is limited, the potential saving of income and capital gains taxes in the future is likely to be substantial.

Withdrawals will be possible at any time, without loss of tax relief, but any money withdrawn cannot be resubscribed in the same tax year.

RISK WARNINGS

Past performance is no guarantee of future performance, and the value of investments can fall as well as rise.

ISAs are intended as medium/long term investments. Therefore if you withdraw from them in the early years you may not get back the full amount invested. ISAs are substantially free of income and capital gains tax subject to current legislation. The income from ISAs is not guaranteed and may fluctuate.

Please ensure that you can afford the contributions, and that you can maintain this commitment for the foreseeable future (regular contribution ISA only).

The investment company product literature contains much useful information. It outlines benefits and risks, and we recommend that you take the time to study and familiarise yourself with it. If you have any questions please let us know and we will be pleased to answer them.