

## ISAs and PEPs – your questions answered

From 6 April 2008: Simplification of Individual Savings Accounts (ISAs)  
and abolition of Personal Equity Plans (PEPs)

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From 6 April 2008, there will be some changes to the way Individual Savings Accounts (ISAs) work. These changes are designed to deliver simplicity and flexibility for investors. The following is a list of questions and answers which cover some of the finer points of the changes. This list is not exhaustive but answers the most likely questions.

### What is happening to the Mini ISA and the Maxi ISA products?

The distinction between Mini ISAs and Maxi ISAs will cease from 6 April – there will be just two types of ISA, a Stocks and Shares ISA and a Cash ISA.

### How can the annual allowance be allocated between these two products?

From the 6 April, the annual ISA investment allowance is £7,200 per year. All of this amount can be invested in a Stocks and Shares ISA. Up to £3,600 of the allowance can be saved in a Cash ISA with one provider. The remainder of the £7,200 can be invested in the Stocks and Shares ISA with either the same or a different provider. Subject to these limits (and Cash ISA if applicable), you can invest up to £600 per month into a RUTM (Rathbone Unit Trust Management) ISA (Stocks and Shares ISA).

### I have some existing ISA products, what will happen to these?

Mini Stocks and Shares ISAs and the Stocks and Shares component of a Maxi ISA will be grouped together and referred to as 'Stocks and Shares ISAs'. For your information, Cash and TESSA-only ISAs become 'Cash ISAs'.

### I want to transfer money saved in cash ISAs in previous tax years into a new Stocks and Shares ISA, can I now do this (from 6 April)?

Yes, and this can be done without affecting your annual ISA investment allowance.

### I want to transfer money saved in Cash ISA in the current tax year into a new Stocks and Shares ISA, can I now do this (from 6 April)?

Yes, this can be done. The transfer must be for the whole amount saved (right up to the day of the transfer) in that tax year. As soon as this money is transferred and the new Stocks and Shares ISA is set up, it is treated as if it had been invested directly into a Stocks and Shares ISA in that tax year. Investments can still be made up to the full remaining balance of your £7,200 annual ISA investment allowance in ISAs in that tax year, including up to £3,600 in a Cash ISA. RUTM does not offer a Cash ISA but can offer a Stocks and Shares ISA in which investment can be made into a range of 'collective' or 'pooled' investments known as unit trusts.

### Can I transfer money I have invested in my Stocks and Shares ISA to a Cash ISA?

No. This is not possible under the new rules.

### Can I transfer my Stocks and Shares ISA held with one product provider to another provider?

Yes, this will still be possible. You can still transfer your Stocks and Shares ISA held with one product provider to a different Stocks and Shares ISA product provider, without affecting your annual ISA investment allowance.

### Will the qualifying investment rules of ISAs be changed?

No, the qualifying investment rules of the ISA will not change.

### I understand that PEP accounts will disappear from 6 April 2008, what happens to my PEP?

All PEP accounts will automatically become Stocks and Shares ISAs from 6 April 2008 and become subject to ISA rules. You will be able to invest in this re-labelled PEP, now a Stocks and Shares ISA, as long as you have not subscribed to another Stocks and Shares ISA during the current tax year. This is, of course, subject to the total investment in that year (old PEP investment plus new ISA investment), not exceeding your full annual ISA investment allowance of £7,200.

### If old PEP accounts become Stocks and Shares ISAs, how are these investments combined with my existing Stocks and Shares ISAs?

HM Revenue & Customs have approved the merging or 'pooling' of accounts into one Stocks and Shares ISA product rather than keeping them separate. This has the added benefit of simplicity should you hold ISA and PEP investments in the same unit trust.

### Will I have to complete any new forms if I want to continue paying in to my ISA?

No, you need do nothing. With regard to the 6 April 2008 changes, if you have invested in your RUTM ISA in the previous tax year or have not already invested in another ISA of the same type (Stocks and Shares ISA or Cash ISA) during the current tax year, you do not have to complete and sign new application forms.

However, you will have to complete a new ISA application form if you transfer your ISA to a new provider; if you did not sign a continuous (regular subscription) application form, or if you did not subscribe to your ISA in the previous tax year.

### How do I transfer the money in my cash ISA to a stocks and shares ISA?

This would be done in exactly the same way as you would transfer your ISA to another product provider. You would ask the new product provider (if you do not intend to use your current product provider) to arrange the transfer by filling in their ISA application form together with a transfer application form. This will collect the details of your current provider. You must not withdraw the money and invest it in your Stocks and Shares ISA yourself, as it will count against your annual ISA investment allowance.

### Can I still transfer my PEP held with one product provider to another?

Yes, as PEP accounts will automatically become Stocks and Shares ISAs on 6 April 2008, and become subject to the same ISA rules. The rules for transferring like-for-like ISAs between product providers are not changing.