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## Isa boost for older savers but not all will be able to benefit

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By Jeff Salway

MILLIONS of over-50s can secure a much-needed boost to their returns when they qualify for an increased individual savings account (Isa) allowance next month.

The annual tax-free Isa allowance rises on 6 October for over-50s, providing a timely boost for millions of people who have seen their savings income dry up over the past year.

But less than two weeks before the new allowance comes into play, the

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re are widespread concerns that, with some providers ill-prepared for the change, the full benefits of the higher allowance will not be realised.

Under the existing rules, savers can put up to £3,600 in a cash Isa and the same amount into a stocks and shares Isa, or the whole £7,200 in the latter. From 6 October, the annual allowance rises to £10,200 for over-50s, including up to £5,100 in a cash Isa.

The new rules were set out in April's Budget, but under-50s have to wait until next April to benefit.

The increased limit represents a great opportunity for older savers, said Patrick Mahony, regional leader for Scotland with Edward Jones investments.

"For couples this means being able to invest £20,400 tax free in each and every year for the foreseeable future. Another advantage is you can either pay a lump sum, or invest on a monthly basis, as long as it does not exceed the annual £10,200 limit."

However, not all providers will accept investments up to the new limits, and some cash Isa providers will penalise savers who want to put their extra savings in their existing fixed-rate accounts.

This is partly a result of the improvement in savings rates in the past six months, with many of the higher fixed-rates available only to new savers, meaning existing customers will have to close their existing account and lose the interest built up. Under Isa rules, savers can only open one cash Isa in a tax year.

Of the main savings brands in Scotland, Lloyds Banking Group (including Bank of Scotland), Clydesdale,

Scottish Friendly and Dunfermline Building Society were among those that confirmed that they would be ready to accept top-ups from 6 October.

RBS did not, but a spokesman told The Scotsman it was "on track" and working on implementing the changes "in the timescales advised".

Whether you use the allowance for stocks and shares or cash Isas depends on your attitude to risk, the likely investment term and your personal preference, among other factors. Either way, take time to consider your options.

## **CASH**

THE rates offered by cash Isas have been subdued in recent months, but better deals are hitting the market in the run-up to 6 October.

The top fixed-rate cash Isas available, as of 24 September, were from Leeds Building Society, paying 4.6 per cent over a five-year term, Princes (4.2 per cent over three years) and Bradford & Bingley, paying 3.75 per cent over two years.

The best variable rate deals are currently from Britannia Building Society, at 3.1 per cent, and Manchester Building Society at 3.01 per cent, according to online comparison company Defaqto.

If you're 50 or over, have already opened a cash Isa this tax year and want to make use of the additional allowance, ask your provider if it accepts top-ups.

The majority will for variable rate Isas, said David Black, principal banking consultant at Defaqto. "But there may be a problem with some existing fixed-rate cash Isas: their terms may not accept additional investments and the provider may not wish to offer the same fixed rate."

If your provider refuses to accept a top-up, ask it to waive any penalty that may be incurred if you transfer elsewhere.

## **STOCKS AND SHARES**

INVESTORS will not have to put extra money into the funds, shares or asset classes they already hold, but they must stay with the same provider, unless they invest through a fund supermarket.

The rally of recent months has encouraged investors back to the markets, but many remain cautious when it comes to investing their extra £3,000.

Adrian Lowcock, senior investment adviser at Bestinvest, recommended investments offering high yields or income: "I would suggest looking to invest in corporate bonds or commercial property."

David Thomson, investment director of VWM Investment Management in Edinburgh, also tipped corporate bond funds, recommending the M&G Strategic Corporate Bond fund or the Old Mutual Global Strategic Bond fund: "Every man and his dog seems to be buying corporate bond funds these days, but for once the consensus isn't wrong – as the sell-off in the bond market last year continues to provide a buying opportunity."

Haig Bathgate, investment director at Turcan Connell, advised investors to consider funds where there is no tax loss on the income being generated on the underlying investments: "As there is an irrecoverable tax loss on dividend payments, if you are looking for income from an Isa investment, which many investors over 50 are, you should opt for interest-generating funds where gross income can be received."

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