

Make the most of your ISA

benefit from new increased limits

From 6 April 2010, investors aged 18 or over can invest an extra £3,000 into a Stocks and Shares ISA. Find out how you can maximise your ISA by investing in the stock market.

Record levels of government spending and borrowing in the wake of the financial crisis mean that over time higher personal taxation is inevitable. Therefore, it is more important than ever that you make use of the tax savings available to you.

One of the most accessible ways to save tax payments is through an ISA, and the great news is that the amount you are allowed to save or invest in this way increased at the start of this tax year.

Use it or lose it!

In October 2009, the Government increased the maximum investment into a Stocks and Shares ISA to £10,200 for investors aged 50 or over by 5 April 2010. However, it appears this golden opportunity escaped some investors.

In February, we conducted a survey of 845 private investors which showed that only 20% of eligible investors had taken full advantage of their increased ISA allowance.

So, there's a good chance that by the time you read this article a large proportion of investors will not have made the most of the ISA tax breaks on offer.

Know your limits

If you weren't in a position to maximise your 2009/10 ISA, or you weren't eligible, don't worry. As of 6 April, everyone aged 18 or over will be able to benefit from the same increased limit of £10,200, £5,100 of which can be saved in a cash ISA. Anyone over 16 can have a cash ISA.

ISAs offer you a wealth of benefits. As a tax-efficient wrapper, you don't have to pay any additional income tax on dividends or distributions and no capital gains tax on profits taken within the account.

Fast Facts

- 8/10 investors aged 50+ failed to use their full 2009/10 ISA allowance
- Britons will pay £328m of unnecessary capital gains tax in 2010
- Equity returns have outperformed cash, in each decade throughout the 20th century
- £79,400 has been sheltered from tax by investors who fully subscribed to ISAs each year (excluding income/growth) since their launch
- £164,800 has been sheltered from tax by couples over 50 who fully subscribed to ISAs each year (excluding income/growth)
- £10,200 is the increased ISA allowance for 2010/11, £5,100 of which can be in a cash ISA.

£164,800 between you, excluding any income or capital growth generated. When you look at it like that, the annual ISA allowance seems rather generous doesn't it?

Despite this, Unbiased.co.uk a professional advice website, estimates that Britons will pay an unnecessary £328m in capital gains tax this year, as many will fail to make the most of personal allowances offered by tax-efficient wrappers like ISAs.

Cash versus equities

Whether you choose a Cash ISA or a Stocks and Shares ISA will depend on whether you're a saver or an investor. Many people will be a bit of both, and we always recommend you keep a cash buffer before looking at longer-term investment.

The volatile markets may well have left many investors wary of investing in equities. In fact, our ISA survey confirmed that 13% of investors had felt unsure about what to do with their investments since last September.

However only 11% described investing in the stock market during this period as 'high risk'. While over half of those polled said there had been opportunities for those who knew what they were doing.

It's worth bearing in mind that returns from equities have consistently outperformed cash, decade-on-decade over the last

Here's the maths

Since the introduction of ISAs in April 1999, investors who have fully used their ISA subscription every year have sheltered £79,400 from tax — or £82,400 for those who were aged 50 or over by 5 April 2010.

If you're part of a couple and both of you were aged 50 or over by 5 April 2010, you could have sheltered a maximum, cumulative, tax-exempt investment of

Equity versus cash real returns by decade (annualised returns)

	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000
Equities	4.9%	-3.8%	7.8%	4.3%	3.8%	12.9%	4.4%	-2.3%	15.6%	10.7%	-1.2%
Cash	1.6%	-4.9%	7.4%	0.9%	-2.0%	-1.2%	1.9%	-3.3%	4.8%	4.5%	1.8%

Source: Barclays Equity Gilt Study 2010

century, apart from the 2000's (which were particularly volatile) as shown opposite.

Equities are higher risk investments than cash but also carry the potential for higher reward. An ISA suits so many investors because they can split their investment across cash, shares and funds in a way that best suits their appetite for risk. Please remember that past performance is not a reliable indicator of future performance and that the value of investments and the income from them can go down as well as up.

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Make the most of your ISA allowances

Despite these impressive equity returns, many investors are still ignoring the potential benefits of investing in the stock market with a Stocks and Shares ISA.

According to figures from HM Revenue & Customs, in the 2008/9 tax year, only 20% of ISA accounts opened were Stocks & Shares ISAs.

At The Share Centre we offer two types of Stocks and Shares ISA to help you make the most of your ISA allowance: a DIY ISA and a Funds ISA.

If you like to have complete control over your investments then our DIY ISA is ideal. Trades start from just £7.50 online, and unlike other brokers we don't insist upon minimum investment or trading volumes. There is a low quarterly administration fee of 0.125% (£5.00 minimum) + VAT.

There's no administration fee on our Funds ISA and you can start investing in funds (unit trusts and OEICs) from as little as £10.

And remember, as a customer of The Share Centre you can register with our Advice team for expert advice at no additional charge. You can also access a wide variety of free investment tools via www.share.com. So, what are you waiting for? Make the most of your ISA today!

Three shares to help generate returns within your ISA

Tesco Lower risk

Tesco is suitable for long-term, low-risk growth investors. Although the outlook for general retailers is likely to remain tough, we expect this heavyweight supermarket to continue to rise to the challenge. We like its focus on low prices, special offers and its growing international presence.

Vodafone Medium risk

The world's leading international mobile telecommunications group continues to offer attractions for both income and growth seekers. Its last update was broadly positive, with service revenues increasing by 11%. Vodafone is offering a generous yield and we believe it will continue to deliver steady growth for shareholders as demand for data-intensive smart phones grows.

Marston's Higher risk

Marston's is a higher risk recovery-stock, offering a reasonable dividend. In 2009, food sales significantly helped to boost revenues. We expect this trend to continue and aid Marston's growth in 2010. The brewer is one to keep an eye on, particularly given this year's World Cup which is likely to help increase footfall.

Stop press!

In the Budget 2010, the Government announced that from April 2011 and over the course of the next Parliament, ISA limits will be indexed annually in line with the Retail Prices Index (RPI).

In addition, the Government intends to consult on allowing Alternative Investment Market (AIM) shares to be included in an ISA.

