

Guide to ISAs

What is an ISA?

ISA stands for Individual Savings Account.

ISAs are the Government's way of encouraging you to invest in stocks and shares by allowing tax benefits. They were introduced in 1999, effectively replacing PEPs and TESSAs.

Many people think of ISAs as investments in their own right. However, in the simplest terms, they are tax-efficient 'wrappers' which are placed around other investments to give excellent tax benefits, in addition to those potentially provided by the same investments if they were held direct.

Why should I buy an ISA?

At SFS Invest Direct we believe that tax-efficient savings such as ISAs should form the bedrock of everyone's financial plans. If you put your investment in an ISA then you won't pay any further income tax or any capital gains tax.

Another big benefit for those who don't like paperwork is that you don't need to include your ISA details on your tax return.

ISAs provide both novices and experts an easy way to invest in the stock market.

Who can invest in an ISA?

If you are an individual aged 18 or over, a UK resident and are looking for a tax-efficient home for your savings then an ISA could be right for you, as long as you haven't already used up your ISA allowance for this tax year!

When can I buy an ISA?

The Government allows each individual one ISA allowance each tax year. Each tax year ends on 5 April.

To take full advantage of your allowance, you should buy your ISA before the end of the tax year.

How much can I invest in an ISA?

An ISA saver will be able to invest in 2 separate ISAs in each tax year. From 6 April 2008, you can invest in a **Cash ISA** and a **Stocks and Shares ISA**. The maximum investment amount into both in any one year will be £7,200.

▶ Cash ISA

A maximum of £3,600 can be placed within the cash element of an ISA. The remainder of the £7,200 can be invested in a Stocks and Shares ISA, with either the same or different provider.

▶ Stocks and Shares ISA

You can only have one Stocks and Shares ISA per tax year, in which you can invest up to £7,200.

If you have a partner they can also use their personal allowance, therefore as a couple you could invest a maximum of £14,400 into ISAs.

How often can I invest in a tax year?

You can invest either a lump sum or make monthly contributions up to the ISA allowance limits within a tax year.

▶ Cash ISA

Cash ISAs cannot currently be purchased through SFS Invest Direct.

From 6 April 2008, the minimum amount that can be invested in a Cash ISA is from as little as £1 up to a maximum limit of £3,600.



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▶ Stocks and Shares ISA

The yearly limit for a Stocks and Shares ISA from 6 April 2008 is £7,200.

Through SFS Invest Direct the minimum that you can invest is a lump sum of £1,000 or a monthly minimum amount of only £50 per fund.

How long should I invest for?

Stocks and shares should be seen as medium to long-term investments. SFS Invest Direct suggests that you should always consider investing your money for at least five years, preferably longer.

Can I get at my money once I have invested?

Yes, you have access to your money whenever you want, and there are no charges for doing so. However, you will need to remember that only £7,200 can be invested per tax year regardless of how much you take out. For example, if you invest £5,000 then take out £1,000, you can only put in another £2,200.

Can I switch between funds?

Once you have bought your ISA you will have an online account. You can then go online and sell shares in one fund and use the proceeds to buy shares in another within your ISA without losing any of your tax benefits. This is called switching.

What are the charges?

There are often two types of charges which are payable when you take out an investment of this nature, an **Initial Charge** and **Annual Management Charge**. As noted previously, there is 0% initial charge when you transact via SFS Invest Direct.

Can I withdraw from my ISA?

You can make withdrawals from your ISA at any time without loss of the tax advantage. However, once you have subscribed the maximum amount to your ISA in a tax year, you cannot make any further investments until the following tax year, regardless of how much you withdraw.

Can I re-register my existing ISA?

Most ISAs can be transferred. For further information visit the 'Consolidate My Investment' area of the site.

What about the risks of investing in shares?

Stock market investments are subject to greater risk than, for example, a building society account and the initial capital and returns are not guaranteed. Consequently, if you are unhappy with the prospect of losing all or part of your capital you should not invest.

Generally, the level of investment risk and potential reward go hand in hand.

I've read the guide but I'm still unsure, can you help?

If you are at all unsure about making an ISA investment or choosing a suitable fund please contact Skipton Financial Services to see whether it is worthwhile seeing one of our whole of market financial advisers. Please call **0800 137 832**.