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The Nutmeg Lifetime ISA

Information Pack



Introduction

The Lifetime ISA (LISA) is a government savings initiative to encourage those under 40 to save for your first home or for your retirement. For every £4 you pay in, the government will give you an extra £1, and you can withdraw to help pay for your first home under £450,000 or tax-free from age 60.

For withdrawals for any other purpose you'll usually pay a 25% withdrawal penalty, which means you may get back less than you pay in. As with all ISAs (Individual Savings Accounts), withdrawals are free from income tax and Capital Gains Tax (CGT). Here we explain some of the features of the Nutmeg Lifetime ISA.

Contributions and eligibility

The Lifetime ISA contribution limit per tax year is **£4,000**. This figure feeds into to the overall ISA contribution limit of **£20,000** for each tax year.

Each tax year, you can open as many types of ISAs as you like. From 6th April 2024, you can also contribute to more than one type of ISA each tax year. The only exception is a Lifetime ISA – you can only contribute to one each tax year. The Lifetime ISA is the only ISA wrapper to have its own contribution limit, so you should bear this in mind if you do contribute to other ISAs such as a cash ISA or stocks and shares ISA in a single tax year. Here are a couple of examples:

Example A

Cash ISA	£6,000
Stocks & Shares ISA	£10,000
Lifetime ISA	£4,000
Total Contributions	£20,000

Example B

Lifetime ISA	£2,000
Stocks & Shares ISA	£18,000
Total Contributions	£20,000

You are only eligible to open a LISA if you apply and pay in before your 40th birthday. You must also be a UK resident and over 18.

Once a LISA is open, you can continue contributing to it until your 50th birthday.

The government bonus

You will be entitled to a 25% bonus, paid by the government, when you make a contribution to your Nutmeg LISA. This effectively means that for every £4 you contribute, the government will contribute £1 to your account.

The government bonus is paid on a monthly basis. Bonus payments will be calculated on a month by month basis and claimed for you from the government automatically.

The bonus period runs from the 6th of each month to the 5th of the following month.

If you do not make contributions to your Lifetime ISA during a bonus period, you will not receive a bonus for that period.

If you make a contribution that arrives and is cleared in your account between the 1st and 5th of the month you'll receive the bonus at the end of the same month.

If you make a contribution that arrives and is cleared in your account on or after the 6th of the month you'll receive the bonus at the end of the following month.

Withdrawals

The Lifetime ISA is specifically designed to help you purchase your first home or to save for your retirement. Withdrawals for these purposes are known as **authorised withdrawals** and will not be penalised.

Authorised withdrawals

First house purchase	<ul style="list-style-type: none">• The value of the house being purchased must be under £450,000• This must be your first property - you cannot previously have owned, wholly or in part, any property for any purpose• The property must be in the UK
Retirement	<ul style="list-style-type: none">• You must be 60 or over

For either purpose, you may only make an authorised withdrawal 12 months from your first contribution.

You may also withdraw from your LISA if you are terminally ill.

Unlike a pension, you can withdraw from a LISA if you need to for other purposes, however to deter these the government have imposed a withdrawal penalty. Any unauthorised withdrawal will be subject to a 25% charge on the value of the withdrawal which will be paid back to the government. Nutmeg does not set the penalty rate and does not benefit from its application in any way.

It's important to understand this 25% charge doesn't just claim back the government bonus. It may also cover any investment growth on the bonus and some of your own money.

Here's what we mean: Let's say you contribute £4,000 and receive a government bonus of £1,000 giving a total of £5,000. If you were to make a full unauthorised withdrawal, the government would take back £1,250, leaving you with £3,750, which is £250 less than you contributed.

Withdrawal penalty example

You contribute to your Lifetime ISA	£4,000
Government bonus received	£1,000
Lifetime ISA value Excluding any gains, losses or charges	£5,000
If you request a full withdrawal	£4,000
Government penalty 25% of £5,000	£1,250
You receive	£3,750

Taxation

Withdrawals are currently free from income tax and capital gains tax. Tax rules and laws may however change in the future and your individual circumstances will determine your own position with any tax liability. If you are unsure, you should seek professional advice.

Transfers

Transferring a LISA to Nutmeg

If you wish to transfer an existing LISA from another provider to Nutmeg, there are a few things to be aware of so your transfer can be processed smoothly.

We can only accept the transfer of a full LISA, we do not offer partial LISA transfers. We also only support LISA to LISA transfers, i.e. you cannot transfer a cash or Help to Buy ISA into a LISA.

Your LISA must be open for at least 12 months before the funds can be used to purchase a property. This 12-month period starts from the date that you initially opened your LISA, rather than the date you transferred it to us.

LISA transfers take 2-4 weeks to be completed.

Transferring a LISA from Nutmeg

If you have a LISA with another provider, you can easily transfer it to a stocks and shares LISA with Nutmeg. Just go to the 'Transfers' section to the left of your web dashboard, set your investing preferences and follow the steps from there.

We will take care of the rest. You can track progress in your dashboard, or just relax and we'll let you know the moment you're up and running.

If you wish to transfer your Nutmeg LISA to another LISA elsewhere, you can do so by contacting the provider who will be receiving the transfer. They will then contact us to organise the transfer of funds. Nutmeg does not charge for transfers out, and we promise to try to complete this within 30 days, though this depends on how quickly the receiving provider processes transfers.

Understanding the differences between a Lifetime ISA and a pension

You might be planning on using a Lifetime ISA to save for your retirement, or you may wish to continue saving into your LISA after you've used it to help fund your first house purchase. In either case, you should understand the important differences between a Lifetime ISA and a traditional pension.

Workplace pensions

As part of a range of pension reforms, the government passed a law that requires every employer to provide a workplace pension for their employees.

If you are directly employed, it is likely that you will have been automatically enrolled in a workplace pension. If this is the case, your employer will be making a minimum contribution of between 1% and 3%, and perhaps more depending on the arrangements your employer has put in place.

If you decide to opt-out of a workplace pension in order to pay into your Lifetime ISA, you would no longer receive the contribution to a pension that your employer makes. Your entitlement to any means tested benefits may also be affected.

A Lifetime ISA is not a pension, so you cannot carry the benefit of your employer's contribution over to your LISA.

Potential outcomes at age 60 from saving into a Lifetime ISA

The table below is designed to:

- Help you understand what the value of a Lifetime ISA might be at age 60, depending on the age at which saving starts and assuming the maximum annual subscription at the beginning of each tax year up to age 50 and receipt of the Lifetime ISA government bonus
- Provide information for those saving for retirement in a Lifetime ISA and so may not be relevant if your saving objective for a Lifetime ISA is a house purchase

Age that saving in a Lifetime ISA started	18	25	30	35	40
Total amount paid in by Lifetime ISA saver investor	£128,000	£100,000	£80,000	£60,000	£40,000
Total amount paid in, plus Lifetime ISA government bonus	£160,000	£125,000	£100,000	£75,000	£50,000
Estimated outcome at age 60 from 0% return	£46,573	£44,364	£40,897	£35,349	£27,163
Estimated outcome at age 60 from 5% return	£183,715	£143,379	£115,086	£86,900	£58,525
Charges and estimated inflation would reduce a 5% return to	1.8%	1.8%	1.8%	1.8%	1.8%

The estimated outcomes shown:

- are based on standardised rates of return which may not reflect actual or expected returns or the choice of underlying investments for the Lifetime ISA. The choice of underlying investments is based upon your investment risk level. You can review your investments at any time from within your account, or see information about investing costs and charges on our website.
- include the effect of Lifetime ISA charges and inflation on estimated outcomes from a Lifetime ISA

The final column shows the effect of Lifetime ISA charges and inflation on the returns from a Lifetime ISA which you can use to compare the Lifetime ISA charges applicable to other Lifetime ISAs and the charges applicable to longer-term savings products.

The Lifetime ISA charges taken into account in the table may vary over time and exclude any fee or charge:

- payable by or on your behalf to a firm in relation to the provision of a personal recommendation by the firm in respect of the Lifetime ISA
- relating to the qualifying investments held in the Lifetime ISA (including in relation to the provision of a personal recommendation in respect of those investments)

Further information

Financial Services Compensation Scheme (FSCS)

The FSCS is a scheme established by the UK government to provide compensation to customers if an FCA regulated financial services company is declared in default, and is unable to meet its financial obligations.

As a Nutmeg client, you may be entitled to claim compensation if Nutmeg is declared in default and we're unable to meet our financial obligations.

You can find further information about the eligibility conditions and compensation limits that apply to the FSCS at: www.fscs.org.uk

Making a complaint

If you are not satisfied with any aspect of your Nutmeg LISA and wish to make a complaint, you can contact Nutmeg. To do so, you can send a secure Nutmail, email **support@nutmeg.com**, telephone **020 3598 1515**, or write to the following address:

Nutmeg
25 Bank Street
Canary Wharf
London
E14 5JP



Risk warning

As with all investing, your capital is at risk. The value of your portfolio can go down as well as up and you may get back less than you invest. Tax treatment depends on your individual circumstances and may change in the future. If you need to withdraw the money before you're 60, and it's not for the purchase of a first home, you'll pay a 25% government withdrawal charge. If you choose to opt out of your workplace pension to pay into a Lifetime ISA, you may lose the benefits of the employer-matched contributions. Your current and future entitlement to means-tested benefits may also be affected. If you are unsure if a Lifetime ISA is right for you, please seek financial advice.

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