

GUIDE TO SAVING WITH ISA'S (INDIVIDUAL SAVINGS ACCOUNT)

What are Maxi & Mini ISA's?

There are two different components to an ISA, Cash and Investment. There are also two different versions of an ISA, known as Maxi and Mini ISA's. During any tax year you can invest in either a single maxi investment ISA plan (£7,000) or you may spread your money across a Mini Cash (up to £3,000) & Mini Investment (up to £4,000) ISA's. The overall annual investment limit will remain the same at £7,000 for the current tax year. Please note: you cannot subscribe to both a Mini and a Maxi Investment ISA during the same tax year.

What is a Cash ISA

You may save up to £3,000 each tax year until 5th April 2007 after which time the Government may review it. While your money is in a Cash ISA none of the interest added to your account is subject to tax, so you don't pay tax on any gains made. Under ordinary bank or building society accounts, tax is normally deducted from accrued interest before it is added to your account.

Why Invest in a Cash ISA – Tax Benefits

- Interest will be added to your account without the deduction of any tax
- If you withdraw this interest to spend as income, then you have no liability to income tax on the money you receive from your ISA investment
- You may withdraw your money at any time without losing any of the tax advantages
- You do not have to declare that you have an ISA to the Inland Revenue.

What is an Investment ISA

These permit you to invest your money in a whole range of investment classes (or funds) in different economic areas (for example, Far Eastern Funds or UK or European Funds). They are not cash investments, they can be any asset type i.e. shares, gilts, corporate bonds or property.

Restrictions

You must be a UK tax resident (or perhaps a Crown Employee that is serving overseas) and you must be aged 16 or over. However, if you are less than 18 then you can only open a Cash Mini ISA.