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Guide to

Stocks & Shares Individual Savings Accounts

Wrapping up a wide range of different investments tax-efficiently

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Guide to Stocks & Shares Individual Savings Accounts

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Stock markets may be a riskier home for your savings, but higher rewards may be possible if you plan and take a longer-term view. Over longer periods, stocks and shares tend to deliver a superior return to cash, despite periodic bouts of volatility.

If you're starting to think about investing, Individual Savings Account (ISAs) could be a good place to start. For many people, one way to invest in stocks and shares is through an ISA. But there's no substitute for professional financial advice, which is essential to ensure that an assessment of your personal circumstances and attitude to risk is made before making investment decisions. So whether you're a novice or an experienced investor, we can help you get the most from your 2017/2018 ISA allowance.

WRAPPING UP YOUR INVESTMENT PORTFOLIO

A Stocks & Shares ISA is a 'tax-efficient wrapper' that can be put around a wide range of different investment products. You should be planning on investing for at least five years and be comfortable with the fact that the value of your investments can go both up and down and that you might get back less than you invested.

There are two ways you can go about investing your Stocks & Shares ISA allowance, which for the 2017/18 tax year is £20,000. A tax year runs from 6 April one year to 5 April the following year. You can invest with lump-sum contributions, or you can drip feed your money into the markets on a regular basis. The annual Stocks & Shares ISA allowance is subject to review, and the Government's favourable treatment of ISAs may change.

You can invest regularly in one of two ways within a Stocks & Shares ISA. You could drip feed your allowance in over time, making ad-hoc contributions, or set up a Direct Debit to make monthly contributions.

One advantage of making regular monthly contributions is that you can adopt a strategy known as 'pound-cost averaging' – so as markets invariably fluctuate over time, some of your monthly investments will take advantage of lower asset prices. The effect is that you will smooth out market volatility.

To hold an investment ISA, you must be 18 years or older and resident in the UK for tax purposes. Your yearly Stocks & Shares ISA allowance expires at the end of the tax year, and any unused allowance will be lost and can't be rolled over to the following year. You can only pay into one Stocks & Shares ISA in each tax year, but you can open a new Stocks & Shares ISA with a different provider each year if you want to.

MAKE THE MOST OF THE TAX BENEFITS

You don't pay Income Tax on the income from your Stocks & Shares ISA – this includes income from dividends and interest. In addition, you don't pay Capital Gains Tax on the growth of your Stocks & Shares ISA, and it will not have to be declared on your tax return.

Depending on your situation, if you're on the threshold between two Income Tax bands, investing within a Stocks & Shares ISA could keep you in the lower band. It means that your taxable income is lower, though your overall income might be similar to if you'd invested outside the Stocks & Shares ISA.

If you're over 65, income you receive from investments held within an Stocks & Shares ISA will not erode the higher personal tax allowance you receive, and if you're a higher rate taxpayer, the dividends and interest from your Stocks & Shares ISA are not included when you pay the extra tax levied on this income.

Capital Gains Tax is a tax you pay when you sell, give away or otherwise dispose of assets. At its simplest, you pay tax on any profit you get when you sell something you own – for example, your shares.

Usually, if you make a loss on something, you can offset it against your gains and pay less tax – so if you sold some shares at a profit and some at a loss, they would cancel each other out. But as Stocks & Shares ISAs are completely free from Capital Gains Tax, you don't pay tax if you make money, but you can't offset any losses you make against your other gains.

Investing your full Stocks & Shares ISA contribution allowance in one go will get your money working for you, with any returns compounding from the start. If you're investing for the long-term (meaning at least five years, but ideally ten years or more), timing the market should not be an overriding concern – it's time in the market that is the key.

HOLDING A WIDE RANGE OF INVESTMENTS

It is possible to hold a wide range of investments within your Stocks & Shares ISA wrapper. As well as unit trusts and open-ended investment companies (OEICs), you can hold individual shares, investment trusts, corporate bonds, gilts and exchange-traded funds (ETFs). ETFs track the performance of a market or index and are traded like individual stocks.

Investing in a diverse portfolio is essential when planning to manage risk. Different assets move in value at different times and for different reasons. Investors typically look to achieve a balanced portfolio, one that safeguards and protects against falls in any one area of their portfolio.

Buying individual stocks is risky, but you can spread the risk by buying a fund. Investment funds such as unit trusts and OEICs offer the opportunity to invest your Stocks & Shares ISA contributions in diverse portfolios of shares or bonds through a single investment. Funds differ in terms of where they invest, with some defining their portfolios by a particular geographical region, or by a particular type of company or sector.

They also differ in another way, however. Some fund managers actively pick shares or bonds according to their strategy in an attempt to beat the market, while other funds invest passively, meaning they aim to track a particular stock market index such as the FTSE All Share, which includes all of the companies listed on the main London Stock Exchange.

> **"CAPITAL GAINS TAX IS A TAX YOU PAY WHEN YOU SELL, GIVE AWAY OR OTHERWISE DISPOSE OF ASSETS. AT ITS SIMPLEST, YOU PAY TAX ON ANY PROFIT YOU GET WHEN YOU SELL SOMETHING YOU OWN – FOR EXAMPLE, YOUR SHARES."**

The difference between the best and worst funds in the same sector can be considerable. Creating and maintaining the right investment strategy plays a vital role in securing your financial future. Whether you are looking to invest for income or growth, we can provide the expert advice, comprehensive investment solutions and ongoing service to help you achieve your investment goals.

TRANSFERRING WHILE KEEPING FUTURE TAX BENEFITS INTACT

Should you wish to switch your current or previous year's Stocks & Shares ISA to a different provider while simultaneously keeping future tax benefits intact, you have to arrange for a transfer rather than selling and reinvesting. All ISA providers have to allow transfers out, but they don't have to allow transfers in. You can also transfer money from a Cash ISA to a Stocks & Shares ISA.

If you transfer an ISA that you have paid into during the current tax year to a new provider, you must transfer the whole balance. For ISAs from previous years, you can choose how much to transfer.

New ISA rules introduced in April 2015 permit the surviving partner of a spouse or registered civil partner who died on or after 3 December 2014 to receive an additional ISA allowance equal to the value of the deceased's ISA savings at the time of death.

WANT TO EXPLORE YOUR TAX-EFFICIENT INVESTMENT OPTIONS?

Whether you're investing for the medium or long term, the option you choose is likely to be influenced by your attitude to risk and investment needs. There are key considerations when it comes to investing. So whether you want to discuss finding the right Stocks & Shares ISA, or you're looking to transfer an existing ISA, we can guide you through the tax-efficient options available for your unique needs. To find out more, please call us – we look forward to hearing from you.

Understanding where there is downside risk and where there are opportunities

Global political risks continue to loom large, but such risks have been part of the investment landscape for decades. The challenge is understanding where there is downside risk and where there are opportunities should the risks materialise.

to discuss the investment options available to you, please contact us.

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