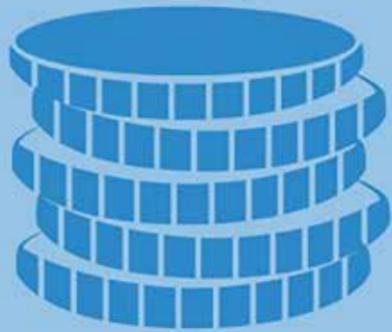




HM Treasury



Lifetime ISAs

The perfect way to save for the future



It's not often that you get something for nothing in this life, but that's pretty much the case with the new Lifetime ISA that has recently been launched by the Government. The LISA adds an extra £1000 to your pot for every £4000 you put in yourself, but there's one small catch - the money has to be used to buy your first home or for your retirement. Chartered accountant, HEIDI MARSHALL explains.

When speaking at the BDIA dental showcase last year, despite the vast number of topics I covered, the item that most people were interested in was the Lifetime ISA (LISA) which was introduced in April 2017. These new products are available to anyone between the age of 18 and 39-40 as a way of saving towards your first home or for retirement. So, if you were born on or after April 6, 1977 and would like the Government to give you £1,000 per year please read on....

From April 6, 2017, any savings you put into your LISA will be awarded a 25 percent bonus from the Government. The maximum investment is £4,000 per annum and therefore the maximum bonus is £1,000 per annum.

You can pay into your LISA until you are 50, so if you start on your 18th birthday and contribute the maximum each year, you will have received £32,000 from the Government by the time you finish - something definitely worth considering.

There is a small catch, however (of course there is!). You can't just spend your savings whenever you like on whatever you like. The money must be used for one of two purposes - either purchasing your first home or funding your retirement (the funds can be accessed tax free once you are 60). If you want the money out for any other reason you will not receive the Government bonus and you will also be charged a five per cent penalty.

"Sounds too good to be true? Not really, the Government have been giving incentives for people to invest in pensions and save for their retirement for many years"

Sounds too good to be true? Not really, the Government have been giving incentives for people to invest in pensions and save for their retirement for many years and this type of top up is very similar. By allowing people to use this method to purchase their first home, the hope is that they will be in the habit of saving and continue to invest towards retirement once they are on the property ladder.

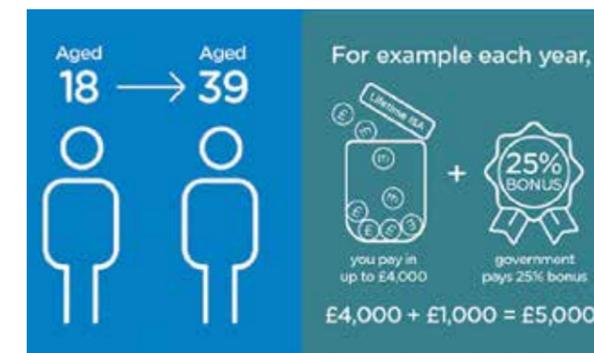
As with all of these types of schemes, the devil is in the detail and the purchase of your first home is restricted to a maximum of £450,000. Absolutely fine for us northerners but if you're hoping to get on the property ladder in London for example, you may want to think twice before tying your money up in a LISA.

Too old for a LISA but have adult children? Why not encourage them to set one up and help contribute. It's a great way to pass on your wealth knowing that there is control over what your child can spend the money on.

It can also be effective inheritance tax planning as the annual gift will in most cases constitute a 'gift out of income' and will therefore be immediately outside of your estate for inheritance tax purposes.

The reason this could be relevant for dentists is because many who are working within the NHS will already be on target for healthy pensions but are likely to be pushing up against the lifetime allowance and annual allowance limits. This is an alternative way of saving for retirement without having to worry about incurring an unwanted tax charge.

For the best advice, make sure your accountant liaises with your independent financial advisor.



You can find out more about Lifetime ISAs from the Government website at:

<https://www.gov.uk/lifetime-isa>

Heidi Marshall

Heidi is a chartered accountant with Dodd & Co and a member of NASDAL. She works closely with dental practices to assist with all areas of financial management and is experienced in advising new practice set ups.

She has over 250 dental professional clients and an immense amount of experience in this specialist area.
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