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

FACTSHEET

Stocks & Shares ISA

Helping you realise your long-term financial goals

So you're looking to accumulate a sum of money by investing. You may have a specific amount in mind. This could be to go towards helping to fund your child's university fees or to pay for a trip of a lifetime.

When you invest in stocks and shares through an Individual Savings Account (ISA) you can choose to invest a lump sum or set up regular savings that suit your circumstances and your financial goals.

But before you start, here are some considerations before you begin saving towards your goal.

Firstly, do you have any existing debts outside of a mortgage, and do you have any current savings in case of an emergency?

You should also pay off any credit card or store card debts before you start saving. This is because the interest rate on this debt may exceed any returns you achieve by saving, certainly in the short term.

Having an emergency fund you can access quickly before you start saving towards your particular goal will help cover any unforeseeable expenses that may occur, when life throws a curve ball at you unexpectedly.

An ISA is a 'tax-efficient investment wrapper' that can be used to help save you both income and capital gains tax. The total amount you can invest in a Stocks & Shares ISA during the current 2019/20 tax year is £20,000. This is known as your ISA allowance. Don't forget this also applies to a spouse or partner, so combined you could currently save £40,000 during each tax year.

If you're planning to save over a period of five years or even longer, we've provided some reasons why you might want to consider investing some, or more, of your money in a Stocks & Shares ISA, to help you realise your long-term financial goals.

DON'T OVERLOOK THE IMPACT OF INFLATION

One of the appeals of cash savings is that you can access them when you want. Your interest is also generally fixed, so their value won't swing up and down like share prices can. It's sensible to keep enough cash to cover any short-term needs, but keeping too much of your savings in cash can carry a cost.

When the price of goods and services, or inflation, is rising faster than the rate of interest you receive on, say, your cash savings in a UK bank or building society, the 'real' value of the amount is eroded, which could leave you worse off.

By accepting some level of calculated risk and investing your money in assets such as company shares, bonds and property, you could potentially achieve higher returns than cash alone can offer. Returns from investing can never be guaranteed, however, and you should remember that past performance is no guide to future performance.

HOLDING THE RIGHT BLEND OF ASSETS

Relying on any one asset could expose you to an unnecessary risk of losing money. The key to

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managing risk over the long run is holding the right blend of assets that can collectively perform in different circumstances.

There is the option to hold a wide range of investments in a Stocks & Shares ISA. As well as individual company shares and bonds – both government and corporate – you can also invest in funds that feature several assets. Some funds focus on one type of asset, and sometimes even one region, while others hold a mix of assets from around the world. A broad and diversified portfolio will help spread the risk of individual assets failing to deliver returns or falling in value.

SAVING A SIGNIFICANT AMOUNT OF TAX

When you invest through a Stocks & Shares ISA, any income you receive, and any capital gains from a rise in value of your investments, will be free from personal taxation irrespective of any other earnings you have.

Investing in this way could save you a significant amount of tax. It's important to remember that ISA tax rules may change in the future. The tax advantages of investing through an ISA will also depend on your personal circumstances.

ISA PORTFOLIOS CAN BE FLEXIBLE

Your circumstances – and attitude towards investment risks – are likely to evolve, meaning different types of assets will become more or less appropriate over time. So if you are using ISAs as part of your retirement planning, when you approach retirement you may want to reduce the level of risk in your portfolio, or move towards income-generating assets. It's sensible to review your investments regularly – even as a long-term investor.

Within an ISA, you can reallocate your portfolio according to your outlook and needs at any time without losing any of the tax benefits. You can also move money from your Cash ISA to your Stocks & Shares ISA, or vice versa, as your short-term cash needs change. ■

TIME TO REVIEW YOUR CURRENT PORTFOLIO?

Inflation can have a corrosive effect on the money that you've set aside for your future. Rather than rising in value, as you might hope, your savings could be being slowly diminished. If you would like to review your current portfolio, please speak to us – we look forward to hearing from you.