Article Side

Stocks and Shares ISAs â€“ the lowdown! by Malcolm Anderson

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In an age when any mention of the financial climate, savings, investments and banking is often met with a sharp intake of breath, a shake of the head and, more often than not, one or two choice words; finding the best and safest home for your savings has never been more important. In this regard, Individual Savings Accounts, or ISA accounts, can stand head and shoulders above the rest for some UK investors. In this guide, weâ€™ll provide some details on a specific type of ISA: the stocks and shares ISA. So what is it?

A stocks and shares ISA is similar to a Cash ISA, but the content and savings limits are different. Instead of saving up cash, you are actually investing your money in pooled investments that buy company shares. Products which you can invest your money in include, government bonds, unit trusts, investment trusts and OEICs (open ended investment companies).

Cash ISAs have a fixed interest rate that you will receive. Investments in your stocks and shares ISA could go up or down in value, but you do have the potential for a greater return on your investment. The amount you can invest each year is £10,680 and you could also choose to buy shares yourself with this money.

A stocks and shares ISA is also different to a Cash ISA in that they are not completely free from tax. If you hold some types of investment within your stocks and shares ISA, such as: equity income funds, there is a tax on dividends that cannot be reclaimed. However if your ISA is used to buy corporate bond funds, then the interest you make will be tax free no matter what rate of tax you normally pay.

You will have to pay charges when you choose a stocks and shares ISA and these are used to pay for things such as administration fees, fund managers or commission to financial advisors. The charges you pay will be different depending on the type of stocks and shares ISA that you choose. You can make a lot of money from a stocks and shares ISA, but you must be prepared to leave your money tied up for a few years and you should be prepared to see your money go down as well as up and you may get back less than you invested.

There is a certain element of risk involved with a stocks and shares ISA, so you should be aware of this before investing. Even though you can make a higher return with a stocks and shares ISA than a cash equivalent, your capital could be at risk. If you are worried about this then you should choose a protected index tracker. But be aware that the amount of profit that you could make will be capped. Remember, the eligibility to invest in an ISA will depend on your individual circumstances, and they might not be around for ever as all tax rules may change in the future.

You should also be prepared to leave your money untouched for at least three to five years. You would not get the maximum return on your investment if you did not leave your money for at least that period. A Cash ISA would be a better choice for those who need to have instant access to their money.

It can be quite confusing to invest in a stocks and shares ISA so you might need to get advice from an independent financial advisor. And of course there are charges that you will have to pay when you opt for a stocks and shares ISA.

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