Making the most of your ISA

Changes to PEPs and ISAs have been announced in two stages: 'structural' ones covered in the Chancellor's pre-budget statement last autumn, and investment limits in the March Budget. But it's still important to make the most of your 2007/8 ISA allowance.

The key changes are the merging of PEP and ISA accounts and the increase in the subscription levels to £7,200, both effective from the 6 April 2008: we've produced a short 'fact sheet' to explain these changes – you can download it from share.com/isa, or call us for a copy.

But how do you make the most of this tax year's allowance? Here's a couple of pointers.

A question of timing

Typically, there's a big rush around the start and end of each tax year. Recent research carried out by us showed that, of those investors who planned to jump-in just before the end of the 2006/7 tax year, 1 in 4 were doing so in order not to lose out on their tax allowance. Ironically, they already had: by delaying their ISA to the end of the year, they'd missed out on the potential for tax-free growth throughout the year – and in the case of 2006/7 that was pretty significant growth too!

'Early adopters' on the other hand may be keen to maximise that potential, but still need to be aware of choosing the right investments, at the right time. The Revenue understand this, so you don't have to jump straight into the market: the regulations allow you to leave cash in your ISA whilst you 'actively seek to invest'.

A Maxi Shares ISA can be opened online at share.com and, with the ability to credit your new ISA account online too, its easy to make your contributions when you're ready, leaving the cash you intend to invest sitting in an instant access savings account until the time's right. So if you're planning a 2007/8 ISA, now might be a good time to take a look and see whether a DIY ISA is for you.

Thinking about investing in Funds?

The vast majority of our customers hold shares in their ISA. But for some, funds are an alternative option – either for all or part of their money. You've always been able to buy funds through us too, but now there's another good reason to arrange your ISA through us.

Not only do you get the choice and flexibility you need to move from fund to fund, and perhaps more importantly, fund manager to fund manager (open your ISA direct with a fund manager and it's often only their funds you can hold in it) but, from the 2007/8 tax year onwards, there's no subscription fee payable on funds held in your ISA.

How can we do this? Fund managers will typically pay a small commission each year on the value of funds purchased through us - it's known as 'trail commission' and is one way IFAs get remunerated for their advice. But we'll be using this trail commission to cover our administration costs for that part of your ISA. And, of course, we'll continue to use any initial commission we get from the fund manager to buy extra units for you … making your money go further still.

At a glance

Get our fact sheet on the changes from 2008 – www.share.com/isa.

Consider starting your ISA early in the tax year for maximum advantage.

Don't get locked into one fund manager's ISA.

So if you want to move into new investment areas using a fund to spread your risk, or simply want the convenience of fund investing, your DIY ISA means you can do that and cut your ISA costs too.

Planning ahead for the merging of PEPs and ISAs

With the merging of these two investment schemes from April 2008, and our new deal on funds, we're taking the opportunity to simplify the DIY ISA tariff. So for the quarterly charge that will be applied in October (covering the period starting 9 July 2007) and thereafter, we'll be removing the 'tiered' subscription fee that currently applies to ISAs and reverting to a simpler, flat fee structure of 0.125% per quarter (+VAT), minimum £5.00. This fee will be calculated on the total value of your account as at the charging date each quarter LESS the value of any funds (Unit Trusts & OEICS) You can find out more about our DIY ISA at share.com/isa, or by calling the Customer Service team on 01296 41 41 41 for an information pack.