



DENTAL & MEDICAL

FINANCIAL SERVICES

Dental & Medical Financial Services
1 Market Square, Horsham,
West Sussex RH12 1EU

T: 01403 780 770

F: 01403 780 771

E: info@dentalandmedical.com

W: www.dentalandmedical.com

Don't miss the deadline for Individual Savings Accounts

Have you fully utilised this wrapper that shields your savings and investments from tax?

An Individual Savings Account (ISA) is highly effective for anyone looking to save or invest money in a tax-efficient way. An ISA functions as a wrapper that shields your savings and investments from tax. Any interest, capital gains or dividends earned within an ISA are completely tax-free, enabling your money to grow more efficiently than it would in a standard savings account.

For the 2025/26 tax year, every eligible UK resident has an annual ISA allowance of £20,000. You can choose to save or invest the full amount in a single ISA or spread it across multiple ISAs, based on your financial goals. The flexibility of the ISA system means there is probably an option suited to your needs, whether you're saving for a short-term aim or investing for your long-term future.

UNDERSTANDING YOUR OPTIONS

There are different types of ISAs available. The most common is the Cash ISA, which functions similarly to a regular savings account but provides the key advantage of tax-free interest. For those willing to accept a higher level of risk in exchange for the potential for better returns, a Stocks & Shares ISA allows investment in a wide range of assets, including funds, bonds and individual company shares, without incurring Capital Gains Tax or Dividend Tax.

The Lifetime ISA (LISA) has also been in the spotlight following the Autumn Budget 2025. While the current LISA still allows you to save for your first home or retirement and offers a government bonus, the government has announced a consultation to replace it with a new, simpler product aimed solely at first-time buyers.

Other specialised ISAs include the Innovative Finance ISA (IFISA), which involves peer-to-peer lending. Each type has its own rules and benefits, so it is important to understand which one suits your personal circumstances and savings goals.

CHANGES TO CASH ISAS

The Autumn Budget 2025 has announced significant changes to Cash ISAs. From April 2027, the annual limit for new contributions to Cash ISAs will decrease to £12,000 for those under 65. If you are 65 or over, you can still contribute up to the current limit of £20,000 to your Cash ISA each tax year. Despite this change, the overall annual ISA allowance stays at £20,000, allowing you to allocate your remaining allowance to other types of ISAs, such as Stocks & Shares ISAs or Innovative Finance ISAs.

However, the new regulations will prevent transfers from Stocks & Shares ISAs or Innovative Finance ISAs into Cash ISAs. Additionally, interest earned on cash within Stocks & Shares ISAs or Innovative Finance ISAs will now be taxed, discouraging the accumulation of large cash balances in investment-focused accounts. These changes aim to encourage younger savers to explore investment options for long-term growth, while safeguarding older savers who might prefer the security of cash savings.

DON'T MISS THE DEADLINE

The ISA allowance is available on a 'use it or lose it' basis each tax year. Your allowance for the 2025/26 tax year cannot be carried forward, so it is crucial to make your contributions before the 5 April 2026 deadline. Failing to utilise your allowance means missing out on a valuable opportunity to grow your savings tax-efficiently.

Whether you're an experienced investor or just starting your savings journey, making full use of your annual ISA allowance is a wise financial decision. Take control of your financial future by exploring the advantages of ISAs. Whether you're aiming to grow your wealth tax-efficiently or secure a reliable income stream, ISAs provide a flexible and effective way to reach your goals. ■

DOES YOUR ISA STRATEGY ALIGN WITH YOUR FINANCIAL GOALS?

With a variety of options available, from Cash ISAs to Stocks & Shares ISAs, selecting the right one can make a significant difference. Don't face these decisions alone; contact us to ensure your ISA strategy aligns with your financial goals and maximises your potential returns. To help your money work harder for you, please get in touch.

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