

# Foresters Guide to Tax Efficient Savings

Some savings schemes mean you get a helping hand from the taxman,  
instead of the other way around.



We believe it's important for people to rediscover the importance of long-term savings, however with so many demands on your income it can be difficult to set aside a regular amount. One good way to build up your savings and investments is to have a set amount transferred from your bank account each month – that way you barely notice it has gone.

Mid to long-term regular savings plans allow you to put money aside each month, if you just want to save for a rainy day or to build up a lump sum for your future. Tax Free Savings plans mean that you won't pay income or capital gains tax on the amount you save, so you can reach your savings goal, tax free.

*"Times may be taxing, but certain savings schemes can help you to build a nest egg for the future and beat the taxman at the same time"* says Stephen Ellis, Personal finance expert.

## What are the benefits of Tax Efficient Savings Plans?

- 1 Tax efficient** ⇒ ✓ Savings are free of both income and capital gains tax, which could mean even more money for you
- 2 Potential for growth** ⇒ ✓ Investing for the longer term means there is the potential for investment growth
- 3 Suitable for children** ⇒ ✓ Tax efficient savings plans are not only for adults, there are also versions for children available



There are many tax efficient savings plans available; two possible options are Tax Exempt Savings Plans and New Individual Savings Accounts. This guide examines these two types of tax efficient savings plans in more detail.

## Tax Exempt Savings Plans (TESP)

One tax free way to save is through Tax Exempt Savings Plans. These are only available through friendly societies, which means they also entitle you to all the benefits of friendly society membership.

Tax Exempt Savings Plans are available to both adults and children and can be held in addition to other tax efficient plans such as ISAs, Junior ISAs and Child Trust Funds.

- Guaranteed sum** ⇒ With some providers, such as Foresters Friendly Society, you are guaranteed to get back at least what you have paid in to the plan when it reaches maturity – provided you continue to keep putting the agreed amount aside each month.
- Save £25 a month** ⇒ With a Tax Exempt Savings Plan you can save up to £25 a month, so saving for your future doesn't have to cost much today.
- Minimum 10 year term** ⇒ You can decide how long you want to save for which, depending on provider, can range from at least 10 years up to 25 years or more.

### More about how TESPs work:

- It's important to note that as they are longer term plans, if you are unable to continue saving, what you get back will be affected and in the early years could be very little, if anything.
- The plan may attract bonuses, which are linked to the performance of the assets within the fund your plan is invested in. Many companies will invest in a range of different assets including shares, property, government and corporate Bonds, and cash. Although what has happened previously is no guarantee of what will happen in the future, it is always worth checking past bonuses.

Tax rules may change in the future and will depend on individual circumstances. Tax free means free of tax in your hands, however tax is automatically deducted from UK share dividends and cannot be reclaimed. Please remember that inflation will reduce the spending power of the money you get back in the future.



## New Individual Savings Account (NISA)

Another popular tax efficient savings scheme is the NISA. Every UK resident gets a NISA allowance to save tax free, each tax year. NISAs are protected from the taxman, which means the returns grow free of income and capital gains tax. NISAs offer a flexible tax free way to use your annual NISA savings allowance whatever your budget.

There are various options when it comes to choosing which type of NISA is right for you.

### Cash NISA

- Cash NISAs are available to anyone aged 16 or over, and come in two types:
  1. Instant Access, where you have direct access to your money and can withdraw at any time.
  2. Fixed Rate, in which you lock away your money for a set period of time to potentially benefit from a better rate of interest.

### Stocks & Shares NISA

- For a longer-term investment, a Stocks & Shares NISA can potentially yield better returns. Your contributions may be invested into stocks and shares with the aim of increasing the return on the money in your NISA. Stocks & Shares NISAs are available to anyone 18 years old or over. You should be aware that in some investment conditions you may not get back the full amount originally invested.

### Junior ISA

- Junior ISAs are available for children, allowing you to save £4,128 (in the 2017/2018 tax year) for your child. Junior ISAs can only be taken out for children who do not already hold a Child Trust Fund (CTF), unless the CTF is transferred to the Junior ISA (from April 2015).

### Annual NISA allowance

- You can invest your entire NISA allowance (£20,000 for the 2017/2018 tax year) into a Cash NISA or a Stocks & Shares NISA, or you can invest into any combination of the two. It's important to note that the NISA allowances are fixed for each tax year. So, if you don't use your maximum allowance this tax year, it's gone for good.

Tax rules may change in the future to affect the tax status of your NISA and will depend on individual circumstances. Please remember that inflation will reduce the spending power of the money you get back in the future.



# A few questions to ask yourself

Do I have any regular savings?

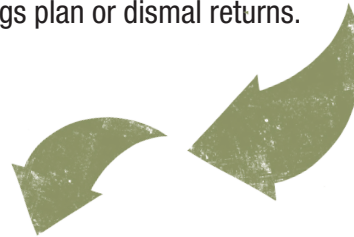
➔ Many people aim to put some money aside into a regular savings plan, and you could save up to £25 a month with a tax efficient savings plan.

Have I used my NISA allowance?

➔ You can invest your entire annual NISA allowance into any combination of Cash or Stocks & Shares NISAs, for tax efficient savings. You can also hold a TESP in addition to your annual NISA allowance for increased tax free savings.

Are tax free savings suitable for me?

➔ Make sure any savings scheme you are considering is right for you and is worthwhile before committing yourself. Tax benefits do not make up for a poor savings plan or dismal returns.



## Conclusion

- ➔ Tax Exempt Saving Plans (TESP) are available for adults and children, allowing everyone the opportunity to save for the future, whilst beating the taxman.
- ➔ Cash and Stocks & Shares NISAs are available for anyone aged 16 and over and 18 and over respectively, whilst Junior ISAs are available for children who do not hold a Child Trust Fund. NISAs allow you to use your annual NISA allowance to save in a tax efficient way, to build a nest egg for any occasion you may have.
- ➔ TESPs and Stocks & Shares NISAs have the potential for medium to long-term growth.
- ➔ If there's a specific event you'd like to save for, like your daughter's wedding, or you'd like to treat your partner to a really special holiday once you retire, why not start saving, tax free, for your future with a regular savings plan? You can put money aside each month with a TESP or NISA to save for your future.

**This guide should not be considered to be advice. If you're unsure as to the suitability of any products you should seek advice from a Financial Adviser. You may have to pay for this advice.**

## Foresters Friendly Society

Foresters has been helping people take care of themselves and their families for over 180 years. Providing straightforward financial products backed by excellent customer service - we do more for you.

**To find out about any of our products...**



**Call: 0800 783 4162**



**Email: [memberservices@forestersfriendlysociety.co.uk](mailto:memberservices@forestersfriendlysociety.co.uk)**

**Visit: [www.forestersfriendlysociety.co.uk](http://www.forestersfriendlysociety.co.uk)**

You'll find everything you need, including application details. Lines are open Monday to Friday, 9am to 5pm (excluding Bank Holidays).

Straightforward financial solutions with a human touch

