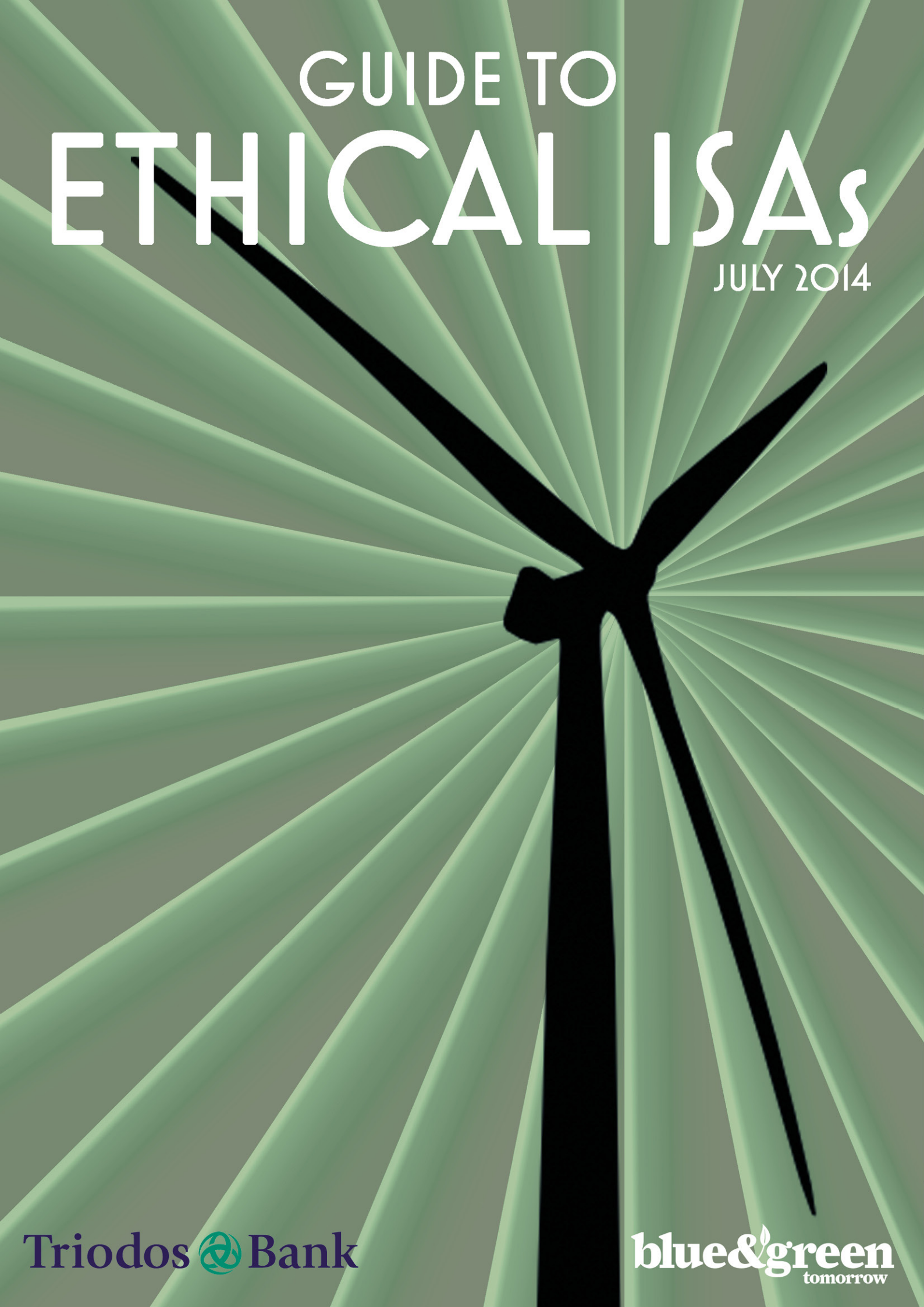
GUIDE TO ETHICAL ISAs

JULY 2014



Triodos Bank

blue&green tomorrow

ETHICAL ISAs



The Triodos Bank guide to saving and investing tax-efficiently . . . and positively.

No one likes to pay more tax than necessary, so it's easy to see what makes ISAs such a popular and widely recommended choice for savers and investors.

But what if, as well as protecting your money from the taxman, you also want to use it to help bring about positive change in the world?

In that case, opening an ethical ISA could be the way to go.

And who could be better to guide you through the ins and outs of saving or investing with an ethical ISA than Triodos Bank, a leading name in sustainable banking.

We're going to start with the nuts and bolts - what ISAs are, who can use them, how they work and so on. But if you already know the basics, just skip ahead to the section below on ethical ISAs . . .



WHAT'S IN THIS GUIDE?

ISAs: THE BASICS

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ETHICAL ISAs

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ISAs: THE BASICS

WHAT IS AN ISA?

An ISA is an Individual Savings Account (ISA), designed to allow you to save or invest tax-efficiently.

There are two types of ISA:

- **Cash ISAs** (including Junior ISA)
- **Stocks and shares ISAs** (including Junior ISA)

Unlike an ordinary savings account, you don't pay any income tax on the interest from your cash ISA. Any profits you make in a stocks and shares ISA will be free from Capital Gains Tax and dividends are exempt from income tax.

WHO CAN OPEN AN ISA?

If you're a UK resident, aged 16 or older, you can open a cash ISA. To open a stocks and shares ISA, you need to be 18 or older.

As we explain below, there are also Junior ISAs specifically designed for some children to save for themselves, or for parents or guardians to save tax-efficiently for their children.

WHY A CASH ISA?

If you want to save without paying any tax on the interest, a cash ISA could make perfect sense. Why pay 20% tax on your interest - as you would with any ordinary savings account if you are a basic-rate tax payer - if you don't have to? (Or even more, if you are a higher rate taxpayer.)

Just like other savings accounts, cash ISAs come in a variety of forms - including easy access, fixed rate and notice accounts.

Interest rates vary widely, depending on factors such as accessibility.

Though not in all cases, as a rule of thumb, you'll earn less interest if you need easy access, and more if you can commit to a longer term fixed rate.

WHY A STOCKS AND SHARES ISA?

Stocks and shares ISAs offer you the opportunity to invest in a number of different ways tax-efficiently.

Many investors choose a stocks and shares ISA that holds shares within collective investment vehicles such as unit or investment trusts.

These are managed by dedicated fund managers, who select the underlying shares based on set criteria - for example, geographical region or business sector.

As with any form of investment, putting your money in a stocks and shares ISA involves a degree of risk. The value of your investment can go down as well as up, so you could get back less than you invest.

HOW MUCH CAN I SAVE OR INVEST?

Each year, the government sets a limit on the amount that you can pay into an ISA.

In the current tax year (ending on 5 April 2015), the overall limit is £15,000.

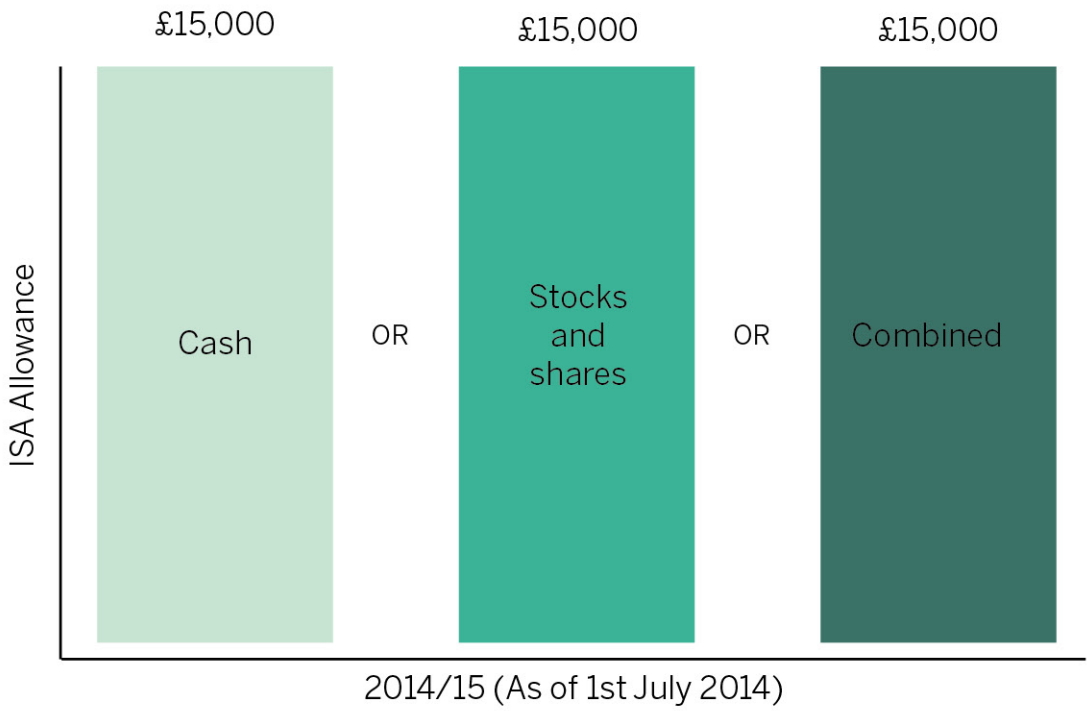
You have the option to save your whole ISA allowance of £15,000 in cash, stocks and shares, or any combination of the two.

For example, you could choose to pay in:

• £15,000 to a cash ISA and nothing to a stocks and shares ISA

• £15,000 to a stocks and shares ISA and nothing to a cash ISA

• A combination of amounts between a cash and stocks and shares ISA, up to the overall annual limit of £15,000



WHICH TYPE OF ISA SHOULD I CHOOSE - CASH OR STOCKS AND SHARES?

How you use your ISA allowance is entirely up to you, and will depend on a number of factors.

Using an ISA to invest in stocks and shares involves a degree of risk. And, in general, any investment in shares should be seen as a long term commitment.

But, speaking of the long term, one thing to bear in mind with any ISA - cash or stocks and shares - is that once you've paid in your money, you'll continue to enjoy the tax advantages for as long as you hold your money in an ISA.

HOW DOES THE ANNUAL ISA ALLOWANCE WORK?

Every year the government sets a limit of the maximum amount you can pay into ISAs.

Each year's allowance expires on 5 April, and a new allowance begins on 6 April.

But remember, it's *"use it or lose it"* - if you don't use the full ISA allowance in one year, you can't carry it over into the next.

MAY I WITHDRAW MY MONEY FROM AN ISA?

Yes, although you should also bear in mind that you may need to pay penalties depending on the type of ISA you hold.

Be sure, before you withdraw!

Say you have paid £3,000 into a cash ISA this tax year. That means you could still pay in up to £12,000 - to reach your ISA limit of £15,000.

But if you do that and then decide to withdraw £2,000, you can't replace it – you've already used your allowance of £15,000 for the year.

CAN I TRANSFER MY ISA BETWEEN PROVIDERS?

Yes, it's straightforward to move your money between ISAs from different providers, if you follow the correct transfer procedure.

You can transfer between cash ISAs and stocks and shares ISAs, in both directions.



You should approach the provider of the ISA that you wish to transfer your funds to, who will contact the provider of your existing ISA to arrange the transfer.

You should not withdraw sums from your ISA in order to deposit it into another ISA yourself.

If you do, any amount that you pay in will count as a fresh subscription against your overall ISA limit.

Different transfer rules will apply, depending on when you paid into your ISA. Current year's subscriptions must be transferred as a whole;

Other amounts from previous years may be transferred as a whole or in part, as you wish, however not all ISA providers will allow partial transfers, so you should check with your provider first.

Also, bear in mind that not all ISAs accept transfers from other providers.

CAN I OPEN AN ISA FOR MY CHILDREN?

Yes. Only the parent or legal guardian of the child is permitted to open a Junior ISA. If the child is aged 16 or 17 they can open an account themselves. There are two types of Junior ISA: a Junior cash ISA, where the interest is not taxed, and a Junior stocks and shares ISA, where the returns are mostly tax-free.

Note the money in a Junior ISA cannot be withdrawn until the child is 18 years old.

The annual allowance is currently £4,000.

A Junior ISA can be opened by a parent or guardian, who must also manage it. But grandparents, and others, can also pay into it.

You can open a Junior ISA for your child from birth, or any time before their 18th birthday. And when your child reaches that milestone, the Junior ISA automatically converts into a standard ISA.

At age 16 up to 18 a child can open and operate a Junior ISA themselves.

ETHICAL ISAs



WHAT IS AN ETHICAL ISA?

Ethical ISAs offer the same tax advantages as ordinary ISAs, and work on exactly the same principles - with the added benefit of enabling you to use your savings and investments to contribute to positive change.

HOW ETHICAL ARE ETHICAL ISAs?

It's a fair question. In the financial world, the term ethical can be used to mean different things.

Most commonly, it's understood to mean an investment approach that avoids backing the 'bad guys' - businesses causing major pollution, or involved in areas such as armaments, tobacco or gambling.

But ethical savings and investments can also be defined more positively, as a policy of using money to support 'good' businesses. Businesses actively working to make the world a better place, socially, culturally, or environmentally, and using influence to try to improve the business practices of the companies they invest in.

For all these reasons, it's important to look closely at any ISA that you are considering, to ensure you feel comfortable with its approach to ethics.

HOW DO ETHICAL ISAs PERFORM?

That depends, of course, on the ISA you choose.

In general, saving and investing ethically need not mean sacrificing a fair return on your money.

"We only lend to organisations that benefit people and the environment"

WHY AN ETHICAL ISA FROM TRIODOS BANK?

Triodos Bank is one of the world's leading sustainable banks, recognised as a global pioneer in making money work for positive social, cultural and environmental change.

For savers and investors, one of our greatest strengths is our total transparency. If you open an ISA with us, you'll know exactly how your money will be used: you can find details of every loan we make here *www.knowwhereyourmoneygoes.co.uk* and we detail all companies we invest in.

We offer a full range of ethical ISAs, including:

- Triodos Online Cash ISA
- Triodos Two Year Fixed Rate Cash ISA
- Triodos Three Year Fixed Rate Cash ISA
- Triodos Ethical Junior Cash ISA
- Triodos Ethical Stocks and Shares ISA

With any of our ethical cash ISAs, you'll enjoy the pleasures of tax-free saving - with the reassurance of knowing how your money is being used.

With the Triodos Ethical Stocks and Shares ISA, you'll have the opportunity to invest tax-efficiently in either or both of our Socially Responsible Investment (SRI) Funds:

- **Triodos Sustainable Equity Fund** - a global fund investing in major listed companies, which have been carefully selected on the basis that they are the best in their sector in terms of sustainability.
- **Triodos Sustainable Pioneer Fund** - a fund focusing on smaller companies doing innovative things in social, cultural and environmental fields, working to bring about positive change in a wide variety of ways.

WHO ARE TRIODOS BANK?

If you haven't come across us before, we're very glad you have now.

In the world of sustainable banking, we're a well known name. We only lend to and invest in organisations that benefit people and the environment and are totally transparent about how your money will be used.

We were founded in the Netherlands in 1980, and arrived in the UK in 1995. Today, we do business in five European countries, handling savings and investments for over 500,000 customers, and currently provide finance to almost 6,000 sustainable enterprises worldwide.

As well as ISAs, we offer a range of savings and investment opportunities for people who want their money to earn a fair return making a positive difference.

Please do visit our website and get to know us better. www.triodos.co.uk

Important information about our Stocks and Shares ISA

If you are unsure about whether to invest/apply you should seek a personal recommendation from a qualified adviser. Investment decisions should only be made on the basis of the Prospectus or the Key Investor Information Document(s) and not on any information provided in this guide. Investing in Triodos Funds is not the same as investing money in a bank account as your capital is at risk and you may not get back the full amount that you invested as the value of investments and the income derived from them may go down as well as up. Investment in the underlying investment instrument is intended to be for the long term and income from your investment may fluctuate.

Freephone: 0800 328 2181. contact@triodos.co.uk, www.triodos.co.uk

Calls to and from Triodos Bank may be recorded for training and monitoring purposes.

You should not interpret any information in this guide as financial advice because this communication is not personal advice based on your individual circumstances.

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