What difference an "N" makes to ISAs

The much publicised changes to the ISA rules take effect from 1st July 2014. The NISA (New ISA) subscription limit is set at £15,000.

What is the new ISA – NISA?

New ISAs (NISA) are simplified tax free savings plans in which each person can save up to £15,000 in each tax year, making the total for a married couple a generous £30,000.

What does it mean to you?

If you have already used your maximum annual ISA allowance of £11,880 this tax year you will be able to pay an **extra £3,120** from 1st July.

How do the new ISAs differ to the old?

Previously the amount which could be saved in a Cash ISA was restricted to 50% of the maximum annual ISA allowance. For example, in the last tax year 2013-2014, the overall ISA allowance was £11,520 with a maximum of £5,760 being saved in Cash and the balance into a Stocks and Shares ISA. Under NISA, transfers from Stocks and Shares to Cash ISAs are now permissible, whereas the old rules only permitted transfers from Cash to Stocks and Shares ISAs.

How else can I make the most of the new ISAs - Pensions & NISAs

The new ISA could be an ideal place to save for those wanting to take advantage of the new pension rules announced in the Chancellor's most recent Budget. UK taxpayers now have the chance to move money from their pension gradually into ISAs to make sure they retain some of these tax benefits and even generate additional tax free income in retirement. Having both pensions and ISAs can give flexibility when it comes to retirement; however, advice should always be taken to ascertain tax implications on the pension withdrawals.

Why wait till the end of Tax Year?

Leaving contributions until the deadline means that the opportunity for a full year's tax free returns could be lost. Last tax year the FTSE 100 rose by 6.4%. Investing at the start of the tax year would have seen the maximum ISA contribution benefit from tax free growth of £760 had it matched that performance. In addition no tax would be paid on the interest or dividends received. A 3% dividend payment would have added another £346 to your fund – that's a total return of around £1,000. With today's changes there is even greater potential for tax free growth and there are still 9 months to go until the tax year end.

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Bed 'n' NISA

One of the reasons for delaying ISA payments is that there may not be enough spare capital to invest. It may be possible to wrap an ISA around existing investments to shelter them from tax. Cash deposits, unit trusts and share portfolios can all be moved into an ISA and count towards the annual limit. Transferring investments that are subject to Capital Gains Tax (CGT) into an ISA can also help to make sure that the annual CGT exemption of £11,000 is not wasted.

Timely review for your existing ISAs

It is an ideal time to review existing ISA funds to bring them into line with current attitudes to risk and to help determine what proportion of ISAs need to be kept in low risk cash for the short term compared to the proportion to keep in the medium/long term ISA investments where greater risk is acceptable.

To find out more and book an appointment with your adviser please call;

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