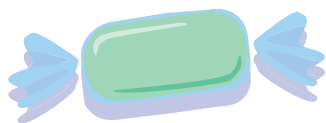




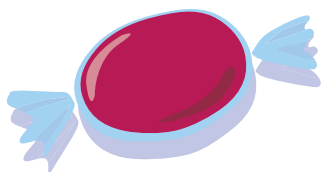
**An IFA can
find a
safer home for
your ISA.**





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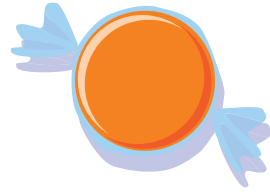
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Introduction

There are hundreds of Individual Savings Accounts (ISAs) available in three different forms. ISAs are tax efficient and offer the potential for growth from some of the most exciting investment opportunities in the world – or greater security if required. An Independent Financial Adviser (IFA) can guide you through all the options available.

This brochure is designed to help you understand why you need to think about ISAs, the issues you should be aware of and where you can get help and advice concerning what action you should take.



ISAs. Know your choices.

The Government is keen to increase the number of people in the UK who save money to provide for the future. As we are living longer, the financial strain on the welfare state needs to be counteracted by self-provision. Savings is a sensible area for the Government to incentivise with tax breaks, as about half of the UK population has less than £200 saved each. 40% of the UK population are currently saving nothing.*

The Government has a target to double the number of people who save money – from

6 million to 12 million. The introduction of ISAs was designed to help reach this target.

Many ISA offers will be tempting, but before you make your decision as to which one is best for you, it may be useful for you to have answers to some of the following questions.

*Source: IFA Promotion *Get Saving!* research, August 2003.



Individual Savings Accounts are simple, flexible, tax-efficient savings plans that are widely available and easy to set up.

You can open an ISA without giving instructions in writing, which allows ISAs to be set up over the telephone or through the Internet. The ISA manager will then send you confirmation of what has been arranged, which you can change if necessary.

You can also save in an ISA that will offer tax-efficient savings through a wide range of investments. ISAs may have up to three separate elements:

- Investment – which includes unit trusts, investment trusts, OEICs, gilts, equities and corporate bonds.
- Cash – which includes National Savings & Investment products, bank and building society accounts and cash unit trusts.
- Life assurance – which includes savings products which offer life cover as a benefit.

You can choose to invest in one element of the ISA, two elements or all three depending on your requirements and circumstances.

Who can invest in an ISA?

Anybody over the age of 18 (16 for a cash ISA) is able to save using an ISA as long as they are a UK tax resident. You can take out an ISA even if you are not currently working.

You and your partner are both able to set up an ISA as you get separate ISA allowances. You cannot take out an ISA with somebody else as each ISA must be individually taken out. However, you can subscribe to an ISA on behalf of someone else, for example as a gift.

How much can I invest?

There is an overall maximum investment limit for ISAs, and separate limits for each element.

ISA type	For each tax year up to 2005/2006
Investment ISA	Up to £7,000
Cash ISA	Up to £3,000
Life Assurance ISA	Up to £1,000
Combined maximum	£7,000



**Fill me
in on
the details.**

Tell me more about the Cash element of the ISA

You can invest up to £3,000 cash in an ISA for the current tax year.

If you have any cash sitting on deposit in the bank or building society it may be advantageous to place some of this money (having left yourself an adequate emergency cash fund) into a cash ISA, because money on deposit with a bank or building society is normally taxed at your highest rate of income tax. Cash ISAs can include some National Savings & Investment products, bank and building society accounts and cash unit trusts, and all interest will be tax-free.

Tell me more about the Investment element of the ISA

The Investment element of an ISA can be in funds such as unit trusts, OEICs or Investment Trusts. You may also choose to invest directly into shares or corporate bonds.

If you take out an ISA with cash and life assurance elements, your remaining allowance can be in an investment ISA. You may prefer to invest your whole allowance in an investment ISA.

Tell me more about the Life Assurance element of the ISA

You are able to invest £1,000 in Life Assurance through an ISA each year. These are either unit linked policies or with profits bonds.

I've heard about CAT standard ISAs – what are they?

There are benchmarks set by the Government to provide assistance to investors when choosing an ISA. They cover Cost, Access and Terms. There are three sets of 'CAT' standards, one for each element of the ISA.

Common themes for CAT marked ISAs:

1. Clear straightforward treatment of investors and advertising in plain English
2. No requirement to buy another product
3. An undertaking that the provider keeps to the CAT standards after the ISA is set up

'CAT' Standards

	Cash	Investment	Life Assurance
Reasonable Costs	No one-off or regular charges of any kind.	Charges not more than 1% of Net Asset Value a year. No other charges.	Charges to be no more than 3% a year. No other charges.
Easy Access	Minimum saving level to be £10. Withdrawals must be available within seven days.	Minimum investment level not greater than £500 a year or £50 each month.	Minimum premium level not greater than £250 a year or £25 each month.
Decent Terms	No other requirements e.g. no extra charge if more than a set number of withdrawals are taken. Interest rate no lower than 2% below base rate. Interest rate to follow upward base rate changes within one calendar month; downward changes may be slower.	Unit Trusts, OEICs and certain investment trusts (no 'splits' or more than 10% gearing). Single unit price for buying and selling. At least 50% invested in EU shares and securities. Can be actively managed. Marketing literature to explain risk.	Surrender values should reflect the value of the underlying assets. After three years the surrender value must be at least equal to return of premiums.

Will a CAT standard ISA always be the best for me?

No, CAT marking is just a template for a certain type of ISA. It does not necessarily mean that a CAT marked ISA will be the best performing or the most suitable product for you. In reality ISAs offer a broad range of benefits and so the most suitable product for you depends upon your needs and circumstances. This is where the advice of an Independent Financial Adviser (IFA) will prove invaluable.

Who will provide my ISA?

There is a choice between many individual ISA managers. Some managers only offer Cash ISAs or Investment ISAs. Others offer all the elements.

Different providers inevitably offer different rates of return, different charges and different levels of service.

Because of the large number of ISA providers and the different types – from investment houses to supermarkets, it may be in your best interest to invest with three separate ISA managers each tax year who specialise in that particular area e.g. life assurance, cash management and investment. This is the area where an IFA can advise you and help you make the right choice.



What do the terms ‘Maxi’ and ‘Mini’ ISAs mean?

On top of the three ISA elements – investment, cash, life assurance – there are two different ‘wrappers’ for ISAs, the maxi and the mini. Within each of these wrappers there are many choices where your money is saved or invested.

You can choose either a maxi or mini ISA but you can’t set up one of each in the same tax year. Should this be the case, your secondary investment will be void and any tax advantages received will be repaid to the Inland Revenue. Maxi and Mini ISAs differ in the following ways:

Maxi ISAs

These enable you to save the full £7,000 entitlement in the current tax year in

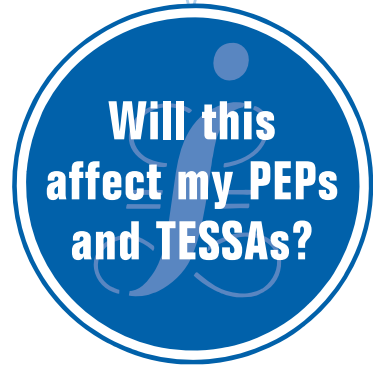
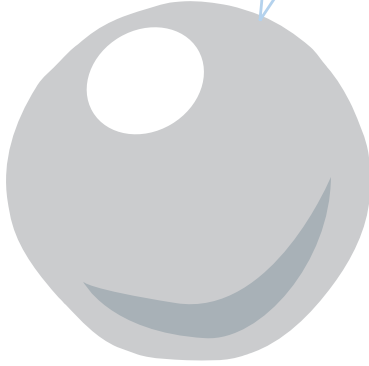
stocks and shares, potentially the highest performing savings vehicle but with the highest risk. Alternatively, in the same tax year, you can save less than the full amount into stocks and shares and up to £3,000 in cash and £1,000 life assurance.

You should remember that you can only apply for one Maxi ISA in each tax year.

Mini ISAs

These allow you the flexibility to save with up to three different ISA managers.

However, with Mini ISAs, for the current tax year you can only save £3,000 a year in stocks and shares – and no more than £3,000 in cash and £1,000 in life assurance.



PEPs

If you already have money invested in a Personal Equity Plan, you can leave it where it is or switch to another PEP provider.

PEPs were abolished in April 1999. It is no longer possible to invest any more money in a PEP.

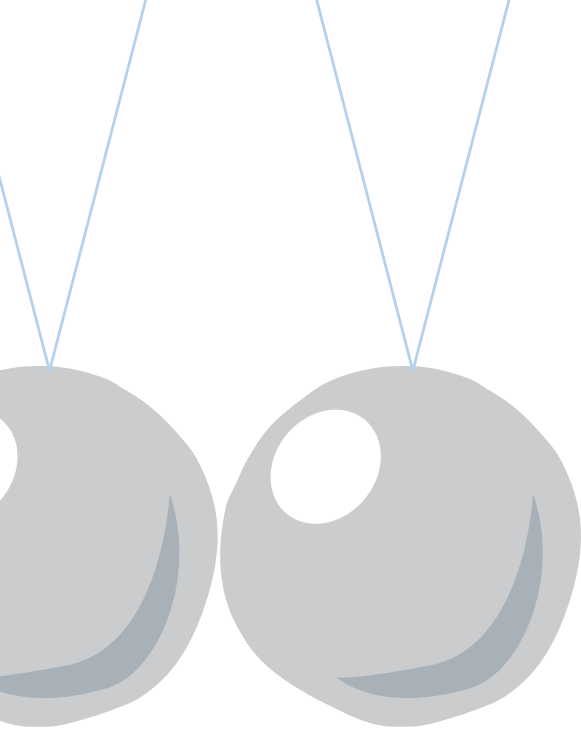
It may be worth continuing with your PEP as it will offer similar benefits to an ISA. This means that you pay no income tax or capital gains tax when you cash in your PEP (which you can do at any time), flexibility and there is a range of PEPs to

match your risk tolerance and investment outlook.

It could be sensible to review now where your investments and cash currently are:

- Is performance up to scratch?
- Are your income and growth needs met?
- Are the charges and return competitive?
- What happens to your regular payments in the future?

These are just some of the areas where an IFA can help you.



TESSAs

The Tax Exempt Special Savings Account was abolished in April 1999. However, you can continue to pay into an existing TESSA for the full five years. Many ISA managers offer TESSA-only Cash ISAs for investors who want to move their maturing TESSA money into an ISA (only the original investment).

The investment limits for TESSAs taken out before 6th April 1999 remained at £9,000 over the five year term.



**An IFA
can help you
fight back
against the
taxman.**

What are the tax advantages of an ISA?

Your ISA will benefit from tax-efficient growth and you will not have to pay any income tax or capital gains tax when you cash in your ISA.

You do not need to declare your ISA on your tax return.

Can I 'dip into' my ISA if I'm short of cash?

There is generally no lock-in period for ISAs and withdrawals are possible at any time, without loss of the tax advantages. This may not be the case if you choose to save in an ISA that, in return for offering extra benefits such as a guarantee, may offer you less flexibility.

Remember that the investment and the life assurance ISA elements should be viewed as a medium to long term commitment (5 years+) and the value of investments and any income from them may fall as well as rise and investors may get back less than they originally invested. Past performance is no guarantee of future performance.

Speak to an IFA.

Speak to an IFA about your ISA or reviewing your existing PEP investments

An IFA can advise you upon the best options available to you. He or she will ask you about how much you can afford to invest, what your aims are, when you need the money, the level of risk you are prepared to take and explain anything else you want to know about. They will ask you a lot of questions when you first meet them and you may want to ask questions in return, such as:

- What charges will I pay?
- Should I change where my investments are?
- Am I as tax efficient as I can be?
- Do my investments match my needs?
- Which investment companies should I invest with?
- Am I receiving as high interest on bank and building society accounts as I could be?
- What information will I receive?
- Am I best paying fees or commission?

Your IFA's details:

For further information on the subject contained in this guide, please contact your IFA. If you do not already have an IFA, our 'Find an IFA' hotlines and website enable you to confidentially search for a list of IFAs in your local area. You can search for an IFA based on a whole host of criteria (including product, qualifications, gender and payment options) so you can be sure you'll find an IFA that meets your precise requirements.

If you are looking for advice on personal finances call the
IFA Promotion Consumer Hotline on **0800 085 3250**.

If you are looking for financial advice for your business call the
IFA Promotion Corporate Hotline on **0800 085 3251**.

Alternatively, for both services visit our website at www.unbiased.co.uk



Other brochures available:

- Independent Financial Advice for consumers guide
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- Financial log book
- Inheritance tax guide
- Mortgage guide
- Tax efficiency guide
- Pension guide
- Investment guide
- Surviving an economic downturn guide
- Guide to IFA qualifications
- Housing market uncertainty guide
- Equity release guide
- Bereavement guide
- Get saving guide

Factsheets available:

- Finding the right life assurance
- Planning for your family
- Long term care
- How IFAs make their money
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- A parent's guide to education fees planning
- Funding for university
- How to get saving
- Remortgaging your home
- Ethical investment – making money with a clear conscience
- The basics of offshore and expatriate finances

To request one of the above brochures or factsheets, please call our Hotline on **0800 085 3250** or visit us at www.unbiased.co.uk

The above brochures are available in the following alternative formats: large print, braille and audio tape. Please call our Hotline on **0800 085 3250** if you wish to order an alternative format.

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