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Reasons to consider a fixed rate cash ISA by [Sean Burke](#)

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The new tax year is a time when many people take stock of their financial situation and determine whether their savings would earn a higher rate of interest when invested elsewhere. For a number of years, ISAs have represented one of the most cost-effective and appealing options for people looking to save their hard-earned money without losing a large portion to tax, as interest in these accounts is completely tax-free.

This needs to be taken into account when comparing ISAs against other types of savings, with rates such as 3.5 or 4.5 per cent APR on a fixed rate cash ISA being significantly higher than most other types of saving accounts when tax liabilities are accounted for. When you save your money in an ISA, you can look forward to earning the amount of interest promised.

Fixed rate ISAs are the most popular option among people looking for financial security from their savings, as the rate you earn on your savings will remain the same for the duration of the term, unlike variable rate ISAs that change with the economy. While variable rate ISAs do have the potential to increase their rate if the economy improves, there is also a risk of losing out on higher rates during periods of economic downturn, which could have a significant impact on the amount you earn on your savings.

With a cash ISA, UK adults can save up to £5,640 each financial year. If you combine your cash ISA with another type of ISA, such as a stocks and shares ISA, you can save up to £11,280 per year (2012-13 tax year).

There are several important factors you should look for when choosing a fixed rate ISA however, which could influence your decision over which financial company to choose. Different providers may charge different rates for ISAs, and higher interest rates are usually offered for accounts in which money is saved but not withdrawn until the end of the tax year.

Making withdrawals from these accounts can have a major impact on the amount of interest you earn, so if you are planning on making withdrawals throughout the year, easy access ISAs are likely to be the preferable option, carrying a slightly lower interest rate. Some ISAs require a minimum balance, while others may be accessible even to people who don't have a large amount of savings at present.

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