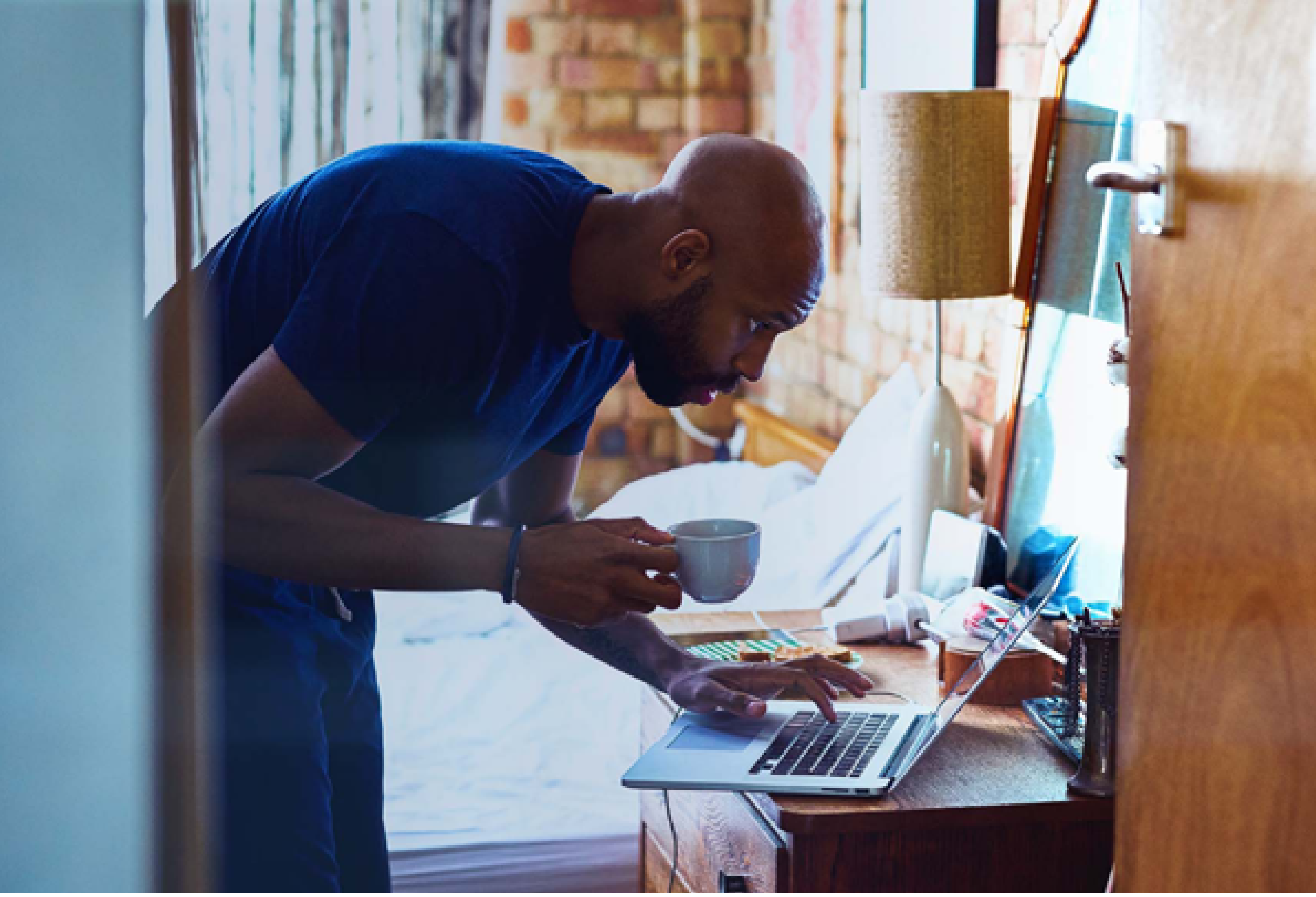
PRISM
WEALTH MANAGEMENT

A guide to **ISAs**

Everything you need to know

Marketing material



**You’ve worked hard for your savings.
It’s time they worked hard for you.**

Introducing an Individual Savings Account – or an ISA. An ISA is a simple, flexible account designed to help your savings grow. Tax-free.

How much can you pay in, the different types of ISAs, how much will it save me? There lots of questions. But here’s everything you need to know about investing into ISAs.

The importance of ISAs

1. Keep more of your money

If you invest or save money outside of a tax-efficient scheme such as an ISA or a pension, sooner or later you may have to pay tax on your returns. Tax could be due on interest or dividends you receive or on gains when you come to sell an investment. When you receive interest or dividends from savings or investments held in an ISA, or you sell investments held in an ISA, your return will usually be higher because you'll pay less tax.

2. Take control of your time

Streamlining your paperwork is the other big benefit that ISAs can bring. Filling in a tax return can be complex and time-consuming. An ISA does away with all of that. Once money is in an ISA you do not have to report it for tax purposes. The gains you make do not have to be declared to HMRC and those gains won't risk pushing you into a higher tax band once other income or gains are taken into account.

How much tax can you save with an ISA?

ISAs can save you tax on every penny of interest, dividends and investment gains you earn inside them. But the exact amount depends on how you invest and what taxes you would have paid outside of your ISA.

Outside of an ISA you might pay tax on savings interest once you go over your Personal Savings Allowance – £1,000 for basic-rate taxpayers, £500 for higher-rate taxpayers and nothing for additional-rate taxpayers. Dividend tax rates are 10.75%, 35.75% and 39.35% depending on your income band, and gains above the £3,000 annual capital gains allowance are taxed at 18% or 24%. With an ISA, you avoid all of these taxes – so the more you save or invest, the more you keep.

Opening an ISA

It's simple. First, check you're eligible. You must be resident in the UK (not the Channel Islands or the Isle of Man) and must not already have made the maximum contribution to an ISA in the current tax year, for the vast majority of investors the maximum is £20,000. From April 2027, the cash ISA limit for savers under 65 will reduce to £12,000, but you'll still be able to use the remaining £8,000 of your allowance in a stocks and shares ISA.

You'll also need your National Insurance number to hand to get started.

Making the most of your ISA allowances to maximise tax relief should form part of your wider financial plan. Speak to your Benchmark Financial Planning adviser who'll help you find the right solution for your circumstances and your goals.

The different types of ISAs

Cash, stocks and shares, Lifetime ISAs. There's a number of options. The right choice for you will depend on your individual circumstances.

Cash ISAs

Cash ISAs work especially well if you're saving for short-term goals – things you expect to spend money on within the next few years. Because the money stays in cash, the value won't jump around with stock-market movements. What you see is what you get.

They're a good fit if you want certainty, low risk, and easy access to your money. Just remember that cash interest rates don't always keep pace with inflation, so while your money is protected, its buying power may still fall over time.

Stocks and shares ISAs

A stocks and shares ISA lets you invest your money in things like funds, shares, and bonds, with all potential gains protected from tax. Unlike cash, your money is invested in the markets, which means it can go up and down in value.

This type of ISA is designed for long-term goals – typically five years or more. If you're saving for retirement, building long-term wealth, or growing money you don't need right now, this is usually where it can work harder. Over time, investing has historically delivered higher returns than cash, although nothing is guaranteed.

Stocks and shares ISAs are ideal if you're comfortable with a bit of risk and want your money to have the chance to outpace inflation. Just remember: past performance isn't a guide to future returns, and values can fall as well as rise.

Lifetime ISA (for under 40s)

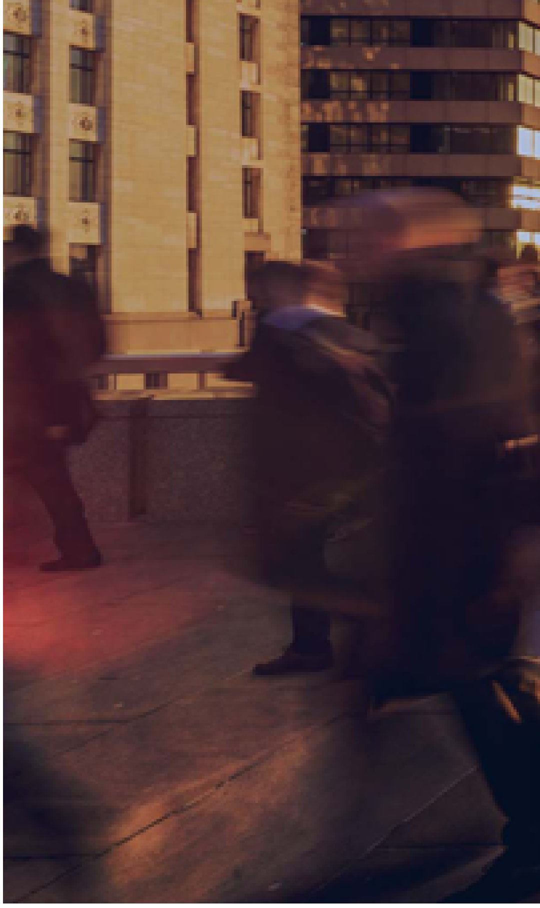
A Lifetime ISA (LISA) is designed to help younger savers with two big goals: buying their first home or saving for retirement. You can save up to £4,000 a year, and the Government boosts your contributions by 25% – meaning you could receive up to £1,000 a year in bonuses.

You can choose either a cash LISA or a stocks and shares LISA, depending on your goals and timeframe. The important thing to know is that the Government bonus is only meant for a first-home purchase or retirement after age 60. If you withdraw the money for any other reason, you'll pay a penalty that can leave you with less than you put in. However, The Government is currently reviewing the Lifetime ISA and may introduce changes in future, including potential updates to how first-time-buyer support works.

Lifetime ISAs are perfect if you're aged 18–39 and wanting to make big progress toward your first home or strengthen your long-term retirement plans – with the added boost of free money from the Government.

	Cash ISA	Stocks and shares ISA	Lifetime ISA (LISA)
What is it	A tax free savings account paying interest.	A tax efficient investment account for funds, shares and bonds.	A tax efficient account designed to help with buying a first home or saving for retirement. Can be cash or stocks and shares.
How it works	Saves and grows money in cash with no market risk.	Invests your money in the markets, so values can rise and fall.	Allows you to save up to £4,000 a year, with a 25% government bonus added to your contributions.
Who it's for	Ideal for short term needs or those who prefer low risk.	Suitable for long term goals and those comfortable with investment risk.	For individuals aged 18–39 who are focused on their first home or long term retirement saving.
Tax benefits	All interest earned is tax free.	All investment gains, dividends and interest are tax free.	Offers the same tax free benefits as other ISAs, plus the government bonus.
Risks	Cash savings may lose real value if inflation is high.	Investment values can go down as well as up.	A withdrawal penalty applies if funds are taken out for reasons other than a first home or retirement.
Contribution limits	Up to £20,000 a year (combined ISA allowance).	Up to £20,000 a year (combined ISA allowance).	Up to £4,000 a year (counts towards the £20,000 overall allowance).

There's also two other types of ISA. A junior ISA (JISA) - a tax free account for children under 18, with a separate £9,000 limit. And an Innovative Finance ISA (IFISA) which covers peer-to-peer lending and crowdfunding investments.



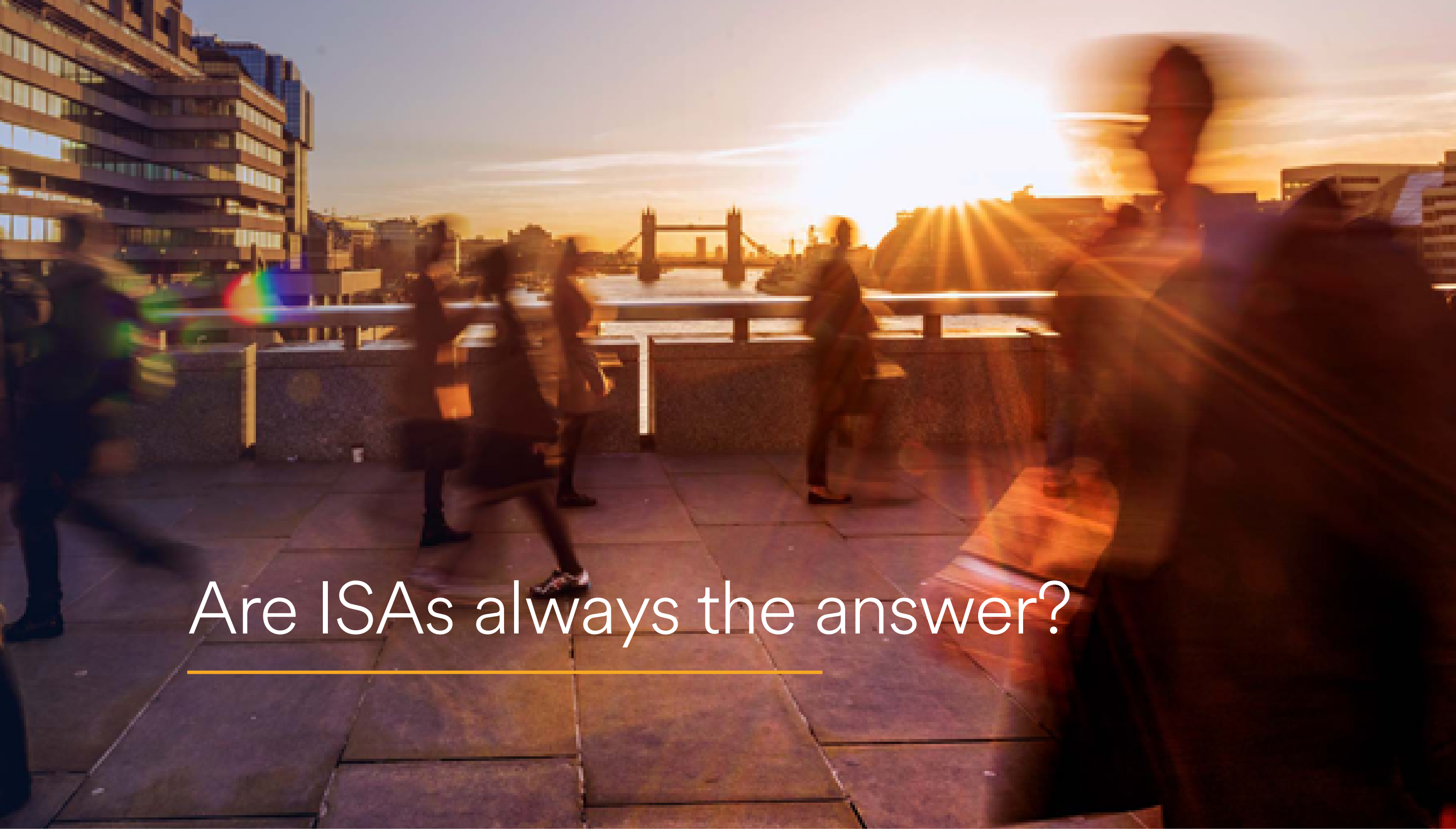
Keeping your ISAs on track

One of the best things about ISAs is how flexible they are. You can pay in whenever it suits you – whether that's a lump sum each tax year or smaller amounts monthly – as long as you stay within your annual £20,000 contribution limit. Many people find it helpful to set a reminder for 6 April (the start of the tax year) or set up a regular monthly payment so their ISA builds automatically in the background.

If you have a cash ISA, it's worth checking in every so often to make sure you're still getting a competitive interest rate. Providers change their rates regularly, and if you spot a better deal, switching is straightforward. Just ask your new provider to transfer the ISA on your behalf so the tax-free status stays intact.

If you've chosen a stocks and shares ISA, your focus will be slightly different. Investment values rise and fall, and your long-term goals may shift over time, so it helps to review your ISA periodically to make sure it still suits your needs. Sometimes you'll want to adjust the mix of funds or investments you hold – and that can often be done within your existing ISA without moving providers.

Whichever type you have, your adviser is there to help you make these decisions and keep your ISA working efficiently for you – whether you prefer a hands-on approach or would rather set it up and check back in occasionally.



Are ISAs always the answer?

ISAs are incredibly useful for many savers and investors – but that doesn't mean they're the right choice in every situation. Depending on your goals, your tax position, and the interest or investment rates available elsewhere, there may be times when another type of account works just as well, or even better. Here's how to think about it.

When a cash ISA might not be the best option

A cash ISA keeps your interest tax-free, which is a great benefit for many people. But the reality is that cash ISA rates are sometimes lower than the best rates on standard savings accounts. And if you don't pay much tax on your savings anyway, using a cash ISA may not give you any real advantage.

For example, if you're a basic-rate taxpayer, yvou can already earn up to £1,000 in savings interest each year without paying tax. Higher-rate taxpayers get £500, while additional-rate taxpayers don't get a tax-free allowance at all. If your savings interest stays within your allowance and you want to chase the highest possible rate, a non-ISA savings account might suit you better than a cash ISA.

When a stocks and shares ISA might not be necessary

A stocks and shares ISA protects you from paying tax on dividends and investment gains – but that doesn't automatically make it the cheapest or best option. Some providers charge higher fees for ISA accounts than they do for their standard investment accounts, even when the underlying investments are the same.

If your investments are small or your gains are modest, you may not actually owe any tax outside an ISA. In that case, a non-ISA account with lower fees could leave you better off overall. It all comes down to the balance between potential tax savings and the cost of the wrapper.

Getting the balance right

There's no one-size-fits-all answer – and that's why ISAs are best seen as part of a broader financial plan. Your adviser can help you compare the benefits, costs, and tax implications so you can decide whether a cash ISA, a stocks and shares ISA, or a standard account is the right fit for your situation.

The long-term benefits of setting up a stocks and shares ISA today

A stocks and shares ISA is a simple way to grow your money without worrying about tax on gains, dividends or interest. Use your allowance each year and, over time, more of your wealth stays protected – even if you start to exceed other tax limits. It's a powerful long-term tool, and your adviser can help you make the most of it as part of your wider financial plan.

ISAs can make your tax return easier – there's nothing to report.

Speak to your adviser to learn more.

What happens if I break the ISA rules by mistake?

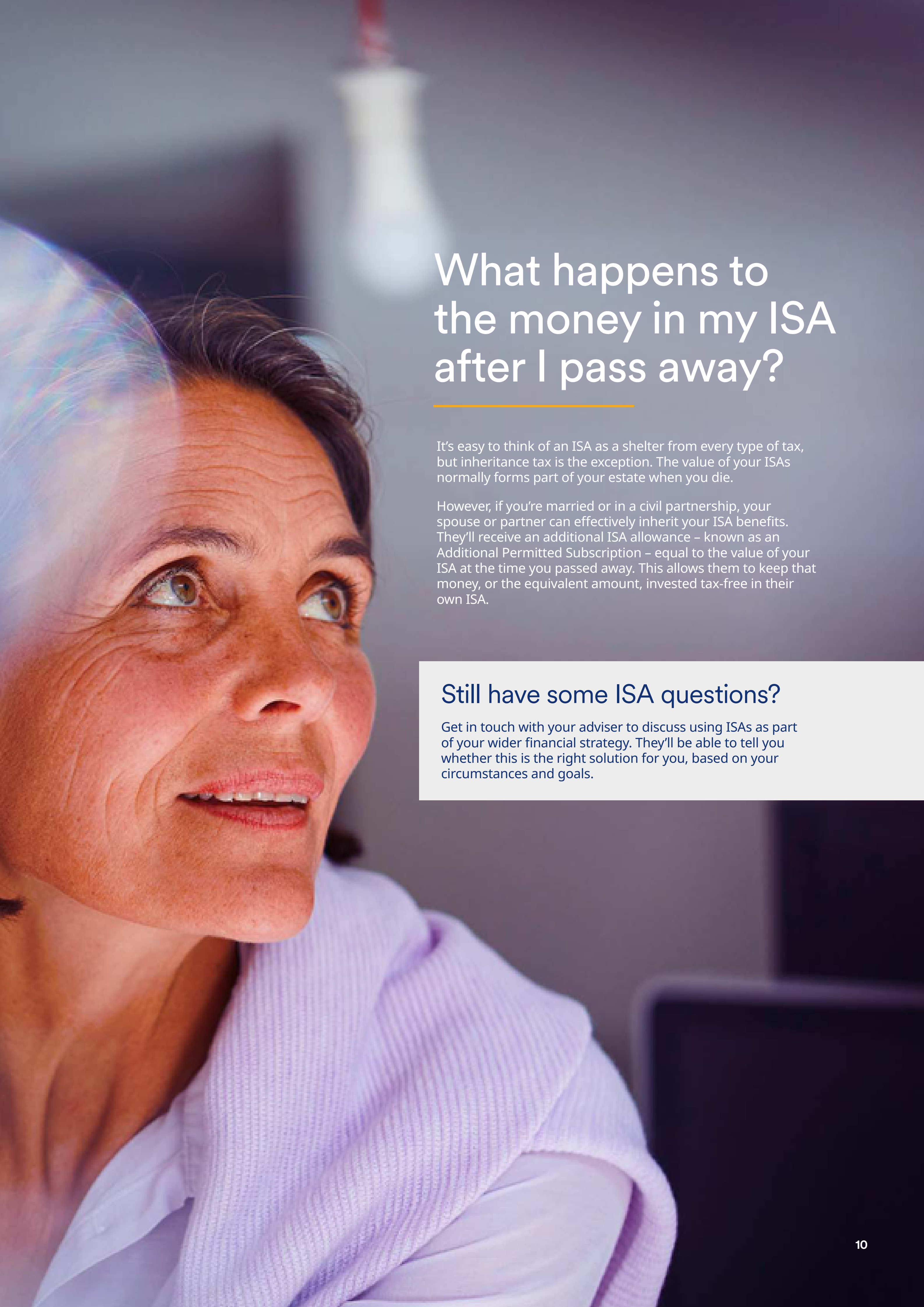
It depends. Mistakes happen. If you go over your ISA allowance, HMRC will usually spot it at the end of the tax year. If it's your first time and the excess amount is small, they may choose not to take any action.

But they might ask your ISA provider to remove the extra money, which simply means that portion won't be tax-free.

If you realise you've made a mistake, you can call HMRC's ISA helpline on 0300 200 3312, or speak to your adviser for guidance on what to do next.

One rule that often catches people out is transferring between ISAs. Don't withdraw the money yourself – this can affect your allowance. Instead, your new provider should request the transfer directly so your ISA keeps its tax-free status.

If you're ever unsure, speak to your adviser before making any changes.



What happens to the money in my ISA after I pass away?

It's easy to think of an ISA as a shelter from every type of tax, but inheritance tax is the exception. The value of your ISAs normally forms part of your estate when you die.

However, if you're married or in a civil partnership, your spouse or partner can effectively inherit your ISA benefits. They'll receive an additional ISA allowance – known as an Additional Permitted Subscription – equal to the value of your ISA at the time you passed away. This allows them to keep that money, or the equivalent amount, invested tax-free in their own ISA.

Still have some ISA questions?

Get in touch with your adviser to discuss using ISAs as part of your wider financial strategy. They'll be able to tell you whether this is the right solution for you, based on your circumstances and goals.

Approved by Best Practice IFA Group on 17 March 2026.