



ISA GUIDE



Introduced by the UK government in 1999, Individual Savings Accounts (ISAs) aim to encourage UK people to save and invest. Replacing Personal Equity Plans (PEPs) and Tax-Exempt Savings Accounts (TESSAs), ISAs are a tax-efficient way to save or invest money.

Different types of ISAs

There are 4 main types of ISAs: Investment ISAs, Cash ISAs, Innovative Finance ISAs and Lifetime ISAs. You can open one each of these in the same tax year if you're a UK tax resident, aged over 18 and haven't used your full allowance yet.

Investment ISA

Also known as a [Stocks & Shares ISA](#), an Investment ISA allows you to invest your money in assets, like shares, bonds, or property, without paying any Capital Gains Tax or Income Tax on your potential returns. An Investment ISA may be useful in helping you to fund long-term projects, like buying a new house and preparing for your later life.

Cash ISA

With a Cash ISA, you don't pay tax on the interest you earn as you save, meaning your money gets more chance to grow than it typically would in a traditional savings account. However, when inflation is higher than the interest you get, your money is losing value faster than it's growing. So, whilst a Cash ISA can be a great way to save money to cover unexpected expenses, it might not be the best option for long-term financial growth.

Innovative Finance ISA

When you hold an Innovative Finance ISA, you lend your money via online Peer-to-Peer lending platforms with approved borrowers committing to reimburse you and pay you interest on the loan. Typically, these interest rates are higher than Cash ISA interest rates but Innovative Finance ISAs are riskier since borrowers can default and fail to pay you back.

Lifetime ISA

A Lifetime ISA can hold either cash, or investments, or both. If you're under 40, the total amount you can put in a Lifetime ISA is £4,000 annually. You can keep paying into it until you're 50 and you'll receive a 25% bonus from the government on your deposits (in other words, a £1 bonus for every £4 you put in). But the rules of a Lifetime ISA are quite strict, and you can only withdraw your money to buy your first home, or after you turn 60.

Your annual ISA allowance

How much can you contribute to an ISA?

Your annual allowance is the total amount you can save or invest in an ISA during a given tax year. This limit increases from time to time, but currently, you can put up to £20,000 in your ISA (except the Lifetime ISA where you can contribute up to £4,000 each tax year). You can either put all your allowance in one ISA, or you can split it between a number of ISA accounts. For example, if your allowance is £20,000, you could put all £20,000 in an [Investment ISA](#), or save £4,000 in a Cash ISA, £10,000 in an [Investment ISA](#), £2,000 in an Innovative Finance ISA, and £4,000 in a Lifetime ISA.

How long can you use your ISA allowance for?

You have until midnight on the 5th April each year to use your annual allowance, and if you miss the deadline, you'll lose the opportunity to use whatever's left of your tax-efficient allowance. So, make sure you save or invest what you can before the new tax year starts. Also, the deadline might be closer than you think as it can take time for your money to reach your new ISA providers, so it's worth checking first.

How do ISA transfers affect your annual allowance?

Your ISA allowance isn't affected when you move your old ISAs to another provider. Let's imagine your current year's allowance is £20,000 and you've only used £5,000 so far. You can transfer as many ISAs from previous tax years (that's any ISA that you opened before the start of the

current tax year – 6th April) as you wish to have them all in one place and get your finances in shape, and you'll still be able to deposit £15,000 into your current ISAs if you have it.

However, if you're transferring an ISA opened in the current tax year (which started on 6 April), it'll count towards this year's allowance. So, if you're holding £3,000 in Investment ISA you've started this year and decide to transfer it to another provider, you'll still be able to deposit £17,000 in an ISA this tax year.

Can you withdraw from an ISA?

Yes, but if you hold an older ISA, you could be losing a portion of your allowance. For instance, if you have £2,000 in a Cash ISA and £1,000 in an Investment ISA and decide to withdraw £1,000 from your Cash ISA, you'd still have £17,000 left to use from your ISA allowance, not £18,000. However, since April 2016, some providers offer flexible ISAs that allow you to withdraw money and replace the funds without losing any of your tax-efficient allowance. For example, if you need to withdraw £500 but you put it back before the end of the tax year, it'll still have its tax wrapper intact.

Whilst withdrawing is allowed, it's not always free and some providers can have minimum tie-in periods, meaning you could lose interest payments or be charged extra fees for taking money out of your ISA, so make sure to check before you withdraw anything.



Wealthify Investment ISA

What's the difference between an Investment ISA Plan and a regular Investment Plan?

At Wealthify, you can choose between opening an Investment ISA or a regular Investment Plan and there's essentially no difference in the investments picked by our Investment Managers to create your Plan. Whatever option you go for, your money gets invested funds, which are a bit like hampers full of pre-selected investments, however they work in slightly different ways. If you start a Wealthify Investment ISA, the maximum you can invest is your annual ISA allowance (£20,000), whereas a regular Investment Plan doesn't have a limit, you can put in as much as you can afford. Another difference is that you don't pay Income Tax or Capital Gains Tax on returns with an Investment ISA but with a regular Investment Plan you might have to pay these taxes.

How to set up a Wealthify ISA

Starting a Wealthify ISA Plan is very simple and can take less than 10 minutes. All you need to do is enter your details, choose how much you want to put in your ISA, how long for, and your risk profile, from cautious to adventurous. Then, our team of experts will take care of the rest by picking the funds to include in your investment plan and managing it daily. You can even create different ISA pots within your Wealthify account to save for different things, like one to save for a house, another one to pay for your children's university, and so on. All you need to make sure is that your combined deposits don't go over your ISA allowance.

Who can have a Wealthify ISA?

If you want to open a Wealthify Investment ISA, you need to be a UK tax resident aged over 18 who hasn't already opened an Investment ISA with another provider since 6th April and still has some remaining ISA allowance. You don't need to be super wealthy to start investing with a Wealthify ISA. Indeed, you can start an ISA Plan with as little as £1 and add funds monthly or whenever you choose. Just make sure you make the most of your annual ISA allowance before the deadline passes.

Why choose a Wealthify Investment ISA?

We do the hard work for you. Everything you put in a Wealthify Investment ISA is looked after by our dedicated investment managers. Not only do they build you a plan based on your investment style, they also manage your ISA using years of experience and extensive knowledge of markets to give your money the best chance to blossom. So, you can relax and focus on the things you enjoy, knowing there's someone else taking all the investing decisions for you.

With a Wealthify ISA, you're in control. Although your investments are managed for you, you keep some control as you can easily check how your Investment Plan is doing 24/7 on any digital device. Also, your money isn't locked away with a Wealthify ISA and you can withdraw funds if you need to without penalty.

Holding a Wealthify ISA is affordable. Our annual management fees are never more than 0.7% and can go as low as 0.4%. We also take small fund charges and transactions costs.

How to transfer to a Wealthify ISA

If you've opened ISAs with other providers in previous tax years, you can move them to Wealthify at any time. Transferring ISAs makes it easier for you to manage your finances. Also, if you're holding many old Investment ISAs with different providers, you could be paying lots of fees so, completing an ISA transfer could help you keep everything under one set of charges.

You can transfer any type of ISA to Wealthify and upon completion, your ISA will become an Investment ISA. When transferring an ISA, you must ALWAYS complete our official ISA transfer form, and we'll take it from there. Don't withdraw your money or you'll lose the tax-efficient wrapper around it. If you choose to transfer an ISA you've started this current tax year to Wealthify, keep in mind it counts towards the current year's allowance and you must transfer the full amount.

Wealthify also offers Junior ISAs, Self-Invested Personal Pensions Plans and a general investment account.

The tax treatment depends on your individual circumstances and maybe subject to change in the future. Please remember the value of your investments can go down as well as up, and you could get back less than invested.