

AJ Bell Investcentre Lifetime ISA (LISA) FAQs

Setting up a Lifetime ISA

Who can open a Lifetime ISA?

Your clients can open a LISA if they are aged 18 - 39. If your client is 40 or older, they cannot open a LISA, unless they intend to transfer from an existing LISA (transfers to be offered shortly).

After a client has opened a LISA, they can continue subscribing until the day before their 50th birthday.

In order to open a LISA the client must be a resident in the UK, a Crown employee working overseas, or the spouse or dependant of a Crown employee.

More than one LISA can be held, but the client can only open and subscribe to one LISA per tax year.



18 - 39 years old
Can open a Lifetime ISA



40+ years old
Cannot open a Lifetime ISA

unless an existing LISA is being transferred (transfers to be offered shortly)

When is the Lifetime ISA legally open?

The LISA is only officially open from the date the first payment is made into it, not the date the application is made.

This is potentially important if your client would like to use the LISA to buy their first home. They need to have had it open for at least 12 months before doing so. The 12-month period starts on the date the first payment is made. Therefore if your client is looking to buy their first home in the near future they need to open and subscribe to the LISA as soon as possible to get the clock ticking.

For clients who are approaching the age of 40, you should consider whether it is prudent to open and fund an account to allow them to continue contributing up to age 50. If they don't pay anything into their LISA before they reach 40 it will have to be closed.

Individuals must make an application to open a Lifetime ISA with the Lifetime ISA manager in the tax year in which the first payment is made to that account. If a payment is not made in the same tax year as their application the client will have to re-apply.

Can a joint LISA be opened?

A joint LISA isn't allowed. LISAs can only be opened by individuals.

How does the Lifetime ISA interact with other ISAs?

A LISA can be opened alongside any other ISAs your client may have, including; 'cash', 'stocks and shares', 'Help to Buy' or 'innovative finance' ISAs. Your client needs to ensure they do not exceed the overall subscription limit of £20,000 which a LISA normally counts towards. More information on this is provided in the "How much can you subscribe to a Lifetime ISA?" section below.

AJ Bell offers a stock and shares ISA and Lifetime ISA.

What investments can be made in a Lifetime ISA?

You have the same functionality as you do with our stocks and shares ISA. We provide access to a comprehensive range of investments via our platform.

Can I receive adviser charges from a Lifetime ISA?

No, adviser charges cannot be taken from a LISA because they are classed as a withdrawal and the client would incur a 25% penalty charge.

Paying into a LISA and receiving the government bonus

Who can make a subscription to a Lifetime ISA?

Only the account holder can open and make subscriptions into a LISA. Subscriptions can only be made by 18 – 49 year olds.

An important point for your client to consider is that if they save in a LISA rather than enrolling in a qualifying scheme, occupational pension scheme or personal pension scheme, they may lose the benefit of contributions from an employer (if any) and future entitlement to means tested benefits may also be affected.

Can an employer make a subscription?

No, your client's employer cannot subscribe to their LISA.

How much can be subscribed to a Lifetime ISA?

The maximum subscription to a LISA is £4,000 per tax year.

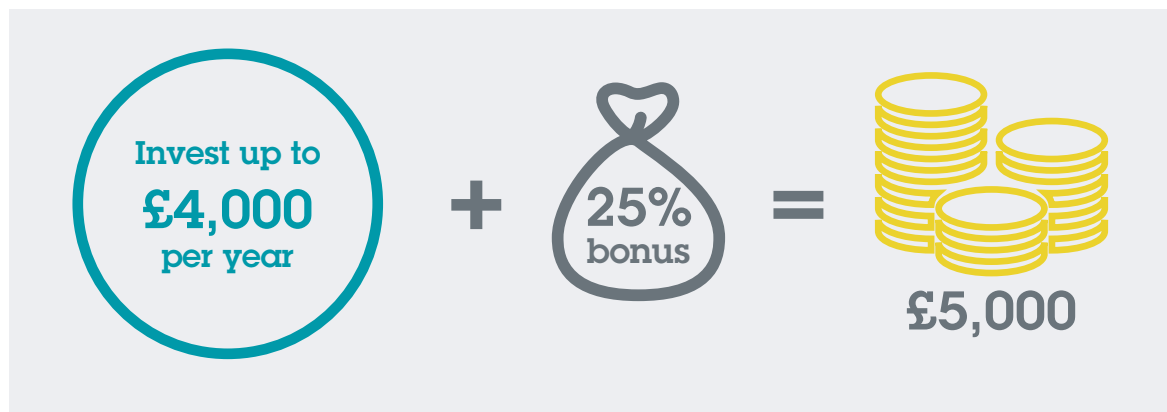
New amounts subscribed to a LISA will count against the overall ISA subscription limit for the year as well as the LISA subscription limit.

However, some payments to a LISA will count towards the LISA subscription limit of £4,000 but not the overall ISA subscription limit of £20,000.

Type of subscription	Does it count towards annual ISA limit (£20,000) if paid into a Lifetime ISA?	Does it count towards LISA payment limit (£4,000) is it a current year payment?	Can it earn a bonus?
New LISA cash	Yes	Yes	Yes
Transfer of previous year ISA cash or investments (from a non-LISA)	No	Yes	Yes
Transfer of current year ISA cash or investments (from non-LISA)	Yes (when initially subscribed to the non-LISA) *must be transferred in whole	Yes (on transfer)	Yes
LISA withdrawal returned to LISA after failure of first home purchase	No	No	No
Transfer of previous year LISA cash or investments from a LISA	No	No	Yes
Transfer of current year LISA cash or investments from LISA	Yes (when initially subscribed to the first LISA) *must be transferred in whole	Yes	Yes

*transfers will be available shortly

This means the rules for some payments into ISAs and LISAs are different. For example, a payment of an Additional Permitted Subscription (this is an allowance independent of the client's annual ISA limit which can be transferred to the surviving spouse of a deceased ISA holder) to a LISA is limited to the LISA limit of £4,000 whereas the same payment made into an ISA would not be limited to the ISA limit of £20,000.



How and when is the government bonus paid?

The government bonus is calculated at 25% of the subscription made and we arrange for the bonus to be paid directly into the LISA on a monthly basis. This can take 4 – 8 weeks to credit the LISA.

Can the client make regular investments in a Lifetime ISA?

Yes you can set up regular investments online.

Withdrawals

When can withdrawals be made from a Lifetime ISA?

Withdrawals can be made tax-free to purchase a first home (worth up to £450,000) or after age 60 to fund retirement. In addition it is possible to access the LISA tax-free if your client is terminally ill.

Withdrawals can also be made from the LISA for other reasons but the client will incur a 25% penalty charge for doing so - which means they may get back less than they paid in.

For example:

Client contribution =	£4,000
Government bonus =	£1,000
Total LISA value =	£5,000
Client withdraws =	£5,000
25% penalty charge =	-£1,250
Client receives =	£3,750

How is the Lifetime ISA used to purchase a first home?

The LISA can be used to fund the purchase of a first home. To qualify, the client can't have owned property before anywhere in the world either by themselves or with another person. This includes any property that they may have inherited.

The property must be bought in the UK with a mortgage, shared ownership arrangement or regulated home purchase plan for under £450,000. It must be the client's main residence.

It's also worth remembering that the LISA must have been open and funded for a year before it can be used to purchase a first home.

What happens when my client is ready to purchase their first home?

First they should contact their conveyancer who will ask them to complete a declaration. The declaration form will ask for details about the purchase. The conveyancer will then contact us once the purchase is ready to proceed. We will pay the amount requested to the conveyancer to finalise the transaction.

If the purchase doesn't complete within 90 days of the withdrawal, the amount withdrawn must typically be returned to the LISA.

Can a couple use both of their Lifetime ISAs to purchase their first home?

Yes, both clients will need to be first time buyers and have held their LISAs for at least 12 months. Remember the 12-month period only starts once the LISA has been funded.

Can the Lifetime ISA be used for purchasing a first home and retirement?

Yes it can. The client can purchase their first home using the LISA and continue to make subscriptions until they reach age 50. After age 60 they can then start to use the LISA to fund their retirement.

Death

What happens to a Lifetime ISA upon death?

Investments held in an ISA will remain tax-free after death. This is subject to a few limits and restrictions:

- The tax-free period ends on the earlier of:
 - the completion of the administration of the deceased's estate;
 - the third anniversary of the date of death; or
 - the closure of the account
- No subscriptions or transfers are permitted into the continuing LISA.

The rules surrounding Additional Permitted Subscriptions (APS) are also relevant to LISAs. This is an allowance independent of the client's annual ISA limit which can be transferred to the surviving spouse of a deceased ISA holder.

It's worth noting that a payment of an APS to a LISA is limited to the LISA limit of £4,000 whereas the same payment made into an ISA would not be limited to the ISA limit of £20,000.

Closure

Can the Lifetime ISA be closed?

Yes, the LISA can be closed without penalty charge if the client uses withdrawals after age 60 or for terminal illness, or uses it to purchase their first home. Otherwise they will incur a 25% penalty charge to close their account.

If the client has made subscriptions to the LISA before it is closed they cannot subscribe to another LISA in the same tax year.

It's also worth remembering that if the client closes their LISA when they're over 40, they cannot open a new one.