

Have you used your ISA?



For more than 20 years ISAs have allowed us to save and invest tax-efficiently. Although 2022 has got off to a difficult start for investors, with the global equity benchmark falling into so-called 'correction' territory, it's important to carry on using your allowances in anticipation of better days ahead.

An Individual Savings Account (ISA) is one of the most straightforward ways to achieve tax-free gains. People often leave it till the end of the tax year to think about their ISA, but it's a good idea to get in early. Putting your money to work at the start of the tax year means your investments will benefit from the tax advantages straight away, boosting returns over the long term.

The ISA celebrates its 23rd birthday this year, and over that time the annual allowance has risen steadily from the initial £7,000 to £20,000 today. That higher allowance means an even greater difference in the potential tax-free gains from investing earlier in the tax year rather than later.

The maximum amounts you can invest through all ISAs are unchanged for the 2022/23 tax year (see table on next page).

Invest wisely

An ISA is a tax-efficient wrapper. You can hold various types of savings or investments

within this wrapper, each designed with a different purpose in mind. The wrapper just keeps what's inside free of income tax and capital gains tax. There are cash ISAs for savers, stocks and shares ISAs for investors, Lifetime ISAs for those looking to buy their first home or save for retirement and Junior ISAs for those under the age of 18.

With interest rates on cash deposits generally below inflation at the moment, cash ISAs may not be the best way to make use of your allowance. Below-inflation rates mean the real (inflation-adjusted) value of your savings would be eroded over time.

A stocks and shares ISA involves more risk, but it gives you the opportunity to earn a higher return than cash over the long run, with the flexibility to manage that added risk through diversification. The tax advantages of an ISA can give those returns an extra boost.

Whichever option you go for, the key to maximising investment returns over the long term is to use your full allowance

A head start in life

A Junior ISA can give children a tax-free financial boost when they enter adult life. If you put away the maximum £9,000 every year for 18 years, the pot would be worth £162,000 – even without any interest, investment growth or increase in the annual allowance.



The value of investments and the income from them may go down as well as up and you could get back less than you invested. Past performance is not a guide to future returns.

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every year and then leave it alone. You may be tempted to withdraw from your ISA account to pay for a holiday or home improvements, but once you spend the capital it will no longer be compounding those tax-free returns.

Raise the ceiling on your investments

If you’re working, a pension fund is usually the most efficient way to save for later life, particularly if you’re a high earner. That’s because you pay in contributions from your salary tax-free. However, you’re likely to face a tax charge if your pension savings exceed the lifetime allowance – currently £1,073,100. It is therefore important to consider using a mixture of investments to achieve your goals, such as ISAs.

An ISA also gives you more flexibility on the timing of withdrawals than a pension. Typically, pensions can only be accessed once you reach the age of 55, and this is increasing to 57 from 2028. When you reach the stage of planning how you will use your retirement savings, it’s important to think about where your income should come from. Which assets should you convert to cash first and which should you keep untouched for longer?

Whether it’s putting your children through university or going on that round-the-world trip, investing in an ISA can help you achieve your financial goals sooner. Investing at the start of the tax year will help you get the most out of the tax benefits and compounding returns, but it’s never too late in the year.

Please speak to your Rathbones adviser if you’d like to build an investment planning strategy for your future.

ISAs come in many different flavours

Each tax year you have an ISA allowance of £20,000. You can put your full allowance in one type or split it between different types of ISAs. Below are the maximum amounts you can invest in each type in the 2022/23 tax year.

ISAs offered by Rathbones



Stocks and shares* £20,000

Offers the possibility of higher returns over the long term if you’re happy to take some risks. You can invest in a wide range of securities and funds.



Junior £9,000

A way to save or invest for the future of a child under the age of 18. When the child turns 18 the account can be converted to an adult ISA.

Other types of ISAs



Cash* £20,000

Similar to an ordinary savings account, except you don’t pay tax on the interest you earn. Provides security, but rates remain low at the moment.



Lifetime £4,000

You must be aged between 18 and 40 to open one. The government will pay a 25% bonus if you’re saving for your first property or until you reach the age of 60.



Innovative Finance £20,000

For investment in peer-to-peer loans. The risks can be high, and there’s no protection from the Financial Services Compensation Scheme (FSCS).

* These ISAs are flexible, which means you can withdraw and replace money in the same tax year without affecting your annual allowance.

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Important information

People should seek advice before gifting money. This is to ensure that their own circumstances are adequately catered for before gifting money to charities or members of the family, as to be effective these gifts typically need to be irrevocable.

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