

# Lifetime ISA or Help to Buy ISA



**The ISA family was extended further in April 2017, as the Lifetime ISA was introduced.**

Designed to help savers under the age of 40 to save for their first home or for their retirement, there were some similarities to the Help to Buy ISA that was already on the market at that time.

So, for those looking to buy their first home a debate immediately began around whether a Lifetime ISA or Help to Buy ISA was the better option for these savers.

Of course, as of 30 November 2019, savers are no longer able to open a Help to Buy ISA, however this fact sheet may prove useful to those that already hold one.

The following information is not intended to give a clear-cut answer as to which would be more suitable to your individual circumstances, but rather to make you aware of the differences, enabling you to make an informed decision.

## What are the two types of ISA?

Before comparing these ISAs, what are the key features of both?

### Lifetime ISA

- You can save up to £4,000 each year and receive a Government bonus of up to £1,000 a year.
- You can use some or all of the money to buy your first home or keep it until you reach the age of 60 – it's up to you.
- Can be opened between the ages of 18 and 40 and any savings before your 50th birthday will receive the added 25% bonus.
- The maximum you can save each year is £4,000 and it will form part of your total ISA allowance, which is currently £20,000.
- You can invest in stocks and shares or cash.
- You can use your savings and bonus towards a deposit on a first home worth up to £450,000.
- Alternatively, you can access your LISA tax free after your 60th birthday to use as part of your retirement fund.
- You can access money held in a LISA at any time before the age of 60 - but there is a 25% charge.

### Help to Buy ISA

- Up to £200 per calendar month can be saved in the account (an initial opening deposit of up to £1,000 was allowed).
- The Government will top up the amount saved by 25%, subject to a minimum bonus of £400 and a maximum of £3,000.
- Was available to first time buyers aged 16 and over.
- The bonus can only be used for the purchase of a UK property, paid on completion of the purchase by a solicitor or conveyancer.
- A type of cash ISA, which counts towards your ISA allowance.
- The maximum property value is £250,000 (or £450,000 for a property in London).
- Money can be accessed at any time without penalty - though it cannot be put back into the account in one go if it exceeds the monthly limit.
- Only available to open until 30 November 2019, all bonuses must be claimed by 1 December 2030.

## Comparison between Help to Buy ISAs and Lifetime ISAs

### How do Help to buy ISAs and Lifetime ISAs compare?

Feature	Help to Buy ISA	Lifetime ISA
Maximum Deposit	Up to £200 per month, £1,000 initial deposit was allowed in the first month.	Up to £4,000 per tax year.
Bonus amount	25% of the amount saved - minimum bonus of £400 up to a maximum of £3,000.	25% of the amount deposited, up to a maximum of £1,000 per tax year.
When bonus is paid	On completion of the property purchase.	Monthly bonus paid on deposits made until the age of 50
Savings purpose	First property purchase only.	First property purchase or retirement.
Available to	First time buyers aged 16 and over.	Anyone aged 18 to 40.
Deposit type	Cash.	Stocks and shares or cash.
Property value	Up to £250,000 (£450,000 in London).	Up to £450,000
Access to funds	Bonus only accessible on completion of the purchase. Money can be accessed at any time.	From age 60 or on first home purchase if earlier, without penalty. Accessible at any time with a penalty.
Penalties on withdrawal	No penalties for withdrawals.	Clawback of 25% Government bonus - unless aged 60+ or have used it to purchase a qualifying first house
Minimum age at entry	16	18
Maximum age to open	None	Before 40th birthday.
Government contribution ends	Accounts must have been opened by 30 November 2019. Bonuses must be claimed by 1 December 2030.	50th birthday

### So, which type of ISA will be suitable in different situations?

- Those who already own a residential property or have done in the past can still take advantage of the Government bonus on offer by opening a Lifetime ISA.
- For those looking to purchase their first home in the near future, the Help to Buy ISA may be more suitable - with the Lifetime ISA, you cannot take the funds out for a purchase until the account has been opened for 12 months. With a Help to Buy ISA, you can use the money and bonus as soon as £1,600 has been saved (the amount required for the minimum bonus of £400).
- For those with more of an eye on the future, the Lifetime ISA does allow you to save more per year and therefore accrue a larger bonus. There is also the option for investments to be made in stocks and shares with a Lifetime ISA, whereas money deposited in a Help to Buy ISA can only be held in cash.
- If you want to hold funds in cash, particularly if you are purchasing a property in the short term, higher interest rates are available amongst Help to Buy ISAs. Currently there is only a handful of cash Lifetime ISAs on the market, so choice is extremely limited.
- If you are considering a Stocks and Shares Lifetime ISA, you should be aware that the value of your investment could go up and down over time and you may not get back what you have invested. If you would like more information about a stocks and shares Lifetime ISA, we can put you in touch with a chartered financial planner.

One final point to note is that many providers are still yet to confirm when or if they will offer a Lifetime ISA, but hopefully the market will open up over time. We will, of course, keep you up to date on the best cash options on the market, as they become available.

For further assistance, get in touch  
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