



## **MFP News**

### **April**

Welcome to the April newsletter. I've been away in Australia for 3 weeks so I decided to wait until my return before sending this newsletter.

It's nice to see the days getting longer and the hope that better weather is on it's way. In terms of seasons the Individual Savings Account (ISA) season is traditionally up to the 5th April. However, I've decided to focus on ISAs this month as it makes more sense to invest regularly into an ISA rather than end up rushing to sort things out at the end of the tax year.

I realise that some browsers blocked the images from my last newsletter. Thanks for the feedback! A pdf version of the [January newsletter](#) is available by clicking on the link.

### **Individual Savings Accounts**

Individual Savings Accounts (ISAs) have been around since 1999. They are an important means of saving because they are both tax efficient and accessible.

I thought it would be worth recalling some of the rules around ISAs as there have been some recent changes in allowances.

For the current year the annual ISA allowance has increased to £10,200 for everyone who is eligible.

The allowance applies to a tax year and if you don't use your allowance in any year that's it.

There are two types of ISA:

#### **Cash ISAs**

#### **Stocks and Shares ISAs**

In the current tax year, the full £10,200 can be invested in a Stocks and Shares ISA with one provider or up to £5,100 can be saved in a

Cash ISA with one provider, with the remainder being saved in a Stocks and Shares ISA with either the same, or another provider.

It is possible to transfer both Cash ISAs and Stocks and Share ISAs between providers.

## Cash ISAs

For Cash ISAs it can make sense to transfer to get a better interest rate. Note that the best rates will not always accept transfers. For instance the best instant access Cash ISA rate is currently 3.2% per annum (including bonus) from Santander and Alliance & Leicester but this does not accept transfers whereas the best rate which accepts transfers is 2.75% per annum from Nationwide.

Both of these compare favourably with some of the rates available on existing Cash ISAs:

Nat West: 0.5% for funds up to £8,999

HSBC (Variable rate): 0.25% funds up to £15,000

Barclays: 0.1%

Lloyds TSB: 1.0%

Of course these banks do offer better rates but you need to keep an eye on your account to make sure your rate hasn't fallen to an uncompetitive level. **There's no point going to the effort of putting your money into an ISA and the losing the benefits by leaving it in an account with a poor rate of interest.**

Source: [www.moneyfacts.co.uk](http://www.moneyfacts.co.uk); Bank websites

## Stocks and Shares ISAs

In terms of Stocks and Shares ISAs it is possible to switch funds or ISA managers.

According to Skandia the most popular funds in February this year were the following:

- |   |                                   |
|---|-----------------------------------|
| 1 M&G High Interest                     | 6 M&G Recovery                    |
| 2 M&G Strategic Corporate Bond          | 7 M&G Optimal Income              |
| 3 Invesco Perpetual High Income         | 8 M&G Corporate Bond              |
| 4 Invesco Perpetual Monthly Income Plus | 9 Jupiter Merlin Income Portfolio |
| 5 Invesco Perpetual Corporate Bond      | 10 Ignis UK Property              |

A lot of people looking for income!

It is also possible to switch from a Cash ISA to a Stocks and Shares ISA although this is a one way option. It's not possible to switch back.

As the 5<sup>th</sup> April looms there is often a rush to use up the current year's ISA allowance. An alternative strategy is to set up a regular contribution into an ISA. For a Stocks and Shares ISA this has the advantage of smoothing out the ups and downs of the stock market. It's also an excellent discipline for getting into the savings habit and if you do this for a few years you should build up a decent pot of savings.

In most cases you should be able to shop around and sort out your cash ISAs yourself. In terms of Stocks and Shares ISAs, if you want to set up a regular contribution or a lump sum for the 2010/11 tax year and you want some advice on what to do please get in touch.

Will Mowatt