



MARKETING PLAY? The suspicion is that the name Lifetime Isa was chosen as it lends itself to pictures of celebs called Lisa – such as Lisa Kudrow (Phoebe) of Friends

# Combining savings account and pensions for Lisa scheme

What is the new Lifetime Isa and how does it work? **Barry O'Neill**, investment director with financial planning, investment and pension advice firm Carbon Financial Partners in Aberdeen, takes a look



Is it an individual savings account (Isa) or is it a pension?

The truth is that the new Lifetime Isa (Lisa) is a bit of a mongrel, with elements of both.

Critics might even argue the name is a deliberate marketing ploy, thanks to an acronym which lends itself perfectly to the random use of pictures of

celebrities called Lisa alongside any discussion or promotion around the new product.

Chancellor George Osborne has a long-stated goal to move towards a simplified Isa and pension regime.

It looks as if the Lisa is his first go at combining the two structures.

Here are my 10 observa-

tions about the new form of savings available from April 6, 2017:

- The purpose of a Lisa appears two-fold – to help first-time buyers buy a residential property and to provide alternative or additional retirement funds.
- Anyone aged 18 to 39 can open a Lisa.
- Savings of up to £4,000 each tax year will benefit from a 25% bonus from the UK Government, subject to a maximum of £1,000.
- Any savings will form part of the £20,000 2017-18 Isa allowance.
- The bonus is to be added to plans at the end of the tax year.
- You can open a Lisa for £4,000 and then a separate ordinary Isa for up to £16,000 in any tax year.

● While age 39 is the latest age at which a Lisa can be started, subscriptions continue to attract the government bonus up to age 50. Subscriptions after age 50 will not attract the government bonus.

● Someone who opens an account at 18 could save £160,000 into a Lisa (£128,000 from their personal contributions plus a £32,000 government bonus).

● You can only subscribe to one Lisa in any tax year and the rules regarding spouses inheriting their late partner's allowance are the same as for Isas.

● Funds can be withdrawn: tax-free, with the government bonus to buy a first home of up to £450,000 at any time

from 12 months after opening the account. If the property is being bought jointly, Lisas can be combined but the house value cap remains at £450,000;

from age 60, tax-free and with the bonus in whole or in part;

before age 60 and not to buy a first home. You get the value of the fund minus the government bonus and any interest and growth on the bonus, less a 5% charge;

in exceptional circumstances, such as terminal ill health.

The new kid on the block appears to be a pretty attractive option

for the under-40s. For those of us who are precluded as a result of our “experience”, the tried and tested combination of pensions and Isas still works well.

Lisa Simpson



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