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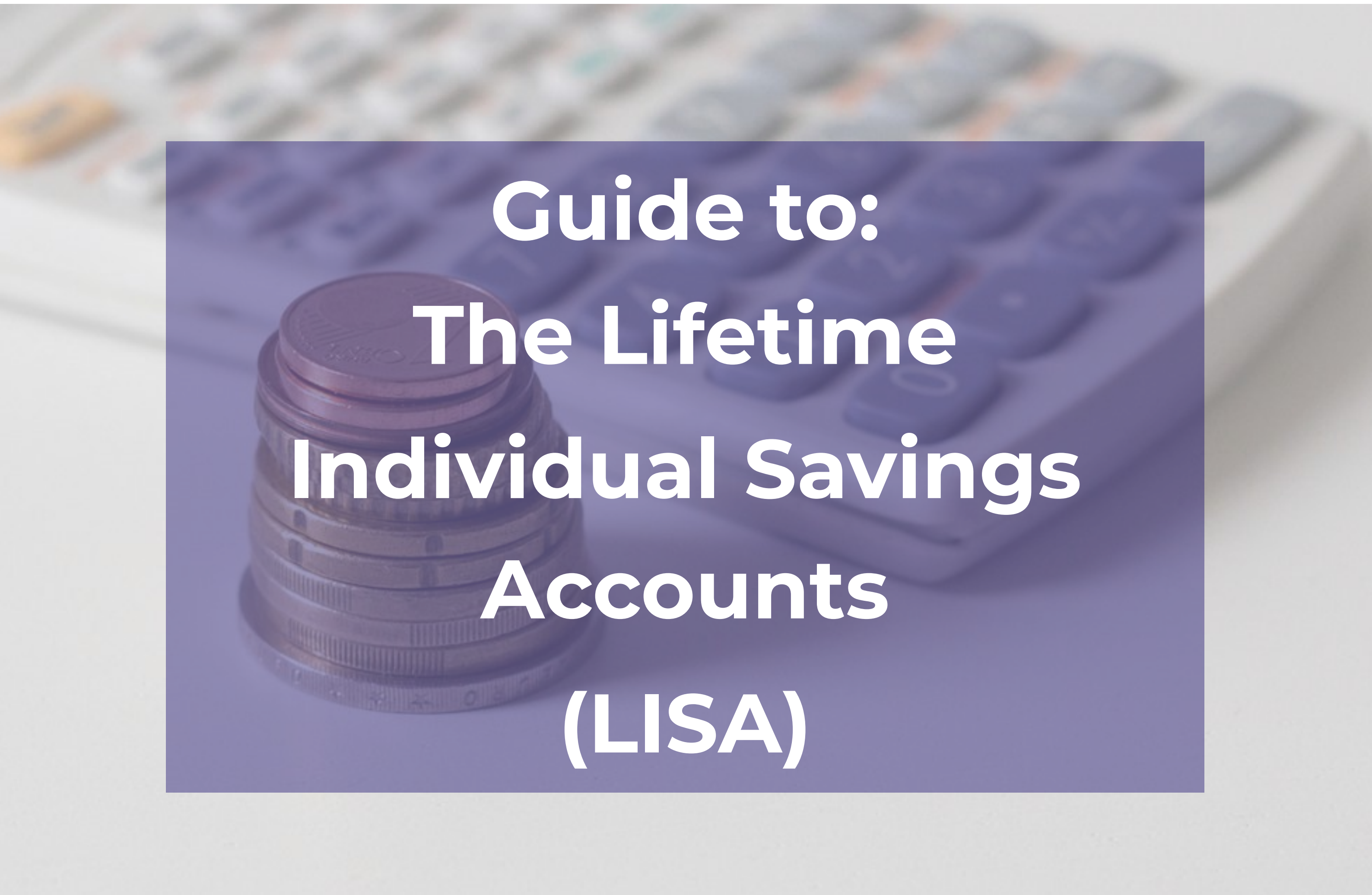
Investments • Pensions • Financial Planning



Guide to: The Lifetime Individual Savings Accounts (LISA)

Introduction

What is it and why is it here?

Overview

The Lifetime ISA (or LISA) was introduced to assist younger savers to build a capital sum, either for the purchase of a first home or to help them with eventual retirement.

It is available to any qualifying UK tax resident aged between 18 and 40, and once in place can be funded up to the age of 50.

The maximum investment is £4,000 a year and this forms part of the main £20,000 ISA allowance.

The money can be invested in the same way as an ordinary ISA, so can be allocated to cash deposits or stocks and shares

What is good about it?

Unlike an ordinary ISA, a payment into a LISA will receive a government bonus of 25% of the amount paid in.

If the maximum of £4,000 is invested, this is an uplift of £1,000.

This is the same as the tax relief received by basic rate taxpayers on pension contributions.

As with a traditional ISA, any investment returns are exempt from income tax and capital gains tax.

What is not so good about it?

Money within a LISA can only be withdrawn penalty-free in the following circumstances:

- To fund the purchase of a first home valued at £450,000 or less, at least 12 months after the first contribution has been made. The purchase must involve a mortgage and must be dealt with by a conveyancer, as the money will go to them not to the LISA account holder
- From the age of 60
- If the account holder is terminally ill

If money is withdrawn for any other reason, a penalty of 25% will apply. This means the penalty is higher than the bonus, so a LISA is not likely to be suitable for money which may be needed before age 60 other than to help fund the purchase of a first home.

To explain the impact of the penalty with an example, if you invest £4,000, this will become £5,000 after the bonus is added. If you then withdraw this at a time which triggers the penalty, this will be 25% of the full amount, so 25% of £5,000, which is £1,250.

In this example, the return from an investment of £4,000 is £3,750, so a LOSS of 6.25%.

This example ignores investment returns, but the penalty applies to those too

Other points

The 25% bonus should be added one month after a contribution into the LISA.

You can also transfer a Help to Buy ISA or an ordinary ISA into a LISA, and it will qualify for the government bonus, but the transfer value will count towards your LISA allowance for the tax year.

If using a stocks and shares LISA, the value of your investments will fall as well as rise and you may get back less than you invested.

A couple purchasing their first property together can both use a LISA, as long as both are first time buyers, and both qualify under the points referred to earlier.

More information can be found on the Government website, by following this link:

https://www.gov.uk/lifetime-isa

Important notes

Any opinions expressed on the merits or disadvantages of any options are intended as a general comment only and not as specific advice to the reader.

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income produced or generated. An investor might get back less then they invested.

Inflation can reduce the real value of capital and the income it generates.

Past investment performance is not a reliable guide to the future.

Any reference to taxation, regulation or legislation is based on our current understanding and details should be checked before any reliance is placed upon its accuracy.

The impact of taxation and tax planning depends on individual circumstances and may be subject to change, which can be retrospective.

Errors and omission excepted.

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