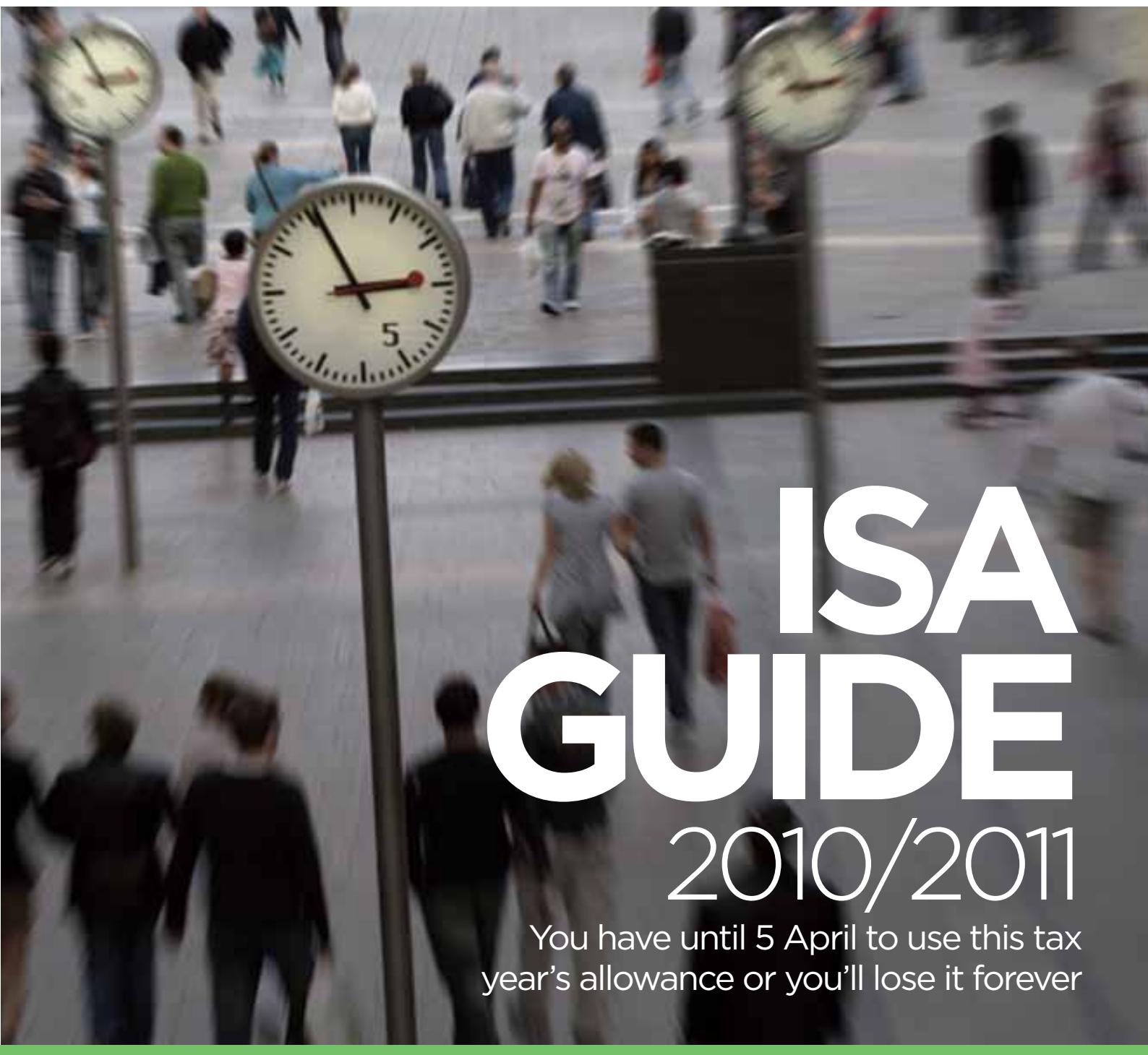




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Financial planning for the life you want.



ISA GUIDE 2010/2011

You have until 5 April to use this tax year's allowance or you'll lose it forever

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A Guide to Individual Savings Accounts - 2010/11

You have until 5 April to use this tax year's allowance or you'll lose it forever

Welcome to 'A Guide to Individual Savings Accounts - 2010/11'. Individual Savings Accounts (ISAs) are not actual investments; they are tax-efficient wrappers surrounding your fund choice(s). When you make an ISA investment you pay no income or capital gains tax (CGT) on the returns you receive, no matter how much your investment grows or how much you withdraw over the years.

An ISA is an ideal way to make the most of your tax-efficient savings limit and save for the future. The value of tax savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future.

YOUR ISA QUESTIONS ANSWERED

Q: Am I eligible to save or invest in an ISA?

A: To save or invest in an ISA you must be:

- a UK resident
- a Crown employee (such as diplomat)
- a member of the armed forces (who is working overseas but paid by the government), including husbands, wives or civil partners
- aged over 16 years for the Cash ISA component, and over 18 years for the Stocks and Shares ISA component
- an ISA must be in your name alone; you can't have a joint ISA.

Q: What can I save or invest in an ISA?

A: You can invest in two separate ISAs in any one tax year: a Cash ISA and a Stocks and Shares ISA. This can be with the same or different providers. By using a Stocks and Shares ISA, you invest in longer-term investments such as individual shares or bonds, or pooled investments.

Q: How much can I save or invest in an ISA?

A: In the current 2010/11 tax year, you can invest a total of £10,200 into an ISA if you are a UK resident aged 18 or over. You can save up to £5,100 in a Cash ISA or up to a maximum of £10,200 in a Stocks and Shares ISA.



Q: Do I have to pay tax on my ISA?

A: An ISA is a tax-efficient investment with no personal income tax liability on any income taken from the ISA. There is no CGT on any gains within an ISA. Interest paid on uninvested cash within a Stocks and Shares ISA is subject to a 20 per cent HM Revenue & Customs flat rate charge. Interest received in a Cash ISA is tax-free. Dividends from equities are paid with a 10 per cent tax credit which cannot be reclaimed in an ISA but there is no additional tax to pay.

Q: Can I receive a tax-efficient income from my ISA?

A: If you hold bond funds in your ISA, the income generated would be free of income tax. This could be a real benefit if you need to take an income from your investments, perhaps as you near retirement. Even if you don't want to invest in bonds at the moment, you may want to move money from equity funds into bonds in the future, perhaps when you need to take an income from your investments or if you want to reduce the level of risk in your portfolio as you near retirement.

Q: Do I have to mention my ISAs on my tax return?

A: No, you don't have to tell the taxman about income and capital gains from ISA savings and investments.

Q: Can I transfer my existing ISA?

A: If you have money saved from a previous tax year, you could transfer some or all of the money from your existing Cash ISA to a Stocks and Shares ISA without this affecting your annual ISA investment allowance. However, once you have transferred your Cash ISA to a Stocks and Shares ISA, it is not possible to transfer it back into cash.

ISAs must always be transferred; you can't close the old ISA and start a new one in the same tax year, otherwise you will lose the tax advantage. If appropriate, you may wish to consider switching an existing Stocks and Shares ISA if you feel the returns are not competitive. But if you have a fixed-rate ISA, you should check whether you may have to pay a penalty when transferring.

| ISA OPTION | TOTAL ISA INVESTMENT ALLOWED IN THE TAX YEAR 2010/11 |
|----------------------------------|--|
| Cash ISA only | £5,100 maximum in a Cash ISA |
| or | |
| Stocks & Shares ISA only | £10,200 maximum in a Stocks & Shares ISA |
| or | |
| Cash ISA and Stocks & Shares ISA | No more than £5,100 in a Cash ISA and the balance in a Stocks & Shares ISA up to a combined total of £10,200 |

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