



Ribble Wealth Management Limited
Professionalism . Integrity . Trust

Your ISA guide



**All you need to know about this tax
efficient savings wrapper**

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This guide gives you all the key information you need to know about ISAs and how you can benefit from tax efficient savings.

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What is an ISA?

- ∞ ISA stands for Individual Savings Account.
- ∞ It is not an investment in its own right but a “wrapper” within which you can shield your money from tax.
- ∞ You do not need to pay any Capital Gains Tax or further Income Tax on your ISAs. You don't even have to declare them on your tax return.
- ∞ Any UK resident can invest in their own ISA:
 - From age 16 – in a Cash ISA;
 - From age 18 you can invest either Cash, Stocks & Shares (investment) or a combination of the two into an ISA.
- ∞ You can take money out of an ISA at any time.
- ∞ Children under 16 can have a Junior ISA opened on their behalf, provided:
 - They were not entitled to a Child Trust Fund Account; and
 - The Junior ISA is not accessed until they are 18 years old.
- ∞ The value of a Stocks and Shares ISA can fall as well as rise so you may not get back the full amount you invest. The levels of taxation referred to in this brochure can be subject to change in future.

How it works – Sheltering you from further tax

Investing for growth?

Your money grows free from any personal liability and therefore any gains are not subject to Income Tax, or Capital Gains Tax should you ever take money out.

Investing for income?

The graph below is for illustrative purposes only and should not be seen as an indication of likely investment returns. This shows how a Stocks and Shares ISA can shield your money from tax. Inside an ISA you could take income from your investment free of taxes, whereas outside an ISA you would pay tax at your highest marginal rate. The same principle applies to returns made within a Cash ISA.

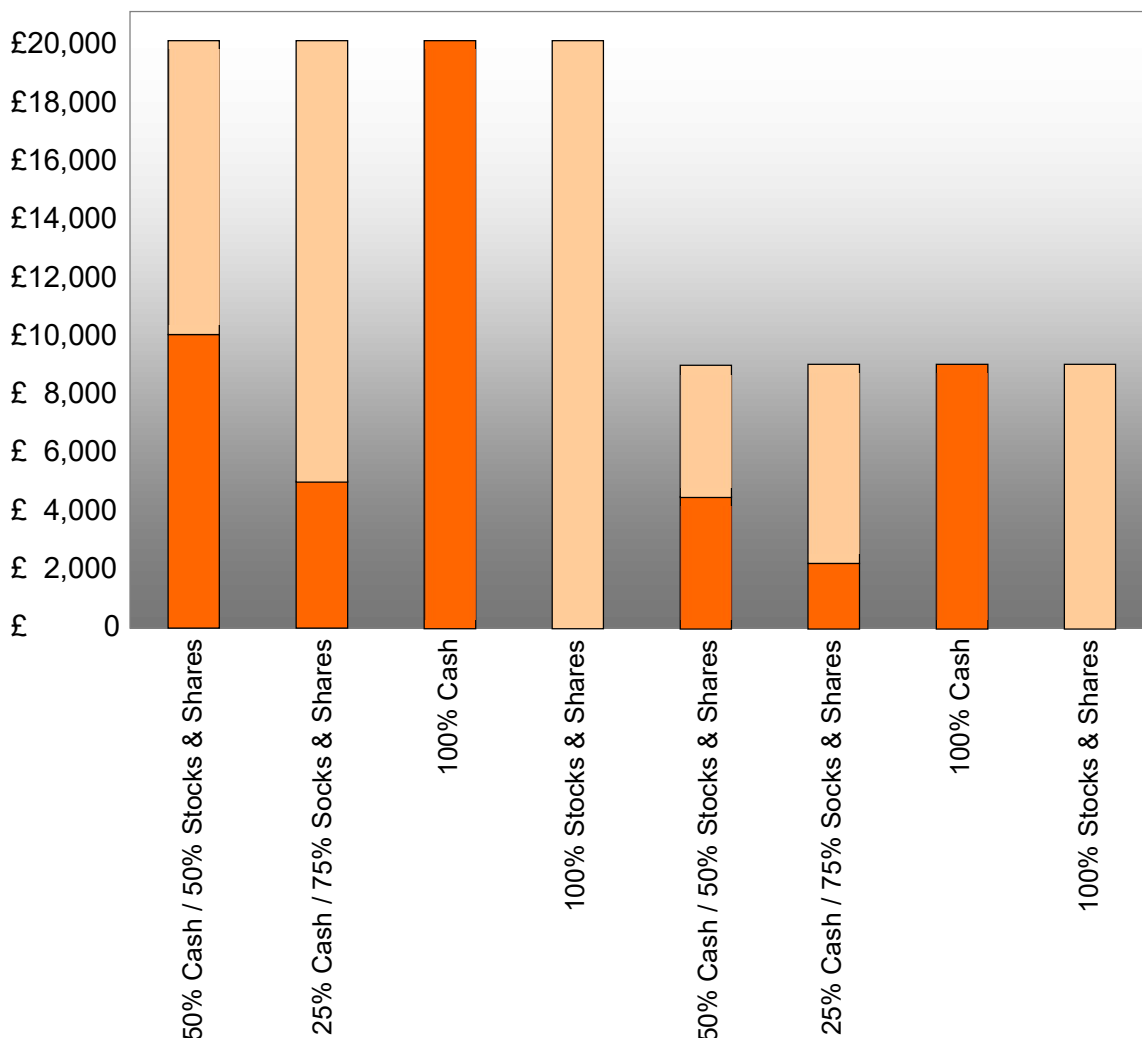


What is my annual ISA allowance for 2020/2021?

- ∞ Each tax year everyone has an ISA “allowance” which sets the maximum that can be saved within the tax-efficient wrapper from 6th April to 5th April. The limit for 2020/2021 is £20,000.
- ∞ Under the ISA rules, you will also be able to split your annual allowance as you choose between Cash and Stocks & Shares.
- ∞ From the 1st July 2014 you have been able to transfer from a Stocks & Shares ISA to a Cash ISA, and *vice versa*. Under previous rules you could only transfer from a Cash ISA to a Stocks & Shares ISA.
- ∞ You have always been able to hold cash in a Stocks & Shares ISA, but any interest was in effect paid net of basic rate tax, subject to your personal circumstances. Under the new rules interest on cash held in an ISA will be completely tax-free.
- ∞ The maximum limit for Junior ISAs is £9,000 for the tax year 2020/2021.

Examples:

2020/2021 ISA Tax Allowance – £20,000 / Junior ISA Tax Allowance £9,000



Cash vs Stocks & Shares

- ∞ Holding cash in an ISA will pay a return and should be the bedrock of your investments.
- ∞ They can pay either a set or variable rate of return but the value is guaranteed not to fall in value.
- ∞ Investors who would want the potential to generate income or growth which outpaces inflation (the increase over time in the cost of living) will generally choose to invest in Stocks & Shares within their ISA.
- ∞ These allow you to invest in a wide range of companies with the potential for the value of the stocks and shares to rise (and also fall!), whilst sharing in the dividends that these companies pay out.

Lump Sum and/or Regular Investment

- ∞ You can invest in an ISA as one lump sum, up to the allowances for that year.
- ∞ You could also arrange a regular monthly payment by direct debit to ensure that you regularly contribute towards your full allowance.

Take Advantage of Pound Cost Averaging

- ∞ Investing small amounts regularly can have the advantage of averaging out the cost of your total investment over time. This is known as “Pound Cost Averaging”.
- ∞ If you invest the same amount of money each month, when the share price is down you get more for your money than you will when the share price is up. This technique irons out the ups and downs of a share or fund price over time, giving you a number of shares (units of funds) bought at an overall average price. This takes away the worry of timing your purchases correctly.
- ∞ Regular investing is ideal for people starting out or who want to take their first steps towards building a portfolio of funds for their long-term future.

Pound Cost Averaging Example:

Month	Fund Price		Regular Investment	Units Bought		One-off Investment	Units Bought
1	£5.00		£100.00	20.00		£500.00	100.00
2	£4.50		£100.00	22.22			
3	£3.50		£100.00	28.57			
4	£4.00		£100.00	25.00			
5	£5.00		£100.00	20.00			
Average	£4.40	Totals	£500.00	115.79		£500.00	100.00
Value of shares at month 5			£578.95			£500.00	

Please note that this example is for guidance only. Movements in the share price may mean you acquire less shares in the period resulting in a lower valuation.

How do we select the right investment for you?

Everybody has different financial needs and goals and your priorities will change over time. As such, how you invest your ISA allowance will reflect these changing aspirations – to generate extra income, to provide savings in retirement, to meet school fees, to pay for a wedding or to assist with a house purchase.

We don't believe there is a simple "one size fits all" approach to choosing an ISA investment. However, we do believe there is a simple, robust yet powerful way to select an investment that is right for you.

Our approach to investments focuses on your attitude to risk – how much potential loss you are prepared to accept in return for potential gains. Here is how it works:

- ∞ Our simple questionnaire will assess your attitude to risk. It's very quick and easy to complete but it is based on very powerful research.
- ∞ The result will be a risk profile between 1 and 10. We will then discuss these results, explaining to you in plain English exactly what your score means. We'll even show you how much money you could potentially gain or lose in any given year based on that profile.



Least risk

Most risk

- ∞ We will then select investments for you that match your risk profile – we work with leading fund managers at established and recognised investment management firms to ensure that your investments never drift too far from your risk profile – they will always work within the amount of risk you are comfortable with.
- ∞ If your circumstances change, your investments can too. If your attitude towards risk changes, we can simply switch your investments to one which will meet your new goals.

What about my existing ISAs?

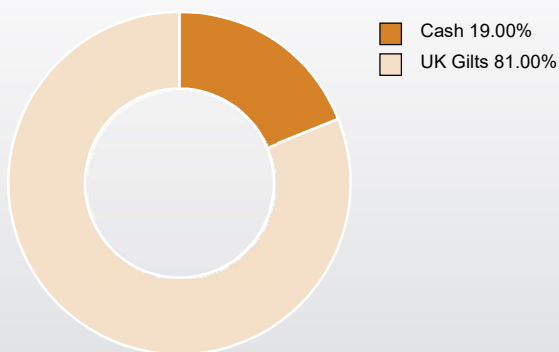
You may already have existing ISA investments (or even the forerunners to the ISA such as PEPs and Mini/Maxi ISAs).

Over time, many funds will alter their investment strategy. Moreover, one particular asset class within a fund may perform better than others, which means it will become a larger overall proportion of the funds asset holdings. This can lead to “investment drift” – where what started out as a “suitable (balanced or weighted) portfolio” can end up holding very different assets in comparison to when they were set up. This could lead to an investor being exposed to much more, or much less, risk than they ever intended.

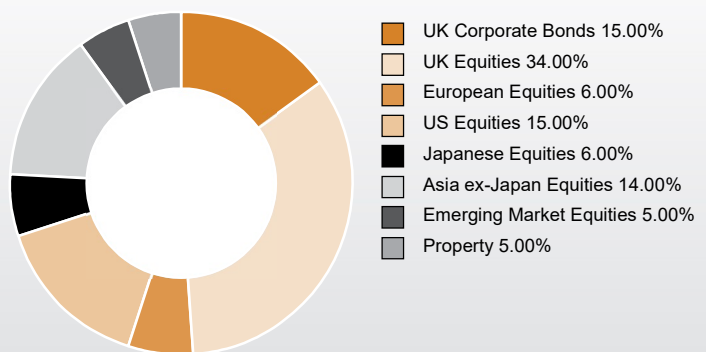
We can assess your existing portfolio of investments and make sure that they fit your current attitude to risk. We’ll examine what you currently have and make sure you are on track to meet your current goals.

If we find that your existing ISA investments are not currently aligned with your attitude to risk then we can arrange to transfer your ISA holdings into an investment fund or funds that not only match your attitude to risk but will stay in line with your needs – not drifting away from your requirements over time, but making sure you stay on target to reach your investment goals, by way of regular reviews.

Example current asset allocation



Example target asset allocation



What should I do next?

- ∞ You can call us to arrange your ISA for the current tax year.
- ∞ We will make sure your ISA is invested in an appropriate manner for your circumstances.
- ∞ We can review your existing ISA holdings and ensure they are on track to meet your goals.
- ∞ Should you require it we can also arrange for a full review of your financial needs – be it ensuring your investments are in shape, planning for a prosperous retirement, protecting your family’s income or managing your estate planning.



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