GET YOUR FINANCIAL PLAN BACK ON TRACK BEFORE THE END OF THE TAX YEAR

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The tax year is running out fast and with it your annual tax allowances. In the second part of our look at getting ready for the end of the tax year, we focus on your investments.

Tax is very relevant to investment plans. The taxman is usually keen to help himself to a share of the profits on investments, but although most types of savings and investment are subject to tax, he does provide some allowances that you should take full advantage of each year.

The personal tax allowance lets you enjoy the interest from small savings accounts deposits free from tax. But as soon as you earn more than £1000 interest a year, the taxman will start to take a share, and he will start even sooner if you are a higher rate taxpayer.

But there is another tax allowance that you should think about using.

Should you have an ISA?

ISAs are effectively tax efficient investments, with our wealth protected from the taxman's attention and therefore able to grow faster. So the answer to the question of whether or not to have an ISA for most people is yes.

HMRC will allow us all to invest up to £20,000 in ISAs in the course of the 2020/21 tax year, and then keep everything that investment earns. This is our annual allowance for ISA investment.

> As with every tax year, you have until April 5th to invest £20,000 and use your 2020/21 allowance, and you will have another £20,000 allowance in 2021/22. That means you could invest up to £40,000 over the next few weeks, or as much as £80,000 if you are able to invest as a couple.

But what kind of ISA should you have?

All ISAs can offer cash efficiency, but they are not all created equal. There are now several types that you might want to consider as homes for your investment allowance.

Cash ISA

Cash ISAs are simple savings products, and your money is protected by the Financial Services Compensation Scheme (FSCS) up to £85,000. But interest rates are little better than high street savings accounts, and struggle to keep pace with inflation.

Stocks and Shares ISA

Stocks and Shares ISAs could potentially be more rewarding. Your money will be invested in a shared fund, and you can choose a fund that reflects your approach to risk.

Lifetime ISA

If you are between 18 and 40, Lifetime ISAs allow up to £4,000 from your allowance to be put away each tax year. You will earn a government bonus of 25% as well as growth on your investment – but your investment can only be used to buy a first home, or to fund retirement.

> This ISA does come with some considerations notably that you will pay a 20% charge if you withdraw money or transfer your Lifetime ISA to another type of ISA before you are 60.

So what is the ISA for you?

At Continuum we can help you find the ISA that is right for you. Even if you cannot afford to invest £20,000 every year, we can help you find solutions which will help you make the most of your allowance with monthly contributions.

We can help you find the ISA or ISAs that are right for you and your allowance. It might make sense to call us now, while there is still time to make the most of the tax year.

The information contained in this article is based on the opinion of Continuum and does not constitute financial advice or a recommendation to suitable investment strategy, you should seek independent financial advice before embarking on any course of action. The value of investments can fall as well as rise and you may get back less than you invested. The Financial Conduct Authority does not regulate taxation advice. All 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. By incurring a Lifetime ISA Government withdrawal charge you may get back less than you paid in. By saving in a Lifetime ISA instead of a qualifying pension scheme you could lose contributions by your employer, if any. Saving in a Lifetime ISA may affect your entitlement to current and future means tested benefits.

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