ARE YOU AWARE OF THE DIFFERENCES BETWEEN A CASH AND STOCKS & SHARES ISA?

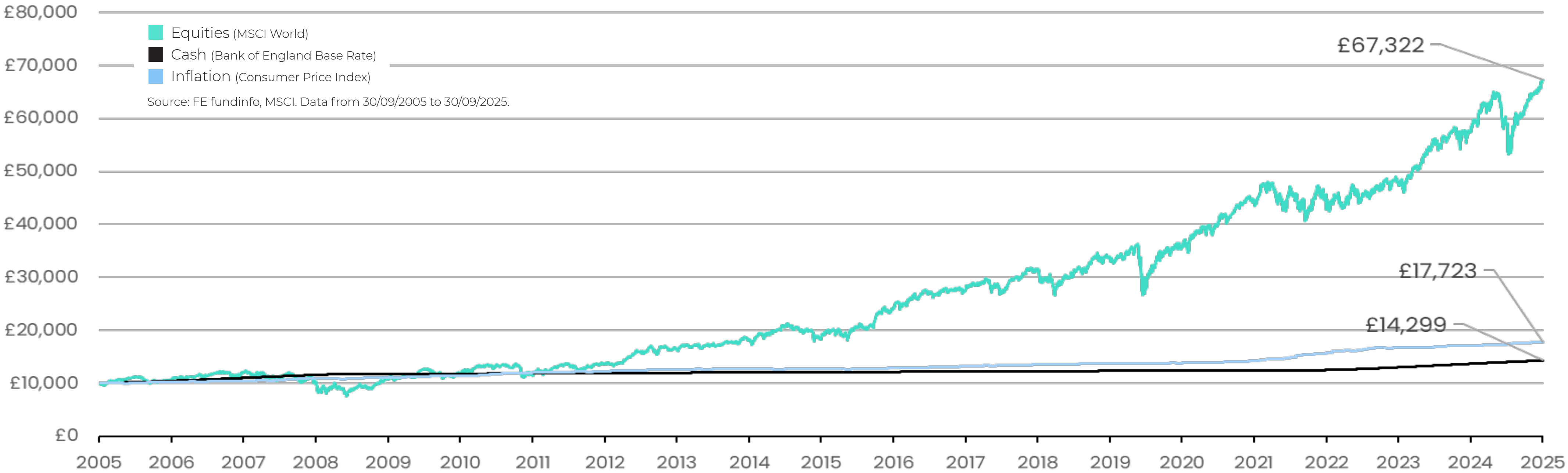
ACCESSION

Saving and investing are both ways of trying to make your ISA money work harder, but there are important differences. It is worth spending some time looking at these differences and gaining a clear understanding as to which suits your own individual circumstances. After understanding the advantages and disadvantages, of both Cash & Stocks & Shares ISAs, you will be able to make an educated decision on which is most suitable for you.

Past performance is not indicative of future performanceThe value of an ISA with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested. An investment in a Stocks and Shares ISA will not provide the same security of capital associated with a Cash ISA.

The favourable tax treatment of ISAs may not be maintained in the future and is subject to changes in legislation.

The below graph shows how investment returns have performed against cash and inflation over the last 20 years.



Source: FE fundinfo, MSCI. Data from 30/09/2005 to 30/09/2025.

Past performance is not indicative of future performance. Please note it is not possible to invest directly into the MSCI World Index and the figures do not take into account any charges applicable to the appropriate investment wrapper or any relevant tax charges.

Keeping your money in cash might feel safe, but it's like trying to fill a bucket with a slow leak. Inflation is that leak - gradually draining the real value of your savings, even if the number stays the same.

Investing isn't without risk, but history shows it has the potential to keep your bucket topped up and could even overflow.

ACCESSION

CASH ISA

A cash ISA is essentially a savings account where the interest earned is tax-free. This means that any interest you accumulate does not count towards your Personal Savings Allowance or your taxable income. Cash ISAs are suitable for risk-averse investors who prefer stability and predictability in their savings.

- **Tax Status:** Cash ISAs are tax-efficient savings accounts, and the £20,000 annual ISA allowance is free from capital gains and income tax. ISAs do not impact your Personal Savings Allowance.
- **Short-Term Savings:** A cash ISA account tend to be more suitable for short-term goals (within five years).
- **Withdrawals:** You can withdraw from a cash ISA depending on the type of account, e.g. an easy-access cash ISA account and a flexible cash ISA account.
- **Easy Transfer:** Since the funds held in a cash ISA is cash, it is easy to transfer the money to another type of ISA account.
- **Safety:** A cash ISA account opened at any financial institution regulated by the Financial Conduct Authority (FCA) is protected by the Financial Services Compensation Scheme (FSCS). It covers up to £85,000 per individual.
- **Low risk:** Cash ISAs are one of the safest forms of investment because the cash is not invested in the stock market. Hence, it is free of stock market volatility. However, cash accounts can be affected by the impact of inflation.
- **Inheritance:** A spouse can inherit a cash ISA without it affecting their annual ISA allowance.

Note: SJP do not offer Cash ISAs.

STOCKS & SHARES ISA

In contrast, a stocks and shares ISA allows investors to invest in a range of assets including stocks, bonds and mutual funds. While they come with an increased risk, the potential for higher returns makes them attractive to long-term investors.

- **Tax Status:** Investments held in stocks and shares ISA are free of income tax, capital gains tax and dividend tax.
- **Potential for better returns:** Stocks and shares ISA accounts have historically achieved better returns than a cash ISA because the funds are invested in the stock market. However, past performance is not a reliable guide to future returns.
- **Long-term financial goals:** A stocks and shares ISA are often used for long-term goals (5 years plus), and it can also be used as a retirement plan.
- **Withdrawals:** You can withdraw money from a stocks and shares ISA account. However, if you don't have a flexible account and withdraw money from a stocks and shares ISA account, a reinvestment will count towards your annual ISA allowance. Also, if the investment markets are down when you wish to withdraw money, this could impact on your overall returns.
- **Diversification:** The funds are spread across a wide range of asset classes and investment vehicles. Diversification helps to minimise the overall stock market risk of an asset or portfolio.
- **Safety:** Like the cash ISA, stocks and shares ISA is also protected by the Financial Services Compensation Scheme (FSCS) if the financial institution is regulated by the Financial Conduct Authority (FCA). If your financial institution goes under, £85,000 of your investment is safe.
- **Inheritance:** A spouse can inherit a stocks and shares ISA without the inheritance affecting their annual ISA allowance.

If you would like to understand what is the best option for your own personal circumstances then please contact us on **01832 279170** or visit **accessionfp.co.uk**

OR **Scan the QR code** to arrange an appointment.

ACCESSION

First Floor, 4 West Street
Oundle, Peterborough, PE8 4EF

T: 01832 279170

E: accession@sjpp.co.uk

accessionfp.co.uk

Financial Planners
Chartered

Senior Partner Practice
St. James's Place

Follow us on social media