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Q: Why is it important to utilise my 2009/10 ISA allowance by 5th April 2010?

A: The answer to the above question lies firmly on each individuals circumstances. However another question you should be considering is 'Do I like paying tax on my savings when there's a way I can reduce this? I could quite firmly say that the majority of peoples answer would be 'No'. So why do people continue doing so? And how can you start saving tax on your savings? ISA's are the answer to this.

If you are either planning or saving for the future then an ISA may be a suitable option for you.

With the country officially out of the recession, now may be the time to consider your savings goals and whether or not you are on track to achieve these. You may not have any particular goals; however it is still important to review your existing savings to ensure you are getting the best deal available to you. An important point to consider is the impact of interest rates and inflation on your savings. Interest rates have yet to change since falling to an all time low of 0.5% in March 2009, which has had a detrimental effect on the interest received on most Cash ISA's. This, paired with the rate of inflation currently at 3.5% (Source:www.ifaonline.co.uk), means that in order to achieve a real return from your savings, you need to achieve a rate of 3.6%, which would equate to real return of 0.1%. If you're looking for long term growth then a Stocks and Shares ISA may be a potential option for you. If security of capital is of more an importance to you then a Cash ISA may be a more appropriate starting place for your savings.

Currently the ISA limits vary in accordance to age. From the 6th October 2009 savers aged 50 or above have an increased annual limit of £10,200. Of this amount, you can save £5,100 in a Cash ISA and a further £5,100 into a Stocks and Shares ISA, however if you wish you can utilise the full limit of £10,200 into a Stocks and Shares ISA. Currently for the under 50's the annual limit is still £7,200, again you can invest £3,600 into a Cash ISA, £3,600 into a Stocks and Shares ISA or the full amount into a Stocks and Shares ISA. For the forthcoming tax year (2010/11) the limit will be equalised to £10,200 for each individual.

To either ensure whether a Cash ISA or Stocks and Shares ISA is the right choice for you, or to utilise your 2009/10 allowance, consult an Independent Financial Adviser who would be able to discuss the benefits with you.

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