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What are my ISA options? by [Malcolm Anderson](#)

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Individual Savings Accounts, better known as ISA accounts, were introduced to allow people to save money in a tax efficient way. Although the idea of ISAs may fill some people with dread, they are far from being complex financial arrangements: ISAs are actually tax efficient wrappers for you to hold investments in. It can provide investors with a straightforward vehicle to put money away and benefit from the returns.

Many financial experts tell investors with shares or cash to use an ISA in order to protect their savings. The concept of the ISA is simple; you put your money away and you reap the rewards, as the returns you make will not be subject to income or capital gains tax.

Here is a breakdown on the different types of ISA available.

Cash ISA

If you use an ISA, you can invest cash or stocks and shares. A Cash ISA acts in a similar way as a traditional savings account, with the major benefit is your returns are tax efficient. This means that it would be rare for a normal savings account to earn more money over a set period of time than a Cash ISA. However, Cash ISA accounts have a limit; this is known as the ISA allowance which relates to the amount of money you can invest without paying tax on the returns.

Within the bracket of Cash ISAs, there are many different accounts available, including instant access accounts, minimum base rate accounts and fixed rate accounts. If you have money to invest, or you regularly place a sum of money into a savings account, it is well worth shopping around for an ISA account. Some accounts require a minimum deposit, while others can be opened with a very small amount of money, sometimes as little as £1.

Stocks and shares ISA

As well as investing in cash savings, it is also possible to invest in stocks and shares and hold them tax efficiently within an ISA. Stocks and shares ISAs are advantageous for a number of reasons. Firstly, the returns you make from the money you put in are protected from capital gains tax. Secondly, you won't pay income tax and finally, the tax you pay on bonds can be reclaimed, meaning you can maximise your savings. If you want to invest in shares but you are not sure which ones to buy, some investment companies offer a holding ISA, which will protect your allowance while you make your decision.

Junior ISA accounts

Many parents want to save for their child's future and a junior ISA may be the ideal way of saving. Junior ISAs launched in November 2011 and replace the Child Trust Fund. The savings limit is set at £3,600 per annum and will be indexed with inflation.

The ISA allowance: How much can I save?

The ISA allowance is set each tax year and runs from 6th April to midnight on 5th April the following year. The ISA allowance 2011 will therefore be valid until April 2012. The ISA allowance varies according to the type of investment you make. Currently, you can invest up to £10,680 with a maximum cash investment of £5,340. The allowance means you have three simple options:

you can either invest £10,680 in stocks and shares, mix your investments and deposit less than £5,340 in cash and the rest in shares, or simply use the full cash allowance of £5,340. Remember, the eligibility to invest in an ISA or SIPP will depend on your individual circumstances, and they might not be around for ever as all tax rules may change in the future.

If you have money to save or shares to protect, you should consider opening an ISA account. An ISA allows you to make the most of your money and maximise your saving power. The concept is simple and opening an account has never been easier. Please remember the value of investments can go down as well as up and you may get back less than you invested.

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