

At a Glance Guide to ISAs

A tax-efficient product

For anyone who wants to make sure they are up to date on the latest developments and also for those who have not yet used their annual ISA allowance, this guide will give you a head start

What is a Stocks and Shares ISA and who can apply?

Stocks and Shares ISAs (Individual Savings Accounts) allow UK residents over 18 to invest up to £10,200 a year tax efficiently in an investment of their own choice. HB Markets Self Select ISA offers the choice to shelter investments from tax each year in shares. If you have an advisory ISA account, you will also be able to include most unit trusts.

What are the different types of ISA and what do they cost?

Our Self Select ISAs are either execution-only or advisory. HB Markets offers clients an advisory ISA through our telephone-based brokers.

Our ISA accounts have a low Annual Management Charge (AMC) of just £50 and our normal agency commission rates. If you hold ISAs with different providers you could combine these and potentially save on your AMC.

What are the benefits of investing in a Self Select ISA?

ISAs currently offer generous tax breaks, and whilst it is important to remember that tax rates and concessions can change, it is generally a good idea to use the tax breaks Her Majesty's Revenue & Customs allow you.

There are a number of advantages to investing in a Self Select ISA, including:

- ISAs are currently free of Income and Capital Gains Tax. Investing in an ISA allows individuals to invest directly in equities and shelter any returns from taxes.
- If you hold share certificates at home, you may consider transferring them to your general share dealing account and then trade them into an ISA account, up to the value of the maximum subscription of £10,200 this year, thereby saving on any Capital Gains Tax and reducing tax paid on dividends.
- By managing the investment yourself through a Self Select ISA your charges could be lower than through a Unit Trust ISA.

Risk Warning: All investments are speculative and will fluctuate in value. It should not be assumed that the value of investments always rise. Past performance will not necessarily be repeated and is no guarantee of future success. Tax rates and concessions are those applicable at the date of production of this guide. Investors should carefully consider their own personal financial circumstances before dealing in the stock market, and should seek independent advice from their investment adviser if in any doubt.

With the government looking to limit investments with tax breaks, it's more important than ever to consider using any tax allowances you have now. Using your ISA allowances should form part of everyone's basic financial planning. Buying and selling shares within an ISA shelters your investments from tax.

- Investments in an ISA can be sold at any time you want, so you can take out your money when you need it.
- If you are a higher rate taxpayer, you do not need to disclose income from an ISA on your tax return and your dividends are taxed at 10% not 32.5%.
- If you are retired, dividends taken as income from an ISA can boost pensions without raising your income tax as ISA income is not added to your earnings, so does not increase your tax liability.

Are Self Select ISAs risky?

With Self Select ISAs, you can vary or tailor the degree of risk according to your own circumstance or preferences. There are numerous options available which allow the investor to set their own investment strategy, such as:

Investing for income:

- Choose shares that have potentials to pay regular dividend income to your portfolio. In the current volatile market, you may need to review your portfolio to ensure such shares still meet your needs. Dividend payments history may help you decide to select companies who have consistently

paid dividends for their shareholders, bearing in mind that past performance is not always guaranteed to be repeated in the future.

Investing for balanced growth and income

- Look at companies across a range of different sectors. This gives you a basket of shares that could provide downside protection from falls in one sector with upside exposure to other sectors.
- Re-invest dividends to build up your portfolio. Re-investing dividends helps improve the compound performance of your portfolio as well as allowing you to benefit from any rise in the basic share price.

Investing for capital growth

- Look for large and smaller companies' shares that appear to be below their fair value. Cross check your own research on these companies with analysts' aggregate views using online research websites. Such shares could help grow your capital.
- Exchange Traded Fund (ETFs) such as iShares* can provide a diversified investment at lower cost than Unit Trusts, which could charge an average 5%

initially and 1% per annum. iShares only cost the broker commission and are Stamp Duty free.

- Tailor your Self Select ISA tactically by targeting a particular company or market sector.

The risks

- The value of your investment and the income from it may go up as well as down. You may get back more or less than you invest.
- UK tax regime may change and may affect ISAs and other tax efficient investments.
- Seek independent advice if you are unsure an ISA is suitable to your personal financial circumstances.

* For more information on ETFs and iShares visit www.londonstockexchange.com