

GUIDE TO THE  
**LIFETIME INDIVIDUAL  
SAVINGS ACCOUNT**

TAX-EFFICIENCY AND FLEXIBILITY FOR  
THE NEXT GENERATION



# GUIDE TO THE LIFETIME INDIVIDUAL SAVINGS ACCOUNT

## *Tax-efficiency and flexibility for the next generation*

In the March 2016 Budget, the Chancellor announced major improvements to Individual Savings Accounts (ISAs) with the introduction of a new Lifetime Individual Savings Account (LISA) from April 2017, designed to help young people save flexibly for the long term throughout their lives. The aim is to help them simultaneously save for a first home and for their retirement without having to choose one over the other.

### **SIMPLICITY AND POPULARITY**

The LISA is designed to work in conjunction with existing ISA products and be simple for savers to use by harnessing the simplicity and popularity of the ISA wrapper where contributions are made out of post-tax income but investment growth on savings and future withdrawals are tax-efficient.

### **25% BONUS RECEIVED**

From 6 April 2017, people under the age of 40 will be able to open a LISA and contribute up to £4,000 in each tax year. The Government will then provide a 25% bonus on these contributions at the end of the tax year. This means that people who save the maximum each year will receive a £1,000 bonus each year from the Government. Savers will be able to make LISA contributions and receive a bonus from the age of 18 up to the age of 50.

### **TAX-EFFICIENT GROWTH**

The bonus will be paid into the LISA at the end of each tax year so that savers will also benefit from tax-efficient growth on the bonus from the time it is added. For example, a £4,000 contribution made by a 25-year-old into a LISA which grew at 4% a year would be nearly five times larger due to the government bonus and investment growth by the time they reach 60.

### **£32,000 MAXIMUM LIFETIME BONUS**

Over their lifetime, savers will be able to have contributions of £128,000 matched by the Government for a maximum bonus of

£32,000, with investment growth on both their contributions and the government bonus.

Tax-efficient funds, including the government bonus, can be used to buy a first home worth up to £450,000 at any time from 12 months after opening the account. The funds, including the government bonus, can be withdrawn from the LISA from age 60 for any other purpose.

### **PAYING VALID BONUS CLAIMS**

LISA managers will claim the bonus due on the accounts they manage from HM Revenue & Customs (HMRC) who will pay valid bonus claims (up to a maximum of £1,000 per person per tax year). Where the individual is purchasing a home having contributed in that same tax year, they will be able to receive their bonus and will not have to wait until the following tax year.

### **OPENING A LISA**

Individuals will be able to open a LISA from the age of 18 until they turn 40. Opening a LISA will, in most ways, be identical to opening a regular ISA under the existing rules. Individuals will be able to open more than one LISA during their lives but will only be able to pay into one LISA in each tax year.

### **SAVING INTO A LISA**

Saving into a LISA will also be very similar to saving into any other ISA. For example, contributions will be made with the individual's own cash. Qualifying investments in a LISA will be the same as for a Cash ISA or Stocks &





# WHAT TYPE OF SAVER ARE YOU?

Creating and maintaining the right savings and investment strategy plays a vital role in securing your financial future. Whether you are looking to invest for income, growth or both, we'll help you find out which of your ISA options is best for you. To discuss your situation, please contact us for further information.

**To find out more, please contact us.**

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