

News story: Lifetime ISAs available from 6 April 2017

Opening a lifetime ISA

You can open a lifetime ISA if you are aged 18 or over but under 40. You must be either:

- resident in the UK
- a Crown Servant (for example a diplomat or civil servant)
- the spouse or civil partner of a Crown Servant

As with other [ISAs](#), you won't pay tax on any interest, income or capital gains from cash or investments held within your lifetime ISA.

Saving in a lifetime ISA

You can save up to £4,000 each year in a lifetime ISA. There is no maximum monthly savings contribution, and you can continue to save in it until you reach 50. The account can stay open after then but you can't make any more payments into it.

The £4,000 limit, if used, will form part of your overall annual ISA limit. From the tax year 2017 to 2018, the overall annual tax limit will be £20,000.

Example

You could save:

- £11,000 in a cash ISA
- £2,000 in a stocks and shares ISA
- £3,000 in an innovative finance ISA
- £4,000 in a lifetime ISA in one tax year

Your lifetime ISA won't close when the tax year finishes. You'll keep your savings on a tax-free basis for as long as you keep the money in your lifetime ISA.

Lifetime ISAs can hold cash, stocks and shares qualifying investments, or a combination of both.

Government bonus

When you save into your lifetime ISA, you will receive a government bonus of 25% of the money you put in, up to a maximum of £1,000 a year.

Withdrawals

You can withdraw the funds held in your lifetime ISA before you're 60, but you'll have to pay a withdrawal charge of 25% of the amount you withdraw.

A withdrawal charge will not apply if you are:

- using it towards a first home
- aged 60
- terminally ill with less than 12 months to live

If you die, your lifetime ISA will end on the date of your death and there won't be a withdrawal charge for withdrawing funds or assets from your account.

Transferring a lifetime ISA

You can transfer your lifetime ISA to another lifetime ISA with a different provider without incurring a withdrawal charge.

If you transfer it to a different type of ISA, you will have to pay a withdrawal charge.

Saving for your first home

Your lifetime ISA savings and the bonus can be used towards buying your first home, worth up to £450,000, without incurring a withdrawal charge. You must be buying your home with a mortgage.

You must use a conveyancer or solicitor to act for you in the purchase, and the funds must be paid direct to them by your lifetime ISA provider.

If you are buying with another first time buyer, and you each have a lifetime ISA, you can both use your government bonus. You can also buy a house with someone who isn't a first time buyer but they will not be able to use their lifetime ISA without incurring a withdrawal charge.

Your lifetime ISA must have been opened for at least 12 months before you can withdraw funds from it to buy your first home.

If you have a [Help to Buy ISA](#), you can transfer those savings into your lifetime ISA or you can continue to save into both – but you will only be able to use the government bonus from one to buy your first home.

Contact your provider directly for more information about the lifetime ISA.