

Thank you Darling!

ISA Allowance Increase Good News for Savers & Investors

Joanna Trueman focuses on the benefits of Stocks & Shares ISA's

Following Alastair Darling's announcement in the spring 2009 Budget, the annual ISA allowance will be increasing from £7,200 to £10,200, providing welcome news to savers and investors who have seen their returns from savings drop in recent months.

People over the age of 50 will be able to top up their ISA with an additional £3,000 from the 6th of October this year, providing some relief for pensioners who have seen their incomes reduced by falling interest rates and who often rely on this to supplement their pension income. For those aged 18 to 49 the new ISA allowance comes into effect from the 6th of April 2010.

A stocks and shares ISA is essentially a tax protected wrapper within which you can hold a range of non-cash assets including collective investments such as unit trusts, investment trusts and open-ended investment companies (OEICs), individual shares, exchange traded funds (ETF's), bonds and gilts (including index-linked) with at least 5 years to maturity.

Profits from shares held in an ISA are not subject to capital gains tax, which means any growth on investment is completely tax free. There are some further tax savings on income, as the income on interest-bearing investments such as gilts, bonds and some ETF's is paid gross, with no further tax to pay whatever tax band the investor falls into. ISA's make particular sense to higher-rate taxpayers who gain from holding dividend producing shares in an ISA, as they pay tax at 10% rather than the 32.5% which is payable on non-ISA investments. It is also not necessary to declare ISA income on your tax return.

It is sensible to use as much of the annual allowance as possible as investors are unable to accumulate it and carry it over into the next tax year. For investors who have made full use of their allowance every year since their launch in 1999, they could have sheltered £77,400 from the taxman before the inclusion of income and capital growth.

Following this move by the Chancellor to help investors make more of their money, informed investors are taking advantage of the potential long-term returns from investments in a tax privileged wrapper. In this historically low interest rate

environment it is certainly worth considering taking advantage of all of your tax allowances.

Tee Financial plc is an authorised Stocks & Shares ISA manager. If you require any further information on the matter or would like to contact us to find out how easy it is to open an ISA or boost your subscription please contact Joanna Trueman on 01279 715598 or email joannat@stanleytee.co.uk for further information.

It is important to remember that all investments should be viewed as long-term and that values can fall as well as rise. Yields are not fixed and can go down as well as up. Past performance is not necessarily a guide to the future.

This type of investment is not suitable for everyone. Tee Financial plc would need to conduct a full fact find with each individual, which will include assessing their objectives and attitude towards risk to determine whether a stocks and shares ISA is appropriate. The current financial status of the individual will also need to be determined.