

How a Help to Buy ISA works

With a new Help to Buy ISA the government will top up your savings by 25%. So for every £200 you save, the government will contribute £50.

The most you can get from the government is £3,000, so the maximum amount you can save in a Help to Buy ISA is £12,000. The minimum amount you need to save to qualify is £1,600 (which gives you a £400 bonus).

You can start off your ISA with an initial deposit of up to £1,000 which also qualifies for the 25% boost from the government.

Help to Buy ISAs are available to each first-time buyer, not each house, so if you're buying a property with your partner, for example, you'll be able to get up to £6,000 towards your deposit.

You will need to instruct your solicitor or conveyancer to apply for your government bonus once you're close to buying your home.

Once they receive the government bonus, it will be added to the money you're putting towards your first home.

Your Help to Buy ISA bonus can't be put towards the house exchange deposit

This means you cannot put the bonus towards your initial deposit, as it will only be paid out once the property sale has been completed.

You also can't use it to pay for indirect costs associated with buying your home, for example solicitor or estate agent fees.

The bonus aims to reduce the size of your mortgage by increasing the amount of equity you have in the property.

In certain circumstances some lenders might allow you to put the bonus towards your mortgage deposit and secure a better rate.

Example

If you save up £12,000 with a Help to Buy ISA, you are entitled to a £3,000 bonus. However, you won't be able to use this bonus as part of your initial deposit.

The bonus will go towards the full cost of your home after the sale is completed. This means your outstanding mortgage will be reduced by £3,000.

Who qualifies?

- You need to be a first-time buyer.
- You must be aged 16 or over.
- You can use it to buy any home worth under £250,000 (or under £450,000 in London).
- You can use a Help to Buy ISA with any mortgage; you're not restricted to a Help to Buy mortgage.
- You can't use a Help to Buy ISA if you're going to rent out the property.
- You can't use a Help to Buy ISA on an overseas property.

- You can't have more than one Help to Buy ISA.
- You can't open a Help to Buy ISA and a normal Cash ISA in the same tax year*.

*Some providers will let you save into a cash ISA and a Help to Buy ISA within the same ISA wrapper. However, the standard cash ISA and Help to Buy ISA allowance limits will still apply.

When are Help to Buy ISAs available?

Help to Buy ISAs have been available since 1 December 2015.

How soon can you get the money?

Once your savings have reached the minimum amount (£1,600) you can claim your government bonus at any time. If you want to qualify for the maximum bonus of £3,000 it will take just over four and a half years.

It's worth noting that you will need to claim your bonus through your solicitor or conveyancer, which might be subject to a maximum fee of £50 plus VAT.

How the figures add up if you save the maximum allowed under the scheme

	Maximum contribution	Running total
Initial deposit	£1,000	£1,000
Year 1	£2,400 (£200/month)	£3,400 + interest
Year 2	£2,400 (£200/month)	£5,800 + interest
Year 3	£2,400 (£200/month)	£8,200 + interest
Year 4	£2,400 (£200/month)	£10,600 + interest
Year 5	£200/month until you reach £12,000	£12,000
Government bonus	£3,000	£15,000
Grand total	£15,000	

Interest on your Help to Buy ISA

The interest rates on Help to Buy ISAs will vary and will be set by each provider. You won't earn interest on your government bonus because you don't actually get the money until you buy your property.

When you get your bonus it's calculated using the money you've saved and the interest that has built up while your account has been open.

Opening a Help to Buy ISA

You can apply for a Help to Buy ISA through a bank or building society either online, by telephone or in a branch.

The above information does not constitute advice and it should not be taken as such, or acted upon. You should always seek professional financial advice which takes account of your individual circumstances and requirements. Although we believe the above information is correct at the time of issue, Hamblin Martin Financial Ltd cannot be held responsible for its accuracy, or for changes in pension and taxation rules in the future.

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