30 YEARS

Tax Efficient Savings
The different ways to invest tax efficiently

Financial Management
Independent Financial Advice

Contact us: 01494 817151 | advice@fmifa.com | www.fmifa.com
Penn Barn, By the Pond, Elm Road, Penn, Bucks HP10 8LB

FMIFA is a trading name of Philip Harper LLP who is authorised and regulated by the Financial Conduct Authority (FCA). The FCA does not regulate tax planning. The purpose of this fact sheet is to provide technical guidance and should not be interpreted as a personal recommendation. The value of your investment can go down as well as up and you may not get back the full amount you invested.

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) 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 access 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.
- Stocks and Shares ISA: is for investing in a portfolio. We can help you select the right approach aligned to your risk tolerance.
- Lifetime ISA (LISA): is designed for the under 40s incentivising you to save for the deposit on your first house or retirement. The government pays an annual bonus up to £1000 per year — free money. Access to your money 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when buying your first home, when you reach 60 or if you're terminally ill, otherwise, you lose 25% of everything withdrawn.
- Junior ISA: allows both parents or grandparents to contribute or transfer savings from a Child Trust Fund account. Only your child can withdraw their money after their 18th birthday.

Pensions: Whilst 25% of a pension fund can be accessed tax-free, the key advantage is investors get tax relief on their contributions 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 (rising to age 57 in 2028) and like ISAs, all income and capital gains are free from tax.

Self-Invested Personal Pensions (SIPPs): Provide much greater investment flexibility than conventional pensions allowing investors to build a more diversified and personalised retirement plan.

General Investment Account (GIA): There is no limit to how much you can invest, so it's ideal for those who have used up their ISA allowance with more to invest. There are no restrictions on when you can access money although you should generally look to invest for at least five years. Whilst less tax efficient than an ISA, they are useful in utilising an individual's Capital Gains Tax allowance. Crystallising this gain can be combined with a movement of funds to an ISA portfolio each year as a new ISA allowance becomes available therefore building a tax-free investment programme over time.

Investment Bond: A single-premium life insurance policy that can be used to hold investments in a tax-efficient manner. The tax position is different depending on whether the product is set up offshore or onshore, and they can offer access to unique fund solutions from certain providers who tend to be the big, mainstream life insurance companies. It also allows switching between different investment funds within the product without an investment gain realised.

Venture Capital Trust (VCTs): 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 contribution if held for at least five years. Any dividends or gains made are free from tax. Contribution limits apply due to these valuable tax benefits.

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.

01494 817151
advice@fmifa.com | www.fmifa.com
Penn Barn, By the Pond,
Elm Road, Penn, Bucks HP10 8LB