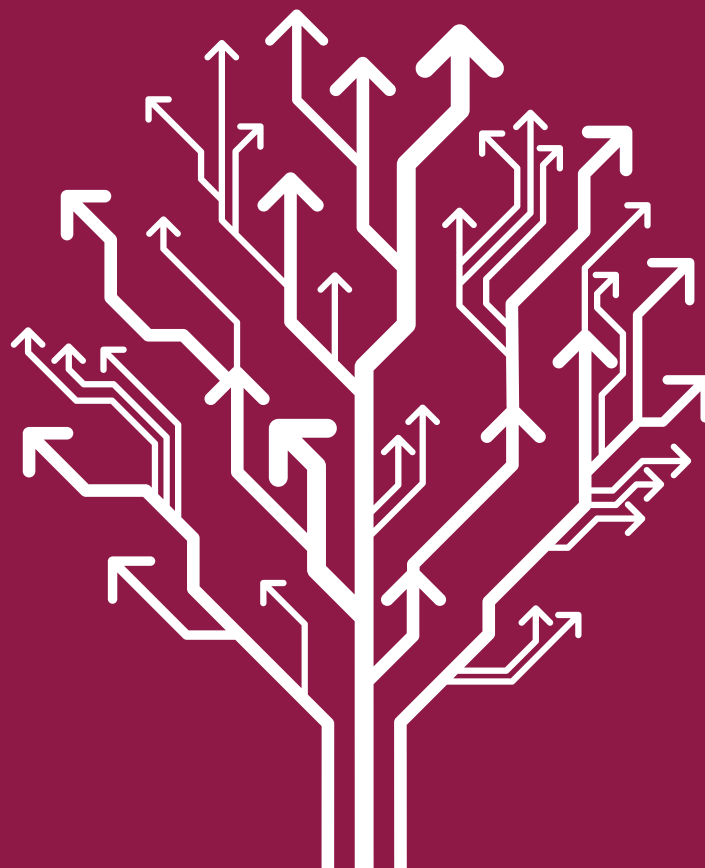


# WESSEX IM

FINANCIAL PLANNING AND WEALTH MANAGEMENT CONSULTANTS

GUIDE TO  
**LIFETIME ISA**  
NEW GENERATION OF TAX-EFFICIENT  
WEALTH CREATION

MAY 2017



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# GUIDE TO LIFETIME ISA

## *New generation of tax-efficient wealth creation*

The start of the new tax year on 6 April 2017 saw the launch of the Lifetime ISA (LISA), which was announced in the 2016 Budget. This is a new type of Individual Savings Account (ISA) designed to help you save for a first home or for your retirement at the same time. To be eligible, you have to be aged between 18 and 39 years old (up until your 40th birthday).

### **SUPPLEMENTED BY A GOVERNMENT BONUS**

You can save up to £4,000 a year into a LISA, and this will be supplemented by a government bonus of 25% of the money you put in. After year one, the bonus will be paid into your account monthly based on how much you pay in, but in the first year it will be paid in one lump sum at the end of the tax year.

The maximum bonus that you can receive is £1,000 each year. You'll obtain a bonus on any savings you make up until you reach 50 years of age, at which point you won't be able to make any more payments into your account. You only receive the bonus on the new money that you pay in (or transfer from another ISA) during the tax year, rather than it being based on the overall value of your LISA.

### **COMBINATION OF DIFFERENT ISA TYPES**

You will be able to have any combination of different ISA types and a LISA at the same time. For example, if you have a Cash ISA and a Stocks & Shares ISA already, you can also have a LISA. You can't pay in more than the annual ISA allowance however, which in the 2017/18 tax year (that started on 6 April) is £20,000, with a maximum of £4,000 going into the Lifetime ISA. The ISA allowance relates to each person and not per household, so two first-time buyers could both receive a bonus when buying their first home together.

If you already have a Help to Buy: ISA, you'll be able to transfer your balance into a LISA at any time if the amount doesn't exceed £4,000. In the tax year 2017/18 only, you'll be able to

### **LIFETIME ISAS AT A GLANCE**

#### **All the key things you need to know about Lifetime ISAs:**

- ❑ Flexible saving for your first home and/or retirement
- ❑ 25% annual bonus from the Government
- ❑ Available to those aged 18–39 (up until their 40th birthday)
- ❑ Launched in April 2017
- ❑ Pay in up to £4,000 each tax year

transfer the full balance of your Help to Buy: ISA – as it stood on 5 April 2017 – into your Lifetime ISA without affecting the £4,000 limit. Alternatively, you could keep your Help to Buy: ISA and open a LISA, although you'll only be able to use the bonus from one of these accounts to buy your first home.

### APPROACH TO RISK, INVESTMENT TIME FRAME AND MAKING INVESTMENT DECISIONS

LISAs can hold cash, stocks and shares qualifying investments, or a combination of both. The option that is right for you will depend on your approach to risk, your investment time frame and how confident you are making your own investment decisions.

You will be able to use funds held in a LISA after 12 months to buy a first home valued up to £450,000. You must be buying your home with a mortgage. Alternatively, after your 60th birthday, you will be able to take out all your savings from your LISA tax-efficiently for use in retirement.

### CONTINUING TO SAVE INTO YOUR LIFETIME ISA

A LISA can be accessed like a normal ISA at any time for any reason, but if not used as above, you'll have to pay a withdrawal charge of 25% of the amount you withdraw (being the government bonus plus a penalty of 5%). However, this withdrawal charge won't apply if you decide to cash in your account during the first 12 months after its launch.

If you want to use your LISA to save for a property as well as for retirement, once you've bought a home, you will be able to continue saving into your LISA as you did previously. You'll continue to receive the government bonus on your contributions until you reach the age of 50.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

STOCKS & SHARES ISA INVESTMENTS DO NOT INCLUDE THE SAME SECURITY OF CAPITAL WHICH IS AFFORDED WITH A CASH ISA.



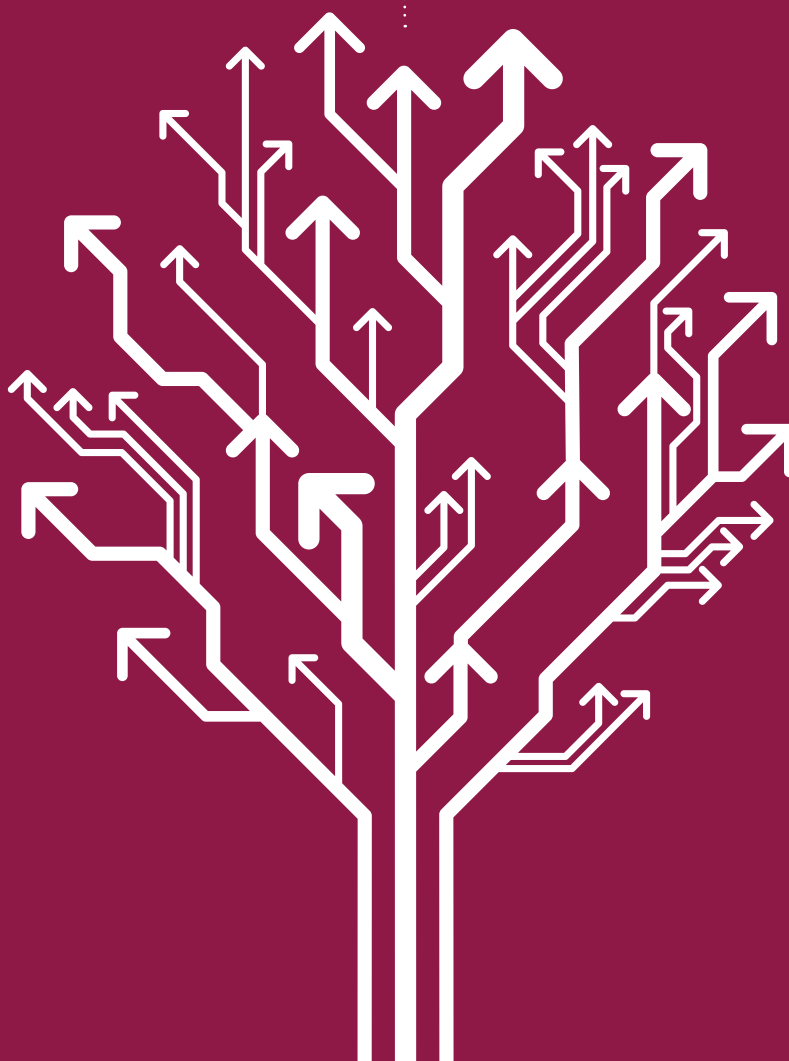
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### GET THE MOST FROM YOUR TAX-EFFICIENT ALLOWANCE



No matter what your investment goals, we can help you to develop the right plan. To talk to us about the different investment opportunities that could be right for your individual requirements, please contact us for further information. We can help you get the most from your 2017/2018 ISA or LISA allowance.



# WHAT EVERY PARENT NEEDS TO KNOW

The Lifetime ISA may be the latest incarnation of the ISA, but if you open a Lifetime ISA account and use it to invest, you can get up to £32,000 from the Government. This tax-efficient sum could theoretically net a £32,000 bonus for an 18-year-old paying in the maximum amount every year until age 50 (when contributions must cease).

To discuss your options,  
please contact us.

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2017/18 tax year, unless otherwise stated.