

What are the differences between ISAs?

Ah, the wonderful world of ISAs. With so many options, it can be hard to know the differences between them, or what's best for your situation. If you're looking to broaden your knowledge on the various ISAs out there, here's some straight-to-the-point information on some of them...

What exactly is an ISA?

An Individual Savings Account (ISA) is a tax-friendly savings and investment account, which can be used to save cash or invest in Stocks and Shares.

Different types of ISAs:



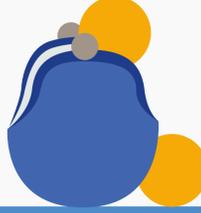
Stocks and shares ISA

Limit £15,240/yr
(increasing to £20,000 for 2017/18)

What is it? Allows anyone to invest their ISA allowance into stocks and shares and enjoy tax-efficient gains.

In a nutshell

A potential option if you're investing for five years or more. Can be risky, as the value of your investment can go down as well as up.



Cash ISA

Limit £15,240/yr
(increasing to £20,000 for 2017/18)

What is it? Similar to a savings account, but with tax-free interest.

In a nutshell

Could be a good place to keep your savings, particularly if you want to save regular amounts and have instant access to your money.



Inheritance Allowance

Limit The value of a spouse or civil partner's ISA at the time of their death.

What is it? Anyone who has lost their spouse or civil partner since 3 December 2014 can use this unused ISA allowance themselves.

In a nutshell

It's essentially an extra ISA allowance on top of the £15,240 limit.



Junior ISA

Limit £4,080/yr

What is it? Allows parents to save or invest on their child's behalf. The child gains access on their 18th birthday.

In a nutshell

An option to consider if you're thinking about saving for your child to go to university, for example.



Lifetime ISA

Limit £4,000/yr

What is it? 18 to 39-year-olds can use this ISA to save for a house or retirement, and benefit from a 25% top-up from the government.

In a nutshell

Look out for it next year – launching April 2017.



Help to Buy ISA

Limit £200/month
(Although you can make an initial deposit of up to £1000)

What is it? A monthly savings ISA for first-time buyers which offers a bonus of up to 25%.

In a nutshell

Remember to only use the money to buy a house, otherwise you lose the bonus.



Innovative Finance ISA

Limit £15,240
(increasing to £20,000 for 2017/18)

What is it? Use your ISA limit to save with peer-to-peer lenders or invest via crowdfunding websites.

In a nutshell

Could be a riskier option, but some might think it lives up to its name of being innovative.

Sources:

Cash ISA
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<https://www.moneyadvice.service.org.uk/en/articles/stocks-and-shares-isas>

Junior ISA
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Lifetime ISA
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Innovative Finance ISA
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