Aldermore's Cash ISAs: Backing you to be the smarter saver.

March 2024



Background

Tomasz and Lauren are a young professional couple in their early thirties with two toddlers, embarking on an exciting journey of becoming first-time homeowners in the South East of England.

They're currently saving up for their first home, but with the current market and local house prices, their budget will require them to purchase a fixer upper. This will most likely need extensive renovations to transform it into a cosy home for their growing family, especially since Lauren is pregnant with their third child.

Whilst they have aspirations for their dream home, they recognise this may take some time. They also want to maintain financial stability amidst the challenges of rising living expenses and their expanding family.

Current savings

With the couple looking to buy their first house, they're looking to grow their savings pot. However, their current savings account is with their long standing bank, and they're looking to see if they could get a more competitive rate with a specialist provider.

While convenience has been the primary driver for sticking with this bank, Tomasz and Lauren are now reassessing their options.



For ISAs, you have an annual **£20,000** tax free allowance

Challenges

Tomasz is an Assistant Store Manager in a 20% tax bracket, whereas Lauren is a Recruitment Manager in a 40% tax bracket. With their varying tax brackets, they're uncertain about how savings accounts may be affected by taxes.

Personal Savings Allowance

- If you're a basic tax rate payer (20%), you can earn up to £1,000 in savings interest before paying tax.
- If you're a higher rate tax payer (40%), you can earn up to £500 in savings interest before being taxed.
- If you're an additional rate tax payer (45%), you won't receive a Personal Savings Allowance.
- For ISAs, you have an annual £20,000 tax free allowance.

What are Tomasz and Lauren looking for?

With just over £30,000 in savings, they're looking for a singular provider who'll allow them to open multiple savings accounts.

They're looking to minimise tax payments on their savings and the interest earned, while also ensuring they have the flexibility to make withdrawals and further deposits when it suits them.

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Next steps

Tomasz and Lauren recognise that their ambition to increase their savings for the purchase of their first house, renovations and financial security means they could surpass their Personal Savings Allowance (PSA) for non ISAs at some point.

Therefore, to avoid moving their savings on a regular basis, an ISA could give them more financial freedom. They'll both have a £20,000 annual tax free allowance. This will see them split their current savings between them to take advantage of the ISA benefits.

Due to the couple wanting to continuously add and/or withdraw money from their savings account, they may benefit from a variable rate ISA, such as an Easy Access Cash ISA.



Current market for ISAs

As of March 2024*, well known banks which you may see on the high streets offer variable interest rates ranging between 1.21% and 3.75% AER** for Easy Access Cash ISAs (with some accounts having a tiered interest rate approach and limit on withdrawals), but Tomasz and Lauren are convinced that better rates with greater flexibility are available elsewhere.

At Aldermore, we're a specialist provider, and have recently launched an Easy Access Cash ISA with a variable interest rate of 4.25% AER** to our range. This will sit alongside our existing Cash ISAs, such as 1, 2 and 3 Year Fixed Cash ISAs and a 30 Day Notice Cash ISA.

Cash ISA features

With a Cash ISA, Tomasz and Lauren will benefit from:

- **Deposits up to £20,000 each tax year across any ISA and per eligible person.**
- **All of the interest they earn on top of this is tax free and won't count towards their allowance.**

At Aldermore, we're backing you to be the smarter saver. So, not only will Tomasz and Lauren be able to take advantage of the Cash ISA benefits, but they'll also be able to:

- **Open multiple Cash ISA accounts per tax year**
- **Mix and match from any of our Cash ISA accounts**
- **Be FSCS protected up to £85,000 per eligible person**
- **Transfer from another provider**

Terms and conditions apply.

*07 March 2024

**AER stands for annual equivalent rate and illustrates the interest rate if it was paid and compounded once each year.

Rated "excellent" on **Trustpilot**

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Excellent

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Find out more by visiting www.aldermore.co.uk/savings-accounts

Please note, this case study is not based on real life events and only provides insights on how an ISA could be used.

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