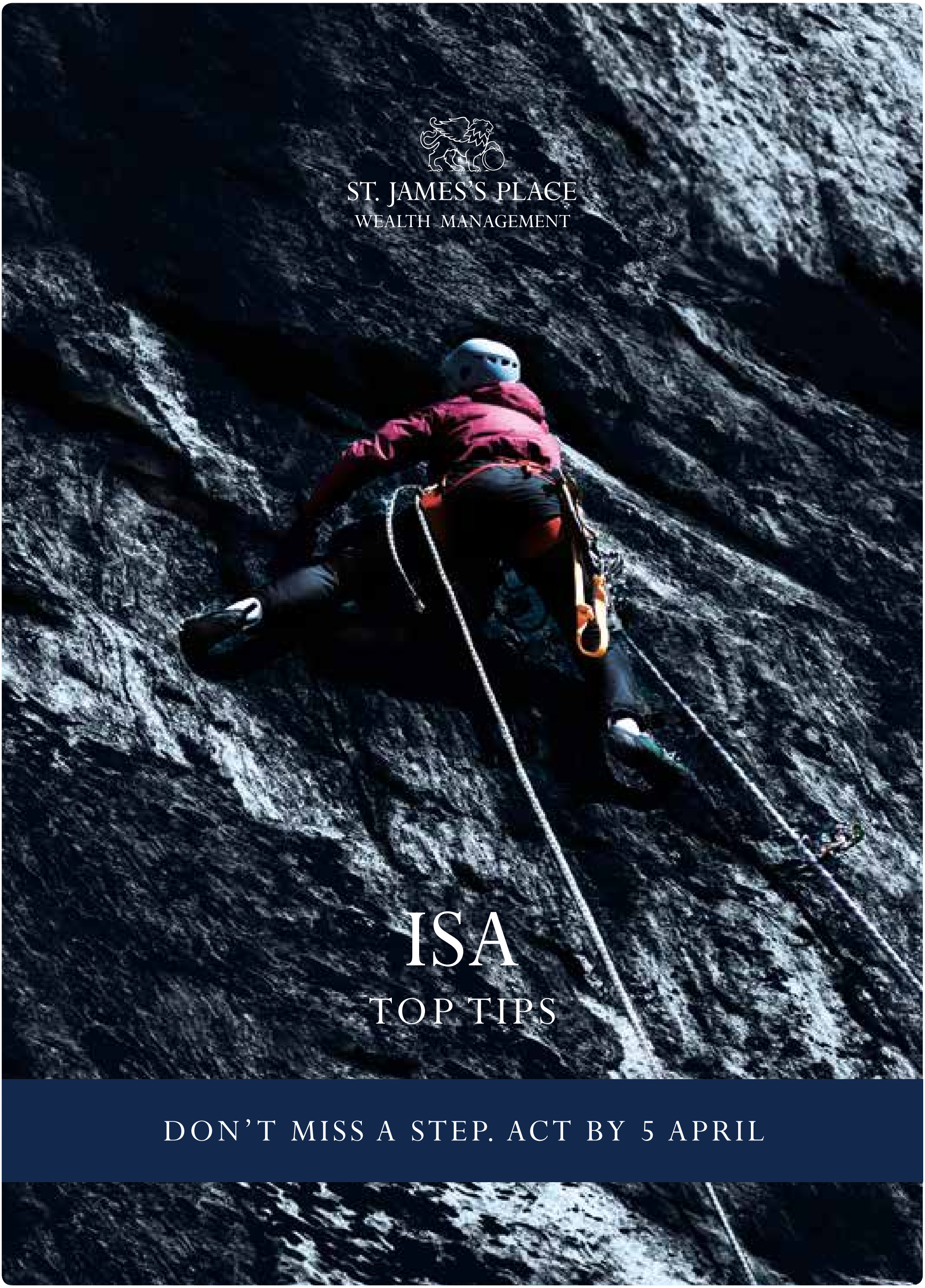
TAX YEAR-END PLANNING



ST. JAMES'S PLACE
WEALTH MANAGEMENT

ISA
TOP TIPS

DON'T MISS A STEP. ACT BY 5 APRIL

Your ISA allowance

MAKE SURE YOU DON'T LOSE IT

Your annual ISA allowance remains one of the simplest, most flexible and popular ways to invest for your future and shelter money from Income Tax and Capital Gains Tax. Over £608 billion is held in ISAs by over 22 million adults.[1]

Yet despite the tax-saving benefits on offer, only one in five ISA subscribers maximise their allowance. What's more, nearly three quarters of subscriptions are still deposited in Cash ISAs – £39.8 billion in the last tax year – despite the near record-low returns on offer.[2]

The maximum you can save into an ISA in this tax year is £20,000, but any unused allowance is lost after 5 April. It's a valuable opportunity to help grow your wealth and protect it from the twin threats of taxation and inflation. But to make the most of it, you need to invest it wisely.

[1, 2] HMRC, Individual Savings Accounts statistics, September 2018.

Consider your cash strategy

HOW THE PERSONAL SAVINGS ALLOWANCE AFFECTS YOUR ISA PLANS

Introduced in April 2016, the Personal Savings Allowance raised further questions over the benefits of Cash ISAs. It enables basic rate and higher rate taxpayers to earn annual tax-free interest of £1,000 and £500 respectively from standard cash accounts.

To put it into perspective, based on the current average instant access account rate 0.63%, a basic rate taxpayer can hold around £159,000 in a non-ISA account and receive all their interest tax-free.[3]

Cash ISA subscriptions fell by a huge 33% in the tax year following the introduction of the Personal Savings Allowance. Yet last year saw the amount put into Cash ISAs increase again, despite the number of subscriptions falling by nearly 700,000.[4]

It's vital to hold enough money in cash to meet short-term and emergency needs. But when deciding what to do with your ISA allowance for this year, think about whether it makes more sense to invest it for the longer term in assets that have greater potential to maximise the tax breaks on offer.

[3] Moneyfacts, December 2018.

[4] HMRC, Individual Savings Accounts statistics, September 2018.

Dividend Allowance

MAXIMISE YOUR TAX-EFFICIENT INCOME OPTIONS

It's easy to overlook the importance of the income that can be generated from your investments. Whether you take the income or reinvest it to help boost longer-term growth, it can make a significant difference to your total return and is even more valuable in the current environment of low growth and low interest rates.

The Dividend Allowance, which enables investors to receive tax-free dividend income, was cut to £2,000 at the beginning of the tax year. In round terms, assuming a dividend yield of 3.5%, it means you can receive tax-free dividends on an equity-based portfolio of around £57,000. Above that level, it makes sense to invest as much as possible into wrappers such as ISAs and pensions.

In the run-up to the end of the tax year, consider how transferring assets between spouses could help make the most of your joint Dividend Allowance.

Using your annual Capital Gains Tax (CGT) exemption of £11,700, you should also consider realising gains on taxable assets and investing the proceeds into an ISA wrapper to provide a longterm shelter from Income Tax and CGT.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. An investment in a Stocks & Shares ISA will not provide the security of capital associated with a Cash ISA.

The levels and bases of taxation, and reliefs from taxations, can change at any time and are generally dependent on individual circumstances.

Review existing ISAs

COULD YOUR TAX-EFFICIENT SAVINGS WORK HARDER FOR YOU?

Could your accumulated ISA savings be working harder for you? ISAs can potentially play a key role in generating tax-efficient capital and income to help you achieve future financial security. However, many individuals risk not making the most of their ISA savings by leaving their money deposited in lowpaying Cash ISA accounts or invested in poorly-performing funds.

There are currently no Cash ISA accounts paying a rate of interest that beats inflation.[5] That means over £270 billion deposited in Cash ISAs is losing money in real terms.[6] What's more, over ten million Cash ISAs have received contributions in each of the last ten tax years,[7] so it's clear that, despite the low returns on offer, Cash ISAs are still being used as part of individuals' long-term savings strategy. Cash is the right home for money you might need in the short term. But to potentially achieve longer-term returns that can maintain or increase the spending power of your money, you need to take some risk.

Investors who have built up a Stocks & Shares ISA portfolio over the years can find it increasingly challenging to keep track of how it's doing. How are the funds or underlying investments performing? Are the fund managers you originally chose still looking after your investments? Does your portfolio still match your attitude to risk or current needs? Could you improve the income generating potential of your ISA portfolio? A review of your ISA savings is the first step in establishing whether your money could be working harder for you.

[5] Moneyfacts, December 2018.

[6,7] HMRC, Individual Savings Accounts statistics, September 2018.

ISA regular savings

MAKE MARKET VOLATILITY WORK TO YOUR ADVANTAGE

Short-term volatility is an inherent feature of stock markets. For those worried about investing at the wrong time, saving regularly into a Stocks & Shares ISA is an ideal way to make the most of your allowance. It's a tried and trusted way to help control risk over the longer term, encouraging you to invest no matter what the market is doing.

By drip-feeding your money into the market, you have the potential to buy more units when share prices are falling. Of course, no one can predict when it will be, but when prices recover, you'll have more units with a higher value.

Saving regularly, or phasing a lump sum investment from cash into the market over a number of months, makes it possible to benefit from the short-term ups and downs and, at the very least, reduce the worry about investing at the wrong time.

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The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

Junior ISA

GIVE YOUNGER FAMILY MEMBERS A HEAD START

Junior ISAs are a great way to build capital to help children with the financial challenges of growing up. Over 907,000 Junior ISAs were subscribed to last tax year – a rise of over 14% – so it's clear that their popularity is increasing.[8]
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A Junior ISA can hold stocks and shares or cash, and it cannot be accessed until the child reaches 18 years of age. In other words, for those who start saving early, it's a long-term investment opportunity to create tax-efficient wealth.

And yet, of the £902 million subscribed to Junior ISAs last year, 57% was deposited in cash.[9] That increases the risk of its spending power being eroded by inflation over the longer term and means that, for many children, the opportunity is not being maximised on their behalf.

In this tax year, up to £4,260 can be contributed for each child by parents, grandparents, family members and friends. Gifting money in this way is also a great opportunity for those with estate planning needs who want to see their wealth passed on effectively to younger generations.

[8,9] HMRC, Individual Savings Accounts statistics, September 2018.

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