

Lifetime ISAs

From April 2017 all eligible savers between the ages of 18 and 39 will be able to open a Lifetime ISA.

A Lifetime ISA a new type of account which is designed to help young people to save for both their first home and for their retirement simultaneously. You can contribute up to £4,000 into this ISA in each tax year, the government will then provide a 25% bonus on these contributions at the end of the tax year, this means savers can gain an extra £1 for every £4 they save, so those who save the maximum each year will receive a £1,000 bonus on their savings each year.

The money held within the lifetime ISA can be used to either pay for part, or all of a first time home or it can be used to save for retirement. Savers will be able to benefit from earning the bonus on their contributions until the age of 50 years and will be able to have a maximum individual contribution of up to £128,000 which can be matched by the government, to a maximum of £32,000.

You will be able to transfer your ISA to another provider and it should take no longer than 30 days.

Making Withdrawals from a Lifetime ISA

You can withdraw the money at any time before you turn 60. However, you will lose the government bonus, the interest on this bonus, and pay a 5% charge. Therefore, you should only invest in this type of ISA if you're confident that you will be able to leave the money untouched. If you're likely to need the money before then, then a Cash ISA may be of more use as you would not lose your interest.

Using a Lifetime ISA to Purchase a First Home

Savers will be able to contribute to one Lifetime ISA in each tax year, as well as a cash ISA and stocks and shares ISA. This gives you a wider pool of options when planning your savings, particularly if you're unsure whether you'll need to withdraw your savings before the age of 60 but would still like to pay in to a Lifetime ISA.

You can use your ISA to fund your first home, details below:

- Funds can be used to buy a first home, up to £450,000, from a year after opening the account and can be withdrawn from age 60 to fund retirement
- If someone is using their Lifetime ISA to buy a first time home with someone else they can both use their lifetime ISA and benefit from the government bonus
- If the saver does not use all of their lifetime ISA savings on the purchase of their first home, then any leftover including the government bonus can be used to fund their retirement
- If you have a Help to Buy ISA you can transfer those savings into a Lifetime ISA or continue saving with both, however you will only be able to use the bonus from one of the schemes to fund the property purchase

Using a Lifetime ISA for Retirement

Full or partial withdrawals can be made from the age of 60. The money can be used for any purpose and will be paid free of tax, funds are permitted to remain invested and any interest and investment growth will be tax-free. Withdrawals are also tax-free.

You will also be able to pass on your lifetime ISA to a spouse or civil partner. Additionally, family are able to pay in to a lifetime opened by a child or grandchild. This can be used as part of inheritance tax planning.

You can open a lifetime ISA with a bank, building society or investment broker from April 2017. However, not all providers are planning to offer this product immediately.

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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