

A History of ISA Limits

Fully
updated
for 2021/2022
tax year

How to become a tax-free millionaire

ISACO

LET'S GROW WEALTH TOGETHER.

Introduction



Stephen Sutherland.
ISACO's Chief Investment Strategist
and author of *Liquid Millionaire*.

ISAs are one of the UK's best-kept investment secrets, a great vehicle for helping you build and preserve tax-free wealth and play a leading role in assisting you over the long-term to outperform the market.

If you would like some one-to-one help and guidance with your ISA investing, feel free to get in touch. You can email me direct at Stephen@ISACO.co.uk and my private line is 01457 831 642.

I hope you enjoy our factsheet.

Your friend,

A handwritten signature in blue ink that reads "Stephen Sutherland". The signature is written in a cursive, flowing style.

Stephen Sutherland.
Chief Investment Strategist and bestselling author of *How to Make Money in ISAs and SIPPs*.

"The greatest appeal of investing in an ISA wrapper is that the returns go into your pocket and not the tax man's. What's not to like?"

Holly Cook, Managing Editor of Morningstar.co.uk

ISA basics

As you've probably already gathered, we're huge fans of ISAs. They offer a compelling combination of easy access and long-term tax advantages and can play a big part in helping you achieve your long-term financial goals. An ISA is a tried and tested way to support your retirement savings and it doesn't lock your money away as pensions do. Here is a quick summary of some ISA basics:

- Individual Savings Accounts (ISAs) are tax-free savings and investment accounts.
- There are four types of ISA; a stocks and shares ISA, a cash ISA, a Lifetime ISA and an innovative finance ISA. If you already own a Help to Buy ISA, it may be worth considering transferring it into a Lifetime ISA.
www.helptobuy.gov.uk
www.moneyadviceservice.org.uk/en/articles/help-to-buy-isa-or-lifetime-isa
- ISAs were introduced in 1999 to replace PEPs (which were a tax free way of investing in equities) and TESSAs (which were tax free deposit accounts).
- The ISA allowance for the 2021/2022 tax year is £20,000 per adult.
- You can invest the whole of your 2021/2022 ISA allowance in a stocks and shares ISA, a Lifetime ISA (maximum £4000), an innovative finance ISA, or save it all in a cash ISA.
- You also have the choice of splitting your allowance across the four types, in any combination.
- If an ISA holder dies, they are able to pass on their ISA benefits to their spouse or civil partner.
www.gov.uk/individual-savings-accounts/if-you-die
- ISA flexibility – Many cash ISAs are now flexible. If your bank offers them, and you withdraw from one, you can put it back into the same account in the same tax year without affecting your allowance. It works on money in old cash ISAs and cash you've deposited this tax year.
www.moneysavingexpert.com/savings/flexible-ISAs
- Lifetime ISA – You can use a Lifetime ISA (Individual Savings Account) to buy your first home or save for later life. You must be 18 or over but under 40 to open a Lifetime ISA. You can put in up to £4,000 each year, until you're 50. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year.
www.gov.uk/lifetime-isa
- There is also a 'Junior ISA' (JISA) available with an allowance for the 2021/2022 tax year of £9,000. Once a parent or guardian has opened a junior ISA, anyone – friend or family – can contribute into either an investment or deposit account.
www.gov.uk/junior-individual-savings-accounts

Below is a table that shows the 4 types of ISAs available.

4 Types of ISAs

Using your 2021/2022 ISA allowance	Stocks and Shares ISA	Cash ISA	Innovative Finance ISA	Lifetime ISA	Total 2021/2022 ISA allowance
Invest in a Stocks and Shares ISA only	£20,000	£0	£0	£0	£20,000
Save in a Cash ISA only	£0	£20,000	£0	£0	£20,000
Invest in an Innovative Finance ISA only	£0	£0	£20,000	£0	£20,000
Invest in a Stocks and Shares ISA, an Innovative Finance ISA, a Lifetime ISA (Max £4,000) and save in a Cash ISA	Split your allowance however you choose, as long as the combined amount doesn't exceed £20,000.				£20,000

There aren't many ways to legally hide your money from the prying eyes of the taxman, but an ISA is one way of doing it. An ISA is simply a special type of savings and investment account, which is protected from tax. An ISA isn't actually an investment itself, but more of a wrapper into which you can put your money.

Any gain you make on your cash whilst it sits in the ISA wrapper will be completely tax-free. When you have built up a sizeable pot, there will be zero tax to pay on any of the money you draw as income. We'd strongly recommend that you consider the idea of investing in ISAs for life.

How to save thousands of pounds

Over the years, an ISA could save you thousands of pounds that you would otherwise have had to pay in tax. The longer you hold an ISA the greater the benefit you will get from its tax-free status. Over the years the tax saved will be reinvested and your returns could snowball.

Of course, how much money you could save depends upon your personal circumstances. However, we believe that for many people, an ISA is one of the most generous handouts they will receive from the Chancellor.

A little history

ISAs were introduced in 1999, replacing a similar scheme called PEPs that ran from 1987 to 1999. The ISA's history is important because it shows their incredible potential.

ISA maximum contribution history – PEP and ISA history

Year	ISA/PEP	Allowance 1 (£)	Allowance 2 (£) (Partner)	Total contribution per couple (£)
1987	PEP	2,400	2,400	4,800
1988	PEP	3,000	3,000	6,000
1989/1990	PEP	4,800	4,800	9,600
1990/1991	PEP	6,000	6,000	12,000
1991/1992	PEP	9,000	9,000	18,000
1992/1993	PEP	9,000	9,000	18,000
1993/1994	PEP	9,000	9,000	18,000
1994/1995	PEP	9,000	9,000	18,000
1995/1996	PEP	9,000	9,000	18,000
1996/1997	PEP	9,000	9,000	18,000
1997/1998	PEP	9,000	9,000	18,000
1998/1999	PEP	9,000	9,000	18,000
1999/2000	ISA	7,000	7,000	14,000
2000/2001	ISA	7,000	7,000	14,000
2001/2002	ISA	7,000	7,000	14,000
2002/2003	ISA	7,000	7,000	14,000
2003/2004	ISA	7,000	7,000	14,000
2004/2005	ISA	7,000	7,000	14,000
2005/2006	ISA	7,000	7,000	14,000
2006/2007	ISA	7,000	7,000	14,000
2007/2008	ISA	7,000	7,000	14,000
2008/2009	ISA	7,200	7,200	14,400
2009/2010	ISA	7,200 ^a /10,200 ^b	7,200 ^a /10,200 ^b	14,400 ^a /20,400 ^b
2010/2011	ISA	10,200	10,200	20,400
2011/2012	ISA	10,680	10,680	21,360
2012/2013	ISA	11,280	11,280	22,560
2013/2014	ISA	11,520	11,520	23,040
2014/2015	ISA/NISA	11,880/15,000 ^c	11,880/15,000 ^c	23,760/30,000 ^c
2015/2016	NISA	15,240	15,240	30,480
2016/2017	ISA	15,240	15,240	30,480
2017/2018	ISA	20,000	20,000	£40,000
2018/2019	ISA	20,000	20,000	£40,000
2019/2020	ISA	20,000	20,000	£40,000
2020/2021	ISA	20,000	20,000	£40,000
2021/2022	ISA	20,000	20,000	£40,000
Total contributions to date		£357,760	£357,760	£715,520

a Applicable to those aged under 50.

b Applicable to those aged 50 and over from October 6th 2009.

c Applicable from July 1st 2014.

Over the period covered, shown in the table on the previous page, you can see that it would have been possible for a couple to shelter £715,520 from the taxman by investing the maximum PEP/ISA contribution each and every year. £715,520 tax-free is a significant amount of money, however, if this same couple had managed to achieve an annual growth rate of 7%, they would have become ISA millionaires! (See table below).

ISA millionaire through the power of compound interest

Year	Allowance 1 (£)	Allowance 2 (Partner) (£)	Total contribution per couple (£)	@ 7% annual growth (£)
1987	2,400	2,400	4,800	5,136
1988	3,000	3,000	6,000	11,916
1989/1990	4,800	4,800	9,600	23,022
1990/1991	6,000	6,000	12,000	37,474
1991/1992	9,000	9,000	18,000	59,357
1992/1993	9,000	9,000	18,000	82,772
1993/1994	9,000	9,000	18,000	107,826
1994/1995	9,000	9,000	18,000	134,634
1995/1996	9,000	9,000	18,000	163,318
1996/1997	9,000	9,000	18,000	194,010
1997/1998	9,000	9,000	18,000	226,851
1998/1999	9,000	9,000	18,000	261,991
1999/2000	7,000	7,000	14,000	295,310
2000/2001	7,000	7,000	14,000	330,962
2001/2002	7,000	7,000	14,000	369,109
2002/2003	7,000	7,000	14,000	409,927
2003/2004	7,000	7,000	14,000	453,602
2004/2005	7,000	7,000	14,000	500,334
2005/2006	7,000	7,000	14,000	550,337
2006/2007	7,000	7,000	14,000	603,841
2007/2008	7,000	7,000	14,000	661,090
2008/2009	7,200	7,200	20,400	722,774
2009/2010	7,200 ^a /10,200 ^b	7,200 ^a /10,200 ^b	20,400	795,196
2010/2011	10,200	10,200	20,400	872,688
2011/2012	10,680	10,680	21,360	956,631
2012/2013	11,280	11,280	22,560	1,047,734
2013/2014	11,520	11,520	23,040	1,145,728
2014/2015	11,880/15,000 ^c	11,880/15,000 ^c	23,760/30,000 ^c	1,258,029
2015/2016	15,240	15,240	30,480	1,258,029
2016/2017	15,240	15,240	30,480	1,378,705
2017/2018	20,000	20,000	40,000	1,518,014
2018/2019	20,000	20,000	40,000	1,667,075
2019/2020	20,000	20,000	40,000	1,826,570
2020/2021	20,000	20,000	40,000	1,954,430
2021/2022	20,000	20,000	40,000	2,134,040
Total contributions to date	£357,760	£357,760	£715,520	

a Applicable to those aged under 50.

b Applicable to those aged 50 and over from October 6th 2009.

c Applicable from July 1st 2014.

By saving annually into a PEP/ISA, a couple adding the full allowance each year and achieving an annual growth rate of 7% would have accumulated £2.134 million. That's exciting!

Final thoughts

In our opinion there has never been a better time to invest in an ISA. If you have the capital to invest, it's probably a good idea for you and your partner to make use of each year's allowance. If you need assistance with adding to your ISA, get in touch with us by either emailing us at info@ISACO.co.uk or call 0800 170 7750.

As I mentioned in my introduction, if you would like some one-to-one help and guidance, feel free to get in touch. Our clients kindly say that my brother Paul and I are incredibly friendly, caring and highly responsive to their questions and requests for help, support and guidance. What's more, if you call or get in touch, I promise that you won't be charged a penny.

Email me direct at Stephen@ISACO.co.uk

My private line is 01457 831 642.

Your friend,



Stephen Sutherland
Chief Investment Strategist and bestselling author of *How to Make Money in ISAs and SIPPs*.