

Guide to Lifetime Individual Savings Accounts (LISAs)



BROOKS MACDONALD

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What is a LISA?

A LISA is a type of ISA. It is a tax advantageous account for your savings/investments specifically designed to help you save for your first house and/or for your retirement.

How is a LISA different to other ISAs?

Unlike other ISAs, LISAs can only be opened by investors aged 18 – 39 years. Once an investor has opened a LISA they are permitted to make subscriptions until the day before their 50th birthday.

The Government also provides a 25% bonus based on the sum subscribed, up to a maximum of £1000 - where the investor makes the maximum subscription of £4000. Whilst a Cash, Innovative Finance or Stocks and Shares ISA allow withdrawals without penalty, withdrawals from a LISA are subject to a 25% penalty – unless the investor is buying a first home or is over the age of 60. A LISA can invest in the same assets as a Stocks and Shares ISA which is designed to invest in qualifying investments and or cash.

Can I open a LISA?

A LISA can be opened by investors aged 18-39 years who are resident in the UK, or are a Crown employee serving overseas or their spouse/civil partner. The LISA can only be opened in your name and cannot be in joint names. You must make a payment to the LISA in the same tax year you open it.

Brooks Macdonald only accepts:

- Bespoke Portfolio Service (BPS) LISA applications for existing clients or as part of a larger portfolio application
- Self-Select LISA applications for existing clients or their close relatives
- Managed Portfolio Service (MPS) LISA applications for existing or new clients

Can I subscribe to a LISA?

Only LISA account holders aged 18-49 who are resident in the UK and have not paid into another LISA in the current tax year can invest in a LISA.

Payments must be made from the account holder's own funds.

Brooks Macdonald accepts one-off and/or monthly Direct Debit payments. One-off payments of at least

£1,000 are accepted by bank transfer or cheque. Monthly Direct debit payments must be at least £50.

We also accept:

- subscription using shares from an HMRC qualifying share scheme
- withdrawal from existing ISAs held with Brooks Macdonald
- cash or investments held with Brooks Macdonald

What is the LISA limit for 2021/22?

LISA account holders aged 18-49 can invest up to £4,000 into a LISA. Any amount applied to a LISA will form part of the individual's £20,000 ISA allowance. For example: if the individual chooses to invest £2,000 in a LISA, they can invest the remaining £18,000 across their other ISAs.

If I have used my full ISA subscription already, can I open a LISA?

Yes, if you are aged over 40 you may have a maximum of three (one for each type of ISA). If you are under 40 and, additionally, invest in a LISA this rises to four.

What happens if I inadvertently exceed the annual allowance?

You will be advised by HMRC (the Government body tasked with the regulation of ISAs) if you have oversubscribed. One of your ISA managers may be asked to return the oversubscription to you.

Do I pay tax on dividends or gains within a LISA?

No – there is no tax to pay on dividends or interest earned from the investments held and the LISA is exempt from capital gains tax. As such they do not need to be declared on your tax return.

How do I transfer a LISA?

Brooks Macdonald is not currently accepting the transfer of LISAs from other Plan Managers but this is actively under review. You can transfer the value of your Brooks Macdonald LISA, subject to the deduction of any outstanding charges/Government Withdrawal Charge.

What is the LISA Government Bonus?

LISA investors receive a 25% Government bonus on investments paid into the account (up to a maximum bonus of £1,000 per annum).

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What is the LISA Government Withdrawal Charge?

You are able to make a withdrawal from your LISA at any time, but you should be aware that the Lifetime ISA Government Withdrawal Charge may apply.

The withdrawal charge is 25% of the amount withdrawn from the LISA (including any investment growth) plus any applicable administrative charges. This may mean the LISA Government Withdrawal Charge is greater than the bonus you received. You could receive back less money than you invested.

Can I withdraw money from my LISA without incurring the Government Withdrawal Charge?

The options for withdrawing money without incurring the Government Withdrawal Charge are limited and are as follows:

- you are aged 60 or over; or
- the withdrawal is for the purchase of your first house (of value up to £450,000); or
- Brooks Macdonald has received evidence from a medical practitioner that you have less than 12 months to live; or
- after your death.

What investment options do I have for my LISA?

Brooks Macdonald only offers a Stocks and Shares LISA – we do not offer a Cash Only LISA.

- Part of your BPS discretionary portfolio – managed on a ‘combined basis’ with your main investment account, in-line with the suitability assessment made by your Professional Adviser; or
- As a stand-alone Self-Select LISA, where you choose which Brooks Macdonald Fund to invest in; or
- As an MPS LISA, where your Professional Adviser will provide a suitability assessment of the Investment Strategies.

When selecting which investment option, you should consider:

- if you are saving to buy your first house and/or for

retirement and when you plan to withdraw funds from the LISA

- whether your subscription level and investment choice is likely to achieve this objective
- some investments need to be held for the long term to achieve a return
- how the LISA investment aligns to your financial circumstances and any other retirement provisions

Please note that the above factors may change over time and you should regularly review your LISA subscription and investment choice with your Professional Advisor, if applicable, to ensure the investment remains suitable.

What factors should I take into consideration before deciding if a LISA is the right way for me to save?

If you need to withdraw money from LISA, the LISA Government Withdrawal Charge could mean you get less money back than you invested.

If you open a LISA instead of enrolling in or contributing to a qualifying scheme, occupational pension scheme or personal pension scheme you may lose the benefit of contributions by an employer (if any) to that scheme. Your employer cannot make contributions into your LISA.

Your current and future entitlement to means-tested benefits (if any) could be affected as the value of your LISA may count towards any assessment of your assets whereas the value of your pension savings may not.

The value of investments held in the LISA, and any income derived from these can fall as well as rise. You may get back less than the amount invested. This may be particularly important if you are saving in the short-term for the purchase of your first house.

Additional Permitted Subscription (APS Allowance)

If you die before your 60th birthday and leave a spouse or civil partner they may, subject to certain conditions, be permitted to add the value of the LISA at the date of your death to their ISA savings, irrespective of whether the assets are bequeathed under the terms of your Will.

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What might my LISA be worth at age 60?

The table below is designed to help you understand what the value of your Brooks Macdonald LISA could be when you reach 60 years old, in today's money, depending on:

- the age when you start saving
- if you are investing the maximum amount at the start of each tax year up to the age of 50
- if you are receiving the Government bonus each year
- the rate of return you receive on your investments – fixed at 0% and 5% for all LISAs as an illustration
- the rate of inflation over the investment period – fixed at 2.5% for all LISAs as an illustration
- the charges the LISA plan manager levies – which may vary by plan managers and investment selection

The table may not be relevant if you are using the LISA to save for a house purchase.

1	2	3	4	5	6
Age saving in Lifetime ISA started	Total amount paid in by the Lifetime ISA saver/ investor	Total amount paid in, plus Lifetime ISA Government Bonus	Estimated outcome at 60 from 0% return	Estimated outcome at 60 from 5% return	Charges and estimated inflation would reduce a 5% return to
18	£132,000	£165,000	£68,418	£256,190	1.6%
25	£104,000	£130,000	£59,624	£190,116	1.6%
30	£84,000	£105,000	£51,903	£147,218	1.6%
35	£64,000	£80,000	£42,724	£107,593	1.6%
40	£44,000	£55,000	£31,812	£70,991	1.6%

- For the illustration, we have included an indicative Brooks Macdonald MPS annual management charge of 0.9%, this may not be the charge that is applied to your LISA
- Column 4 uses an overall return of -3.4% (0% return rate - 2.5% inflation - 0.9% MPS charge)
- Column 5 uses an overall return of +1.6% (5% return rate - 2.5% inflation - 0.9% MPS charge)
- You can use column 6 to compare the Brooks Macdonald LISA charges to those of other LISA providers and to charges applicable to other long term savings products
- The standardised rates of return may not reflect actual or expected returns for your choice of investment. Investment returns will depend on the portfolios selected and not all investments will provide the same return
- The factsheets for each Brooks Macdonald MPS risk profile and each of the qualifying funds, including annualised rates of return, are available on request
- The rate of inflation used may not reflect the actual rate of inflation over the investment period
- The charges used in the table may vary over time and exclude any fee or charge for advice received or relating to the qualifying investments held in the LISA

Important Information

Investors should be aware that the price of your investments and the income from them can go down as well as up and that neither is guaranteed.

Tax treatment depends on your individual circumstances and may be subject to change in the future.

The information in this document does not constitute advice or a recommendation and you should not make any subscription or investment decisions on the basis of it.

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