MAKE THE MOST OF YOUR ISA ALLOWANCE

As the end of the tax year approaches, now is the perfect time to review how you're using your Individual Savings Account (ISA) allowance. With the April 5 deadline fast approaching, it's important to ensure you're making the most of this valuable opportunity to save and invest tax-efficiently. Here, we break down how ISAs work, dispel common misconceptions, and explain why acting now could make a big difference for your financial future.

Why ISAs matter?

ISAs are one of the most accessible and flexible ways to save and invest while minimising your tax liability. For the 2024/25 tax year, the annual ISA allowance is £20,000. This means you can save or invest up to this amount, and any returns—whether interest, dividends, or capital gains—will be entirely tax-free.

There are several key benefits to using your ISA allowance:

Tax-free growth and income
Returns on investments held in an ISA are not subject to income tax or capital gains tax, making them a powerful tool for building wealth.

Flexibility across ISA types
From cash ISAs for short-term savings to stocks and shares ISAs for long-term growth, there's an option to suit various financial goals.

No carry forward
Unlike pensions, unused ISA allowance does not roll over to the next tax year. If you don't use it by April 5, you lose it.

Common misconceptions

There are some common myths about ISAs that can lead to missed opportunities. Let's clarify:

I can only open one ISA each year
You can open and hold multiple ISAs (e.g., cash, stocks and shares, Lifetime ISAs), but your total contributions across all ISAs must not exceed £20,000 for the tax year.

ISAs are only for long-term investors
While stocks and shares ISAs are often used for long-term growth, cash ISAs are ideal for short-term savings or an emergency fund.

I'll wait until the deadline to contribute
Early contributions mean your money has more time to grow, especially in stocks and shares ISAs where compound growth can have a significant impact over time.

The impact of acting now

The earlier you contribute to your ISA, the longer your savings or investments have to grow. For example, if you invest £20,000 into a stocks and shares ISA at the start of the tax year, you benefit from an additional year of potential growth compared to waiting until the end of the year.

It's also worth considering that investment markets can be unpredictable. By spreading contributions throughout the year, you can take advantage of "pound-cost averaging," which reduces the risk of market timing.

Speak to your adviser

Maximising your ISA allowance is a key step in building a tax-efficient financial plan.

To ensure your strategy aligns with your goals, speak to your financial adviser. They can help you determine the best ISA type for your needs and ensure you're taking full advantage of the allowance before the deadline.

Important information:
The value of investments can go down as well as up, and you may not get back the full amount you invested. Past performance is not a guide to future performance, and past performance may not necessarily be repeated. Tax benefits depend on personal circumstances and current tax rules, which could change in the future. Information provided is for guidance only and does not constitute financial advice. Tavistock Investments Plc is authorised and regulated by the Financial Conduct Authority.