

Fully
updated
for 2022/2023
tax year

ISA Guide

A compelling combination of easy access and long-term tax advantages.

ISACO
LET'S GROW WEALTH TOGETHER.

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Introduction



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

Welcome to our new ISA Guide for the 2022/23 tax year. The great news is that the ISA allowance for 2022/2023 is held at £20,000. This means that this tax year up to £20,000 can be invested in an ISA (a tax year runs from 6 April one year to 5 April the next).

It's a good idea to use as much of the ISA allowance as you can, because that way you'll be making the most of the ISA tax break for your money.

Did you know that ISAs are one of the best-kept investment secrets and are the UK's top tax shelter? Yes, it's true and we've been investing using ISAs (short for Individual Savings Accounts) since 1997 when they were previously known as Personal Equity Plans, or PEPs.

They really are a great tax-efficient solution for helping you build and preserve long-term tax-free wealth. Over the next few pages we'll explain how ISAs can save you thousands of pounds in tax and could over the long-term help you become an ISA millionaire. And to make sure we've covered all the bases, we'll also answer all the most frequently asked questions about ISAs.

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 ISA Guide.

A handwritten signature in purple ink that reads "Stephen Sutherland". The signature is fluid and cursive.

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 2022/2023 tax year is £20,000 per adult.
- You can invest the whole of your 2022/2023 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
- 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
- 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 2022/2023 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 2022/2023 ISA allowance	Stocks and Shares ISA	Cash ISA	Innovative Finance ISA	Lifetime ISA	Total 2022/2023 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
2022/2023	ISA	20,000	20,000	£40,000
Total contributions to date		£377,760	£377,760	£755,520

^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 (£) (Partner) (£)	Allowance 2 per couple (£)	Total contribution growth (£)	@ 7% annual
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
2022/2023	20,000	20,000	40,000	2,326,223
Total contributions to date	£377,760	£377,760	£755,520	

^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 £2.3 million. That's exciting!

Frequently asked questions about ISAs

What is an ISA?

An ISA (Individual Savings Account) is a tax-efficient way to save or invest. Your ISA allowance (or ISA limit) determines how much you can invest in ISAs each tax year (from 06 April one year to 05 April the next). It is set by the Government and often increases each year, although you don't have to use it all if you don't want to. Since 06 April 2017, you've been able to split your ISA allowance between a stocks and shares ISA, a cash ISA, a Lifetime ISA (maximum £4000) and an innovative finance ISA if you wish to.

How much can you save in an ISA? – I.e. what is the ISA allowance (or ISA limit)?

For the 2022/2023 tax year your allowance (per adult) is £20,000. If your child is 16 or 17, they get two ISA allowances – the JISA allowance (£9,000) PLUS the adult cash ISA allowance of £20,000.

What are my options for saving/investing in an ISA?

There are 4 types of ISA:

- stocks and shares ISAs
- Lifetime ISAs
- innovative finance ISAs
- cash ISAs

You can invest the whole of your 2022/2023 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.

What is a stocks and shares ISA?

A stocks and shares ISA is a tax-efficient investment account that allows you to invest in variety of investment options such as shares in companies, unit trusts, investment funds, investment trusts, corporate bonds and government bonds. When investing using a stocks and shares ISA, you don't pay tax on any income or capital gains you've made on your investments. Stocks and shares ISAs offer the possibility of higher returns than cash ISAs, but only if you're happy to take some risks with your savings. Please note, the stocks and shares ISA is the type of ISA that ISACO use.

What is a 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.

The Lifetime ISA limit of £4,000 counts towards your annual ISA limit. This is £20,000 for the 2022/2023 tax year. You can hold cash or stocks and shares in your Lifetime ISA, or have a combination of both.

When you turn 50, you will not be able to pay into your Lifetime ISA or earn the 25% bonus. Your account will stay open and your savings will still earn interest or investment returns. To open and continue to pay into a Lifetime ISA you must be a resident in the UK, unless you're a crown servant (for example, in the diplomatic service), their spouse or civil partner.

www.gov.uk/lifetime-isa

What is an innovative finance ISA?

An innovative finance ISA is a type of ISA that adds a tax-free wrapper to savings income from peer-to-peer lending.

www.gov.uk/guidance/innovative-finance-isa-investments-for-isa-managers

What is a cash ISA?

Usually, when you have a savings account, you pay income tax on whatever interest you earn. But the interest on a cash ISA isn't taxed, so all the interest you earn, you keep. These are normally offered by banks and building societies but investment firms can also offer them. Please note, ISACO does not use cash ISAs.

Which type of ISA does ISACO use?

The stocks and shares ISA is our choice. We do not use cash ISAs, Lifetime ISAs or innovative finance ISAs.

What investment products do you invest in with your stocks and shares ISA?

We invest in investment funds such as open ended investment companies (OEIC's) and unit trusts.

How can I open an ISA?

You can get an Individual Savings Account (ISA) from a range of fund supermarkets, banks, building societies, credit unions, friendly societies and stock brokers. You simply contact the provider directly for more information about how to open an ISA with them.

Can I withdraw money from my ISA?

You can take your money out of an Individual Savings Account (ISA) at any time, without losing any tax benefits. Check the terms of your ISA for rules and charges around withdrawing money. If you have a cash ISA, some providers offer the Government's new flexible ISA facility. This allows you to replace withdrawn money without it counting towards your ISA allowance, as long as you do it in the same tax year.

Can I transfer my ISA from one provider to another?

You can transfer your Individual Savings Account (ISA) from one provider to another at any time. You can transfer your savings to a different type of ISA or to the same type of ISA. If you want to transfer money you've invested in an ISA during the current year, you must transfer all of it. For money you invested in previous years, you can choose to transfer all or part of your savings.

If you transfer cash and assets from a Lifetime ISA to a different ISA before the age of 60, you'll have to pay a withdrawal fee of 25%. Please be aware that there are some restrictions on what you can transfer. You can transfer cash from your innovative finance ISA to another provider - but you may not be able to transfer other investments from it. Check with your provider for any restrictions they may have on transferring ISAs. They may also make you pay a charge.

What are the steps involved in transferring my ISA to another provider?

To switch providers, contact the ISA provider you want to move to and fill out an ISA transfer form to move your account. If you withdraw the money without doing this, you won't be able to reinvest that part of your allowance again. ISA transfers should take no longer than 15 working days for a cash ISA and a cash Lifetime ISA and 30 working days for a stocks and shares ISA, investments held in an innovative finance ISA and stocks and shares in a Lifetime ISA. If your transfer takes longer than this, contact your ISA provider. If you're unhappy with the response, you can take the matter up with the Financial Ombudsman Service (Telephone: 0845 080 1800).

What happens to my ISA if I move abroad?

If you open an Individual Savings Account (ISA) in the UK and then move abroad, you can't put money into it after you move (unless you're a Crown employee working overseas or their spouse or civil partner). However, you can keep your ISA open and you'll still get UK tax relief on money and investments held in it. You can pay into your ISA again if you return and become a UK resident (subject to the annual ISA allowance).

What happens to my spouse's ISA if they die?

If the deceased's date of death is before 6 April 2018, any cash ISAs held will be closed and funds transferred to a new Personal Estate account opened in the name of the deceased. If they died on or after the 6 April 2018, any cash ISAs will remain open until the deceased's personal representatives close the ISA as part of their administration of the estate or for a maximum of 3 years from the date of death, whichever is the earlier.

Since 6 April 2015, you have been entitled to make use of the ISA benefits that your deceased spouse or civil partner had built up in any ISAs they had if they passed away on or after 3 December 2014.

This isn't the same as inheriting the actual money in the ISA – this will go to whoever is nominated in their Will. You are entitled to add an amount, through additional ISA subscriptions, up to the total your deceased spouse or civil partner held in their ISA account, to your own ISA.

So, if your spouse or civil partner had an ISA with a total balance of £50,000, you'll be allowed to add up to this amount to your ISA, plus your own annual ISA allowance.

The new subscription amount that you're entitled to make use of – so, here, the £50,000 – is known as your 'Additional Permitted Subscription allowance' or 'APS allowance'. In the case of cash ISAs, you have three years to use this allowance, but an additional time period applies if completion of the administration of the estate takes longer.

The APS allowance is limited to the value of your spouse or civil partner's ISA(s) as at their date of death if this is before 6 April 2018. If their date of death is on or after 6 April 2018, you also have the option to wait until the ISA(s) is closed and then claim an APS allowance equal to the value of their ISA(s) at the point of closure. This will usually be higher as we continue to pay tax-free interest into the ISA(s). For more information, go to www.gov.uk/government/publications/isa-manager-bulletin-65/guidance-additional-permitted-subscriptions-for-the-spouse-civil-partner-of-a-deceased-isa-investor

What is a Junior ISA?

Junior Individual Savings Accounts (ISAs) are long-term, tax-free savings accounts for children. For the 2022/2023 tax year, the savings limit is £9,000. Your child can have a Junior ISA if they are under 18 and live in the UK. You can't have a Junior ISA as well as a Child Trust Fund. If you want to open a Junior ISA ask the provider to transfer the trust fund into it. There are 2 types of Junior ISA. There is a cash Junior ISA and a stocks and shares Junior ISA. Your child can have one or both types of Junior ISA. Parents or guardians with parental responsibility can open a Junior ISA and manage the account, but the money belongs to the child. The child can take control of the account when they're 16 but can't withdraw the money until they turn 18.

www.gov.uk/junior-individual-savings-accounts

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,

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*.