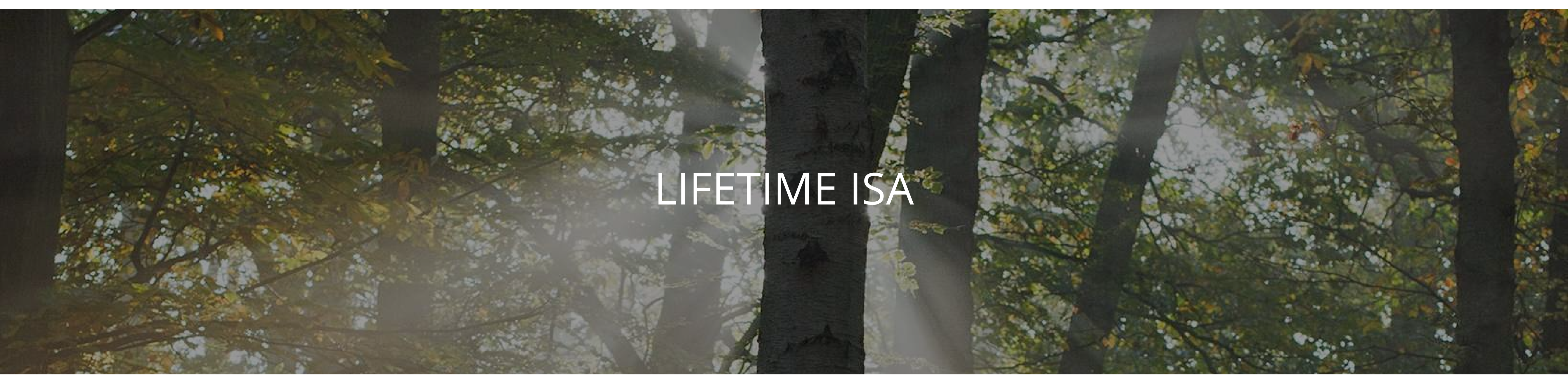

LIFETIME ISA

What is it?

Lifetime ISAs (also known as LISAs) are designed to help people aged between 18 and 39 save up for their first home or for retirement. A LISA lets you save up to £4,000 per year. After each subscription is added, the ISA Manager claims the 25% bonus from the government and adds it to your plan (so, for example, if you add monthly subscriptions, you will have monthly bonuses added). You will be able to earn a 25% bonus on your LISA contributions up until the age of 50. When you turn 50, you will not be able to pay any further subscriptions into your Lifetime ISA to earn the 25% bonus but your account will stay open and your savings will still earn interest or investment returns.

Any money you put into your LISA will be included as part of your annual ISA contribution limit.

You can make charge-free withdrawals from a Lifetime ISA if the funds are going towards the purchase price of your first residential property in the UK. This includes when you make the purchase:

- on your own
- with another first time buyer
- with an individual who is not a first time buyer

There's no minimum amount that must be withdrawn from a Lifetime ISA. You can make one single or several charge-free withdrawals from a Lifetime ISA for a first time residential purchase if:

- the purchase price of the residential property is £450,000 or less
- the withdrawal is less than the purchase price of the residential property
- the purchase is expected to complete within 90 days of withdrawing funds from a Lifetime ISA
- you will live in the property as your main residence
- you will purchase the property with a loan taken as a charge over the property for example a mortgage (excluding a 'Buy to Let Mortgage'). From 6 April 2024, when purchasing a first-time residential property, using a LISA, the property purchase cannot be funded by a legal mortgage where the parties to the mortgage (lender and borrower) are related. A related person means:
- your spouse or civil partner; or
- a person (whether or not of the same sex) whose relationship with you has the characteristics of a husband and wife relationship; or
- your:
  - parent or grandparent;
  - child or grandchild; or
  - sibling.

- when making your withdrawal, it's at least 12 months since you made the first payment into the Lifetime ISA

If you're buying the property with another person they can use their LISA funds towards the purchase as well. If the other party isn't a first-time buyer, the 25% withdrawal charge will apply to their LISA. A first-time buyer means someone who has never owned or had a legal interest in property (which can include being a beneficiary of a trust that includes property).

If you have a Lifetime ISA and a Help to Buy ISA, you can only use the government bonus from one of them to buy your first home.

You can transfer money from a Help to Buy ISA to a Lifetime ISA. If you transfer money from a Lifetime ISA to a Help to Buy ISA you'll have to pay the 25% withdrawal charge.

Funds, including the government bonus, can be withdrawn from the LISA from age 60 tax-free for any purpose. LISA holders can also access their savings if they become terminally ill.

Other than the occasions described above, withdrawals at any time for other purposes can be made but a 25% government withdrawal charge will be applied.

The government will provide a bonus of 25% on all contributions to a LISA within the limits. The bonus will be paid only on the amount paid in, and not on any interest or investment growth. This means that if you invest £4,000 in a year, but after investment the pot increases or decreases before the claim is made, you will still receive a bonus of £1,000.

Where contributions that have not yet received a bonus are withdrawn, the ISA Manager will still be able to claim a bonus on the contributions in the same way as if the funds had not been withdrawn.

Eligibility

To be eligible to invest in a LISA, you must be aged 18 or over but under 40 at the time the LISA is opened. You must also be either:

- Resident in the UK
- A Crown Servant (for example a diplomat or civil servant)
- The spouse or civil partner of a Crown Servant

Lifetime ISAs can hold cash, stocks and shares qualifying investments, or a combination of both.

You can save up to £4,000 per tax year, and can continue to pay into it until you reach 50. The account can stay open after then, but you can't make any more payments into it.

Your savings will be kept on a tax-free basis for as long as you keep the money in your LISA.

If you cease to be eligible to invest in a LISA, any existing LISAs will continue to be exempt from UK tax, but future contributions to LISAs cannot be made.

If eligible for a LISA, you will be able to contribute to one LISA in each tax year, as well as a cash ISA, a stocks and shares ISA, and an Innovative Finance ISA, within the overall ISA limit of £20,000.

Contribution limits

The current LISA maximum contribution limit is £4,000 per tax year.

The overall maximum contributions to ISAs is £20,000 per tax year.

Taxation

Any investment returns received will be tax free.

There is no personal tax on any income taken and no capital gains tax on any gains made.

The value of your LISA and other ISAs will be included in your estate for Inheritance Tax purposes on your death (ISAs invested in shares listed on alternative investment markets may qualify for up to 100% Business Relief).

On death

The spouse or civil partner of a deceased LISA holder will have an Additional Permitted Subscription (APS) equal to the amount held in all the deceased's ISAs, including the LISA (and any government bonus in the LISA). No government charge will apply on withdrawals following the LISA holder's death. If the individual chooses to do so and is eligible, they will be able to pay up to £4,000 per annum of this into their own LISA subject to the normal subscription criteria.

The value of the inherited ISA allowance will normally be the higher of the total value of the ISA savings at the date of death or the value on the date the ISA savings stop being exempt from UK Income Tax.

ISA savings stop being exempt from UK Income Tax when the first of the following occurs:

- The administration of the estate is completed
- The account is closed, or
- Three years after death

So, if a LISA holder were to die, leaving a LISA valued at £30,000 at the date of their death or when the ISA savings stopped being exempt, their spouse or civil partner will be entitled to an additional ISA allowance of £30,000. £4,000 of this can be used to contribute to their own LISA but this can only be used in place of their own contribution, not in addition to it. The remaining £26,000 can be paid into an ISA in addition to the annual ISA subscription. Where a cash subscription is paid, the spouse or civil partner has three years from the date of death to use this or if later, 180 days from the completion of the administration of the estate.

Where the LISA assets are left to someone else in their will or are used to meet expenses from the estate, the spouse or civil partner is still entitled to the additional allowance and this cannot be claimed by anyone else even if they received assets from the LISA.

The surviving spouse or civil partner can use the additional allowance to top up an existing LISA / ISA or open a new LISA / ISA with a LISA / ISA Manager of their choice.

Withdrawals

You can withdraw the funds held in your LISA before you're 60, but you'll have to pay a withdrawal charge of 25% of the amount you withdraw unless the conditions below apply.

If you transfer your LISA to a different type of ISA, you'll also have to pay a withdrawal charge.

A withdrawal charge won't apply if you're:

- Putting the LISA funds towards the purchase of a first home
- Aged 60 plus
- Terminally ill with less than 12 months to live
- Transferring to another LISA with a different provider

Risk considerations

There are a number of risk considerations that need to be taken into account. It is important that you are aware of these in relation to your particular circumstances.

- Governments can and do change the rules on tax efficient vehicles, like LISAs.
- A LISA is not a risk-free product and the value of any LISA investment may be at risk due to the investments held within the wrapper.
- LISAs can grow but depending on market conditions, you may not realise the initial sum invested. There is no guarantee that you will get more out of a LISA investment than you have paid in.
- Any income generated from investments held in a LISA is variable and is not guaranteed.
- If you leave the UK and are no longer a UK resident, you can keep the LISA investment with its tax advantages but can't make any new contributions to the LISA.
- LISA investments are liable for Inheritance Tax on death (except those eligible for Business Relief).
- Income Tax deducted at source on foreign dividends may not be recoverable. There are no further Income Taxes to be paid on investments held within an ISA.
- Past performance is no guarantee of future returns.
- The price of units and the income from them can fall as well as rise.
- The value of this investment is not guaranteed and on encashment you may not get back the full amount you have invested.
- Please be aware that there may be occasions when an individual fund or funds may have a higher risk rating than your overall stated attitude to risk. If this is the case, then the overall risk rating applied to all of the combined funds being recommended is still designed to meet your stated risk tolerance.
- If a LISA government withdrawal charge is applied, you may receive less than you have paid in.
- If you elect to save in a LISA instead of enrolling in, or contributing to a workplace pension scheme, an employer's pension contribution may be lost where there is an employer matching contribution structure in place. No tax relief is available on LISA subscriptions, although the funds can be accessed tax free.
- Funds held within a LISA will be assessed as savings/capital and current or future entitlement to any means tested benefits may be affected, whilst savings in a pension would not be classed as savings/capital (although, from state pension age a pension fund will be classed as providing an income even if no income is being taken).

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.