fmifa

Tax Efficient Savings
The different ways to invest tax efficiently

Independent Financial Advisers
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Pension Consolidation
Bring your pensions together and shift your investments into high gear.

The benefit of all ISAs is they give you the freedom to save or invest without paying any UK tax.

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How to invest tax efficiently

Investing through a tax-efficient wrapper, such as an ISA and a pension should form the backbone of your retirement finances. Other government endorsed tax incentivised schemes such as venture capital trust (VCT) or enterprise investment scheme (EIS) are more volatile but can give a significant boost to an overall investment portfolio, if you have already used your ISA and pension allowances.

Tax mitigation is important but the priority is to select high quality investments and match these with your risk tolerance and goals. There are many options to consider. We are Independent Financial Advisers and can help you with these important decisions.

Individual Savings Account (ISA): ISAs offer huge investment flexibility and all income and capital gains on investments within them are free from tax. There are no restrictions, unlike pensions, so withdrawals can be made whenever you need the money. Each year there's a maximum ISA allowance and different options to choose depending on your circumstances.

- Cash ISA works just like a normal savings account except you don't pay income tax on the interest you earn.
- Stocks and Shares ISA is for investing in the stock market. We can help you select a portfolio for your ISA aligned to your risk tolerance.
- Lifetime ISA (LISA) is designed for the under 40s to incentivise them to save for the deposit on their first house or for retirement. The government pays an annual bonus up to £1000 per year....free money. Access is only available when buying your first home, when you reach 60 or if you're terminally ill, otherwise, you lose 25% of everything withdrawn.
- Innovative Finance ISA is for peer-to-peer lending (lend funds directly to other investors). This is a very niche type of ISA.
- Junior ISA allows both parents or grandparents to contribute or transfer savings from a Child Trust Fund account. Only your child can withdraw money from their 18th birthday. A child aged 16 and 17 has a greater ISA contribution as the Junior ISA is in addition to their personal allowance, although, this can only be a cash ISA.

Pensions: Income from a pension, in contrast to that from ISAs, is taxable, but the key advantage is that investors get tax relief on their initial contribution at their highest marginal rate, up to an annual limit. Pensions are very long term as they cannot be accessed before the age of 55 and like ISAs, all income and capital gains are free from tax within them.
Self-Invested Personal Pensions (SIPPs): Allow much greater investment flexibility than conventional pensions and investors can build a more diversified and personalised retirement plan.

Venture Capital Trust (VCTs): This is a listed company that invests in a portfolio of entrepreneurial, unlisted small companies, so they are high risk. You'll receive income tax relief on the entire amount, but it must be held for at least five years to retain income tax relief. Any dividends or gains made are free from tax.
Enterprise Investment Scheme (EIS): EIS invest in a single, unlisted, very small, start-up style company, so they are high risk. There is the potential to defer capital gains made on a separate investment by reinvesting them into an EIS. No CGT is payable if you sell the shares after three years, provided the EIS initial income tax relief was given and not withdrawn on those shares. Any losses on EIS shares can be set against your capital gains or income tax liability in the year of disposal. Also, no IHT if held for over 2 years.
Seed Enterprise Investment Scheme (SEIS): Is a type of startup EIS that benefits from a 50% income tax break (compared to 30% for EIS), CGT relief and capital gains loss relief, if you are committing cash to an SEIS for three years.