

Choosing the right ISA for you

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With investing your capital is at risk. Investments can fluctuate in value and you may get back less than you invest.

Tax treatment depends on your individual circumstances and is subject to change in the future. The contents of this Guide should not be interpreted as personalised financial advice.

What is an ISA?

Although they are one of the most popular savings accounts in the UK, ISAs can seem complicated.

In recent years, the government has created a wider range of ISA types, leaving some consumers confused about what's best suited to them.

Essentially, an ISA is a tax-free account as you do not pay tax on interest on cash in an ISA, or income or capital gains tax from investments in an ISA. This guide explains the finer details of the ISA landscape and offers our thoughts to help you choose the right ISA for you.



When can I invest in an ISA?

- From age 16 for Cash ISAs, or
- From age 18 for Stocks & Shares ISAs, or
- From age 18 for a Lifetime or Innovative ISA



What tax do I pay on my ISA?

The main reason to save or invest your money in an ISA is the favourable tax treatment you get.

Funds held inside an ISA account are free from Capital Gains and Income Tax, plus there's no tax to pay when you withdraw from your ISA. With these tax incentives in place, there's no need to declare an ISA on your tax return.

What is my ISA allowance?

For the 2025/26 tax year, the ISA allowance is £20,000*

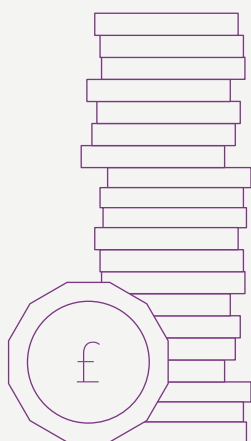
*Source: HM Treasury

Your allowance of £20,000 does not roll onto the next tax year. So, if you invest £10,000 into an ISA before 5th April, the remaining £10,000 of your allowance for that year will not be added to the following year's allowance.

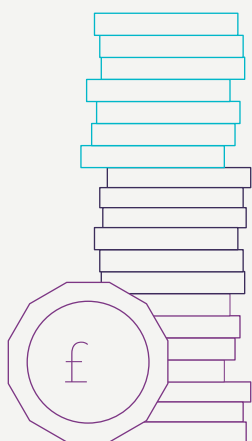
You can split your allowance between Cash, Stocks & Shares, Lifetime and Innovative ISAs as best suits you, as long as the combined total contribution doesn't exceed £20,000. You can find out more about the types of ISA you can hold later in this guide.

You can open and put money into multiple ISAs of the same type. However, you can only contribute into one Lifetime ISA in a tax year.

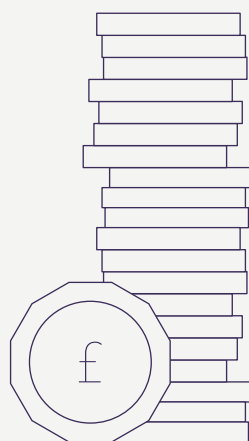
Your options



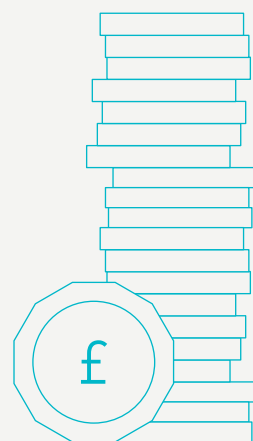
Invest the entire £20,000 in a **Cash ISA**



Split your annual allowance between two or more types of ISA, for example: Invest part in a **Cash ISA** and the remaining balance in a **Stocks & Shares** or **Innovative ISA**



Invest the entire £20,000 in a **Stocks & Shares ISA**



Alternatively, invest the whole £20,000 in an **Innovative ISA**

Can I transfer my ISAs?

Visit www.truepotential.co.uk/ISA
or call us on **0191 500 9164**
to find out how we can help you
transfer and consolidate your ISAs.

Many people decide to transfer their ISAs, whether it be to get a better rate or to bring their money together so it's easier to manage.

The process is usually straightforward and shouldn't cost you any money, however, some fixed rate Cash ISAs may charge a penalty for closing the account early. Additionally, not all providers will allow you to transfer in previous ISA pots, so make sure to read the terms and conditions of your ISA account fully.

Pulling together your ISAs into one account can be a useful way to consolidate and better manage your money. You can transfer freely between Cash ISAs and Stocks & Shares ISAs, or vice-versa, as best suits your needs.

It's important to ensure that if you do choose to transfer, that you do so directly from one ISA to another as withdrawing funds directly from your ISA means that you will lose all of the lasting tax benefits and contributing the funds back into a new ISA will use up this years ISA allowance.

Transferring your ISA via your new provider is usually a quick and simple process requiring you to complete a short ISA transfer form. Once this is complete, the transfer process will take around 15 working days.

A man in a dark blue suit, white shirt, and blue patterned tie is sitting at a desk. He is wearing a black headset with a microphone and is smiling. His hands are clasped together on the desk. In front of him is a silver laptop. The background is a bright, out-of-focus office environment with large windows.

Transfers do not count towards your annual allowance, so there's no limit to how much you can move.

Can I withdraw from my ISAs?

There's no upper age limit on holding an ISA and you can withdraw anytime, tax free.

You can also withdraw from and re-deposit funds, without it counting as a new contribution, as long as it's within the same tax year. This is known as a Flexible ISA.

For example, if you pay £20,000 into your ISA then withdraw £5,000, you can put £5,000 back into your ISA without going over your annual allowance.

£20,000

£5,000

At present, not all Cash and Stocks & Shares ISAs are flexible as it is up to the provider whether they offer this.

Innovative ISAs can also be flexible.

Junior ISAs, Help to Buy ISAs and any component of a Stocks & Shares ISA that is not cash are not flexible.

Can I pass on my ISAs?

Your ISA can pass in full to your spouse on your death, which can make an ISA a useful tool for inheritance planning.

The spouse is given a one-off additional ISA allowance to the same value as your ISA.

If you do not have a surviving spouse, your ISA loses its tax-free status and becomes part of your estate.

Should I choose a Cash or Stocks & Shares ISA?

The two main types of ISA are Cash ISAs and Stocks & Shares ISAs.

The former is essentially a tax-free savings account while the latter is an investment. Which version you choose depends on your personal financial goal, your risk profile, how much you need to reach that goal and how long you have before you want to reach your goal.



Cash ISAs

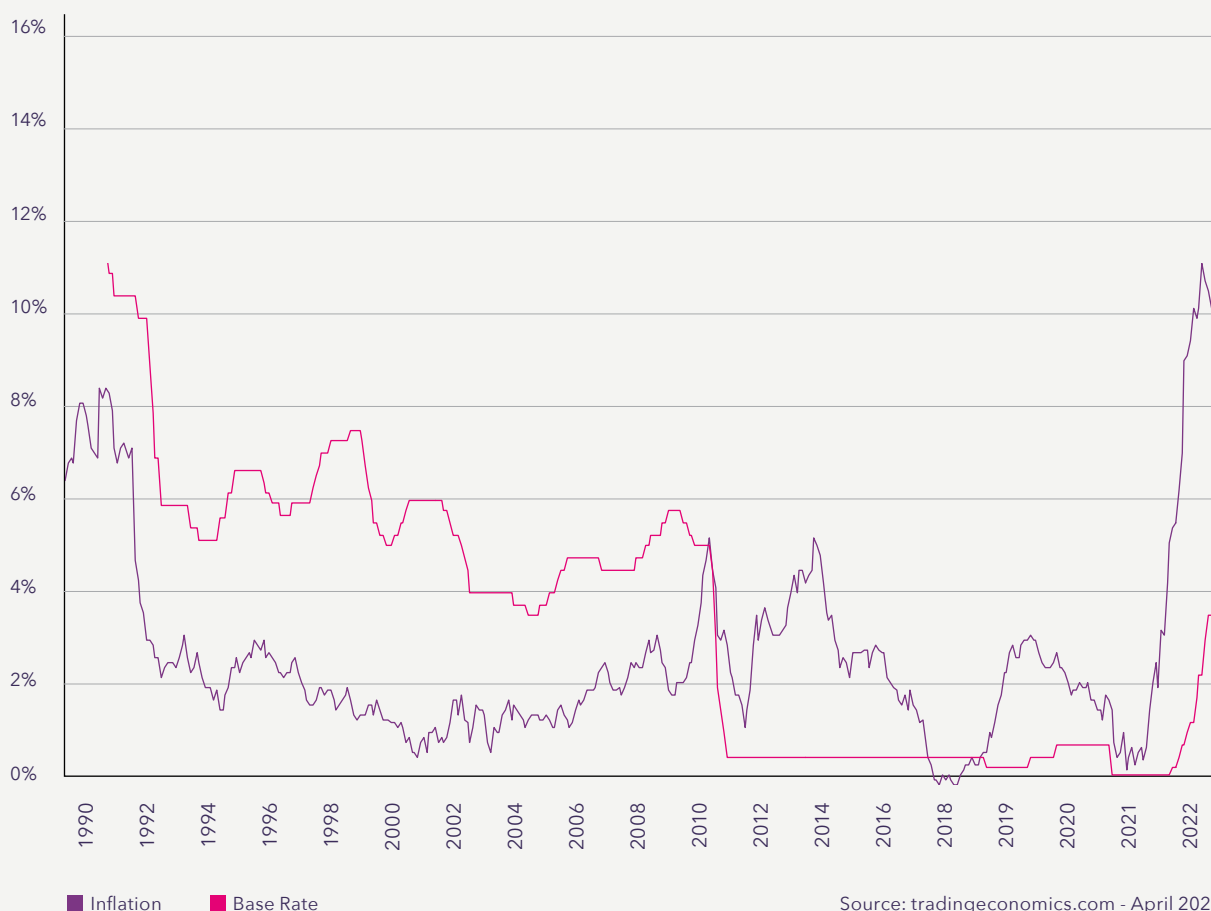
Cash ISAs are currently the most common type of ISA in the UK, however the interest rates for these are often low.

Many Cash ISAs offer higher introductory rates that plunge after the first 12 months or force you to lock money away for a year with a high penalty for early withdrawals.

Like all cash savings, the value of your money in a Cash ISA will erode over time if the interest rate you're getting is lower than inflation. You can see from the chart below the difference between the Bank of England's Base Rate (a big influence on the interest rates banks will offer you) and inflation since 1990.

That said, a Cash ISA can be a useful place to hold money for a short time as, other than the long-term effect of inflation, your money won't fall in value.

Inflation v Base Rate



Stocks & Shares ISAs

If you're hoping to receive a potentially higher return on your investments, then a Stocks & Shares ISA could be a suitable investment for you.

This type of ISA allows you to invest in assets such as equities (shares in publically-traded companies), which can have a higher return than cash over the long term.

For example, if you have £1,000 in a Cash ISA that grows at a rate of 1% each year, after 5 years you would have £1,051. However, if UK inflation remained at 2%, your £1,051 would only have the same buying power as £950 – the value of your savings has shrunk over time.

In order to reach your financial goal sooner, you may want to consider products that can potentially out-perform inflation over the long term. A Stocks & Shares ISA has the potential to do this, as the returns you receive are directly linked to the performance of the assets held within the fund.

Investment funds can vary in the amount of risk they hold, with some relatively low risk but with potential for lower returns and others relatively high risk but with potential for higher returns. However, with investments your capital is at risk, the returns are not guaranteed and can go down as well as up.

As markets can fluctuate in this way, it's generally accepted that investing for a minimum of five years, as well as choosing a level of risk that you're comfortable with, will give your investment more opportunity to level out any dips in the market.

With the returns on Stocks & Shares ISAs generally being higher over a long term period, it could mean that you'll reach your investment goal sooner than you would if you were to invest in a Cash ISA.

£1,000

In a Cash ISA

£1,051 ↑

The nominal value of your cash
with 1% interest for 5 years

£950 ↓

The real value of your
cash with inflation at 2%

What other ISAs are available?

Junior ISA

If you're looking to put money away for your children's future, a good option may be opening a Junior ISA (often called a 'JISA'). The ISA is owned by the child, however, anyone can contribute.

The 2025/26 annual allowance for a Junior ISA is £9,000 and both Cash and Stocks & Shares JISAs are available. One major draw to this form of investment is that the child cannot gain access to the money until they turn 18, allowing the pot to grow. This means you can open a JISA for your child from the day they're born and when it comes to withdrawing the money, they could have funds for a deposit on a house or to pay their university tuition fees.

The table below illustrates how regular contributions into your child's JISA can add up to a substantial amount over the years.

Regular contribution Amount	What it could be worth in 18 years' time*
£100	£31,400
£300	£94,400

*Assumes 5% growth after fees and charges, and not considering the impacts of inflation.

Help to Buy ISA

The Help to Buy ISA closed to new accounts at midnight on 30 November 2019.

If you have already opened a Help to Buy ISA (or did so before 30 November 2019), you will be able to continue saving into your account until November 2029.

The government will boost your savings by 25%

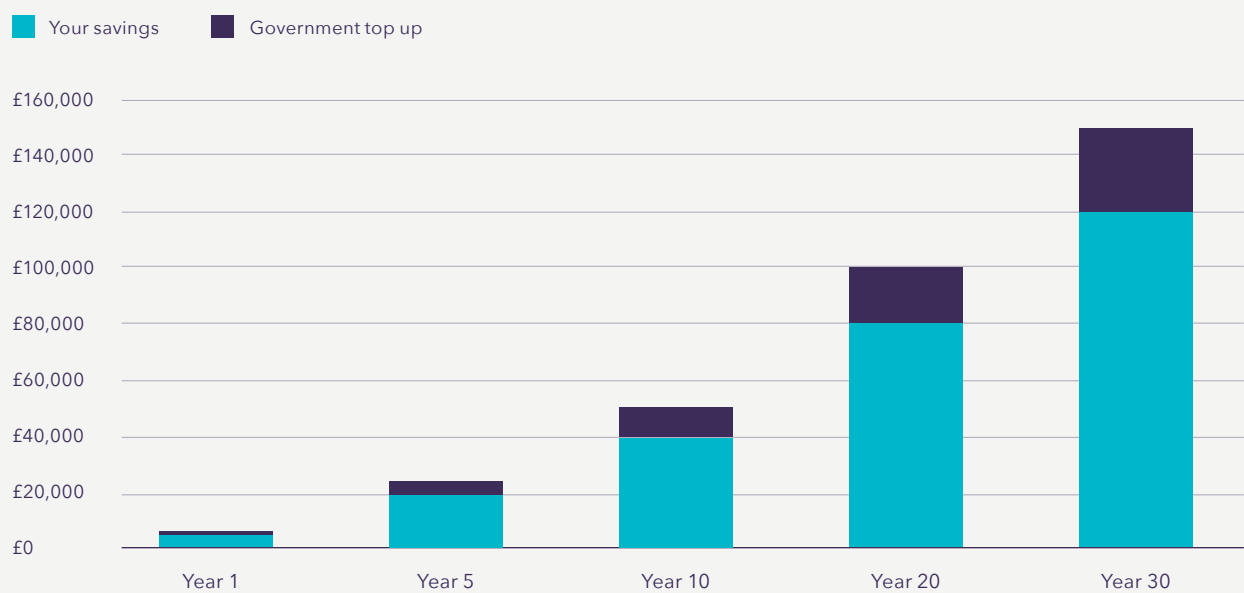


Lifetime ISAs

The Lifetime ISA is a governments scheme, launched in April 2017. It is aimed at 18-40 year olds who are looking to invest for a first home or their retirement.

The draw to this type of ISA is that you can invest up to £4,000 a year and the government will add 25% to what you save. Money in a Lifetime ISA counts as part of your overall annual allowance.

However, there are a few important points to note before taking out one of these ISAs. Only first time buyers are able to use the ISA to buy a house, and if you withdraw the money for any other purpose or before you turn 60, there is a penalty of 25% of the amount withdrawn which works out more than the government bonus.



Lifetime ISA Saving					
	After Year 1	After Year 5	After Year 10	After Year 20	After Year 30
Your Savings	£4,000	£20,000	£40,000	£80,000	£120,000
Government Top Up	£1,000	£5,000	£10,000	£20,000	£30,000

Innovative Finance ISAs

This is essentially a new form of ISA which makes it possible to invest through peer-to-peer platforms.

These ISAs offer something different to market, but still count towards your annual ISA allowance of £20,000 for the 2025/26 tax year.

As a lender, this means that you will not be taxed on the interest you earn from lending your money in a peer-to-peer scheme.

Innovative Finance ISAs are considered high risk and might not be protected by the Financial Service Compensation Scheme. Therefore they are not suitable for all investors.



How can I invest in an ISA?

Investing money into an ISA is simple and you can start with small amounts.

There are three ways to invest:



Start with a lump sum, some providers will let you invest from around £50. At True Potential you can open an account from just £1.



Set up a monthly payment, again many providers offer a minimum contribution of £50 per month. At True Potential you can start with £1.



Transfer your existing ISAs to a new provider.

Of course, you can also invest using a combination of all three options and adding a regular investment amount can see your ISA grow through the power of compounding returns.

Try us out.

Visit www.truepotential.co.uk/investments
or call us on **0191 625 0350** to find out how
we can help you do more with your ISA.

With investing your capital is at risk. Investments can fluctuate in value and you may get back less than you invest. The information provided in this promotion is for information purposes only. It should not be considered legal or financial advice in any form. ISA eligibility and tax rules apply. Tax is subject to an individual's personal circumstances and tax rules can change at any time.



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