

ISA and PEP rules are changing

From 6 April 2008, PEPs and ISAs are changing. This summary sets out the main reforms and their impact on clients. Essentially, investing in ISAs has been made simpler and more flexible, whilst PEPs will be reclassified as ISAs and subject to the new regulations.

The reforms to ISAs and PEPs

1. The amount that clients can invest each year has been raised to £7,200 (from £7,000).
2. From 6 April 2008 all PEPs will become Stocks and Shares ISAs and be subject to ISA rules. Clients will still be able to hold the same investments in their account. There is no action that you need take in respect of your Brown Shipley PEPs.
3. It is now possible to transfer (all or part) of any investments you have in Cash ISAs and TOISAs (from previous years) into a Stocks and Shares ISA and this will not count towards your current year's annual subscription limit. Transfers cannot be the other way round however – from Stocks and Shares to the cash component.
4. The distinction between Mini and Maxi ISAs has been removed. From 6 April 2008, all ISAs will be reclassified as either a Stocks and Shares ISA or a Cash ISA.
5. You can choose whether to invest your entire allowance in a Stocks and Shares ISA or alternatively save up to £3,600 of the subscription limit in a Cash ISA, with one provider. The balance of the £7,200 can be invested in one Stocks and Shares ISA.
6. If you invest in a Cash ISA with another provider, and also an ISA with Brown Shipley you will need to ensure that the annual subscription limit is not exceeded. For example, if you invest £1,500 in a Cash ISA with another bank, on say 15 April 2008, you will only be able to invest up to £5,700 in a Stocks and Shares ISA.

What's the effect?

If you are an existing Brown Shipley PEP and/or ISA client, there are some short-term administrative changes that we will need to implement but **you will not need to take any action**. The administrative changes can be summarised as follows:

- If you have a mixture of PEPs and ISAs, your accounts will be merged into one ISA account. We will do this automatically, after 6 April 2008 and there is no action that you need to take.
- If we only manage your PEP investments, these will be reclassified as an ISA. This change will happen automatically after 6 April 2008 and you do not need to take any action.
- For ISA only clients there are no changes.

Consolidation of your PEPs, ISAs and TOISAs, with Brown Shipley carries many advantages:

- By moving all your ISA investments to Brown Shipley, alongside your main investment portfolio(s), you will ensure that your funds are managed in accordance with your overall financial objectives firmly in mind.
- As your circumstances change, we will be able to make any necessary adjustments quickly, saving you time and effort.
- You will notice a reduction and simplification in paperwork as all reporting and administration will be coordinated by Brown Shipley. You will receive one valuation from us rather than a selection of statements, sent at slightly different times. Through our on-line banking and investment service – BS OnLine – you can view your investments and their performance as often as you wish.
- It's straightforward to consolidate your investments. You can transfer any external investments held with other providers to Brown Shipley. We will send you the appropriate paperwork to sign. We will then arrange the transfer with your current plan provider as quickly as possible. Investors should note that there may be exit charges when a transfer occurs.

The reforms have created a potential investment opportunity for clients holding Mini Cash ISAs and TOISAs.

- These investments can be transferred, from 6 April 2008, into a Brown Shipley Stocks and Shares ISA without affecting your annual subscription limit.
- Clients may wish to consider investing in Corporate Bonds and Fixed Income Trusts as an alternative to equities. These investment categories may pay a higher income than existing cash ISAs and fixed interest income payments are still free from tax, (unlike dividends) making them particularly appealing for higher-rate tax payers.
- When transferring-in mini-cash ISA and TOISA portfolios, we will advise you of the best time to effect the transfer to minimise any loss of interest or charges that may be incurred.

Brown Shipley ISA Terms and Conditions

Following the changes we have updated our ISA Terms and Conditions. A copy of the revised terms are attached for your information and safekeeping. They take account of the changes but in all other respects are similar to those previously in issue.

Important reminders for investors

This communication is provided on the understanding that the information contained within it is for guidance only. It does not constitute any form of financial or investment advice and should not be regarded as specific to any individual. Readers entering into transactions on the basis of, or otherwise relying on, such information should seek the services of a competent professional adviser. Whilst we believe the information in this communication to be correct at the time of going to press, we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any statement herein. As with any investment related to stocks and shares, the price of shares and any income from them can go down as well as up. It is possible that the value may fall below the amount of your original investment.

We hope that you have found this summary useful. If you have any questions about what you have read please don't hesitate to contact us in the usual way.

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