

## The Shackleton Guide to Lifetime ISAs

Most of us are familiar with ISAs – savings products that, up to certain limits, give tax-free interest or growth.

However, there's also an ISA that goes even further than this – not just tax-free investment returns, but also the potential for a government-funded bonus. This is a 'Lifetime ISA' or LISA.

The general rule is that LISAs give you a 25% bonus each year on annual savings of up to £4,000 – so, an extra £1,000 per year is available.

The bonus on LISAs is payable if you either:

- Use the LISA to buy your first home
- Withdraw money after reaching age 60

The government bonus of 25% is repayable if you withdraw money under any other circumstances (except if terminally ill with less than 12 months to live).

The money that you invest into LISAs counts as part of your £20,000 annual ISA limit but the bonus doesn't. So, for example, if you paid £4,000 into a LISA, you'd receive the government top-up, making the total £5,000 but you could still invest £16,000 into other ISAs.

### LISAs – general rules

- You can open one if aged 18 – 39
- You may invest up to £4,000 per year up to age 50
- You may hold cash or stocks & shares, or a combination of both
- The government bonus is paid monthly, each month that you contribute
- You may transfer between LISA providers and add to it once you've transferred
- Interest on cash and growth on stocks & shares are tax-free
- You may hold a 'Help to Buy' ISA (now discontinued) and a LISA at the same time but you may only use the first-time buyers' government bonus on one of them, not both.
- You can only open and pay into one LISA per Tax Year.

### LISAs for first-time buyers

- First-time buyers are defined as someone who has never owned a property anywhere, not just the UK
- LISA proceeds may be used towards the purchase of any residential property up to £450,000, that you will be living in and for which you're using a residential mortgage.
- LISA funds can be released to your solicitor for 'exchange of contracts' so they're available for use as your deposit.
- If two first-time buyers are buying together, and each holds a LISA, then both LISAs may be used towards the property.

- If two people are buying together, and only one is a first-time buyer, then that person may still use their LISA proceeds towards the property purchase
- Can only be used if the property purchase is at least 12 months after the first payment into the LISA
- Can take part of the money when buying a home and leave the remainder to be used post age 60

## LISAs for later life

- Withdrawals allowed any time from age 60
- Full or partial encashment allowed
- If partially encashed, the remainder still attracts interest or growth
- LISAs may affect your eligibility for means tested benefits (unlike pensions)

## Useful Links

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

<https://www.moneysavingexpert.com/savings/lifetime-isas/>

<https://www.moneyhelper.org.uk/en/savings/types-of-savings/isas-and-other-tax-efficient-ways-to-save-or-invest>

[Shackleton Guide to Tax on Savings](#)

**This document deals in generalisations, is intended for information purposes only, and is not intended to provide advice. Levels and bases of taxation will vary dependent upon individual circumstances and are subject to change. Shackleton recommend that employers and individuals take specific guidance before taking any action.**



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