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The role of (L)ISAs in retirement savings

Karen Brolly





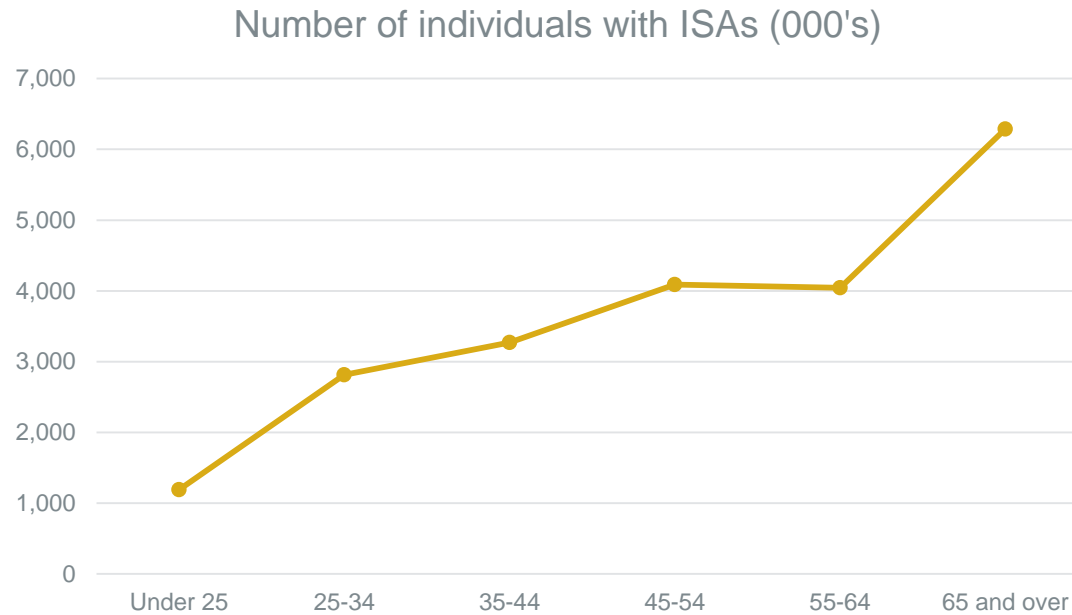
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Background

Individual Savings Accounts & Lifetime ISAs as part of retirement planning

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ponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

ISA savings by age

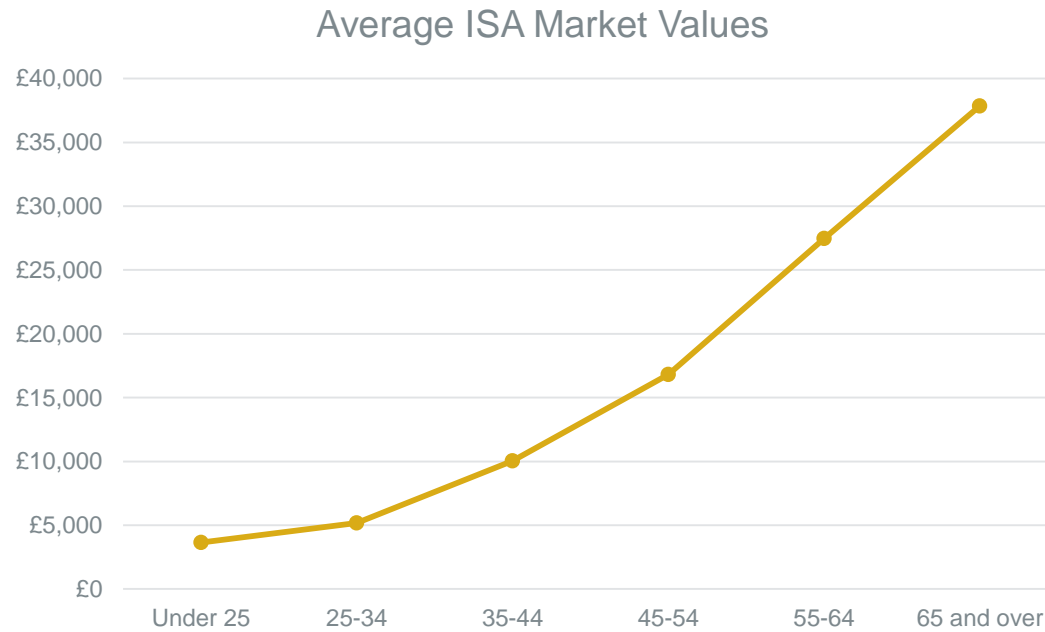


Source: HM Treasury statistics



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ISA savings by age



Source: HM Treasury statistics



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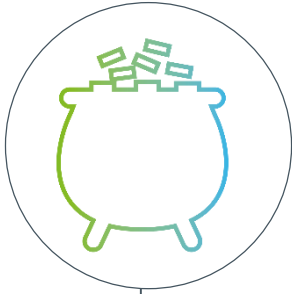
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Overview

LISA design

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LISA - design



Under 40s can
save until 50



Flexibility - for first
home or retirement



Contribute from
net pay, tax free to
withdraw



Max £4000 p.a. -
£1 for every £4
from Govt



Earlier access but
penalty if drawn
before 60



Looking at the options



Purpose	Retirement income	Short- medium term savings	House deposit Retirement savings
Benefits	Tax and NI efficient Employer contribution	Tax efficient	Government uplift Tax efficient
Lump sum efficiency (at withdrawal)	Low	High	High





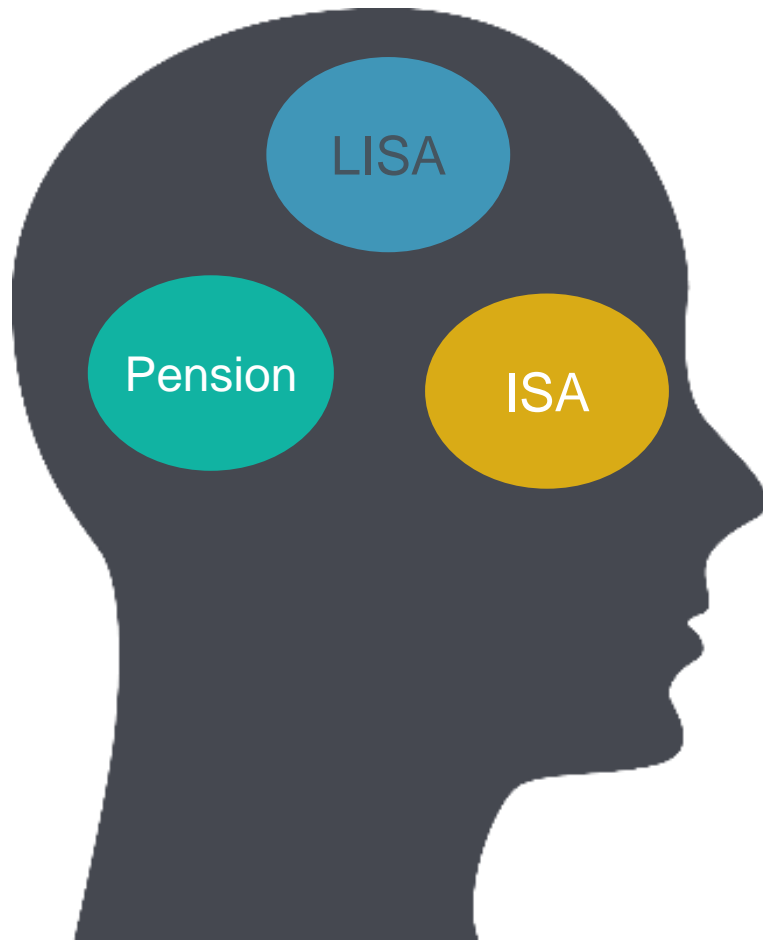
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The consumer view

Where does LISA fit?

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Choice for the consumer



- Which savings route should I take?
- What is my investment strategy?
- Will I lose free employer money if I take a LISA out?
- Do I understand the impact of early withdrawals?
- Who can help me make these decisions?
- Can it help maximise lifetime savings?



Our survey results on LISA

- 61% of under 40s are considering opening a LISA
- 68% of under 40s would pay into a LISA as well as a pension

Research undertaken by Opinium. Fieldwork undertaken between 30 September and 6 October 2016 surveying 1,000 UK adults

- First day account openings:
 - Hargreaves Lansdown reported 3,349 LISA applications
 - Nutmeg saw 1,217
 - The Share Centre said “several hundred” accounts

Telegraph article 9th April 2017



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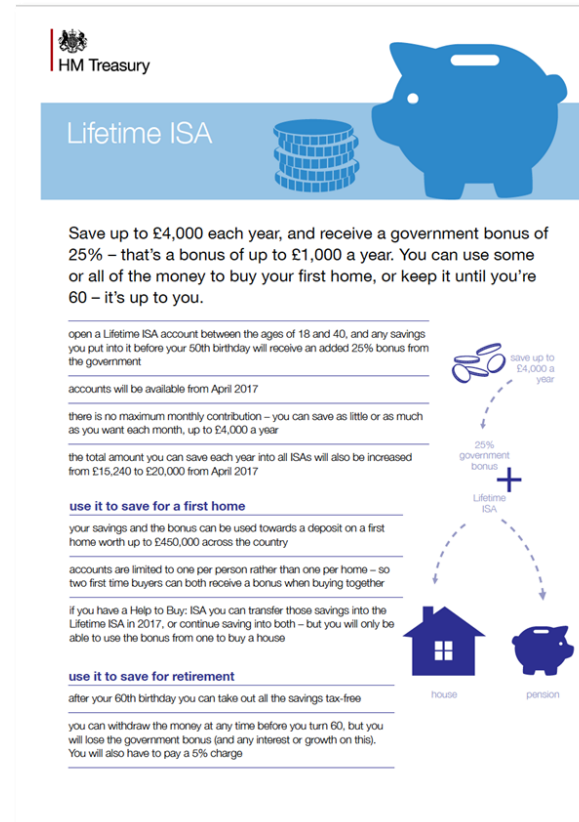
The provider view

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Initial provider concerns

- Lack of certainty
- Will there be consumer demand
- Administrative difficulties
- Cash or Stocks & Shares
- Advice



The infographic is titled "Lifetime ISA" and features the HM Treasury logo. It includes a blue piggy bank icon and a stack of coins. The text explains the benefits of a Lifetime ISA, such as saving up to £4,000 per year with a 25% government bonus, and provides details on account availability, contribution limits, and usage for first-time home buyers or retirement. A diagram on the right shows the flow from savings to a 25% government bonus, which is then added to the Lifetime ISA, and finally used for a house or a person.

HM Treasury

Lifetime ISA

Save up to £4,000 each year, and receive a government bonus of 25% – that's a bonus of up to £1,000 a year. You can use some or all of the money to buy your first home, or keep it until you're 60 – it's up to you.

open a Lifetime ISA account between the ages of 18 and 40, and any savings you put into it before your 50th birthday will receive an added 25% bonus from the government

accounts will be available from April 2017

there is no maximum monthly contribution – you can save as little or as much as you want each month, up to £4,000 a year

the total amount you can save each year into all ISAs will also be increased from £15,240 to £20,000 from April 2017

use it to save for a first home

your savings and the bonus can be used towards a deposit on a first home worth up to £450,000 across the country

accounts are limited to one per person rather than one per home – so two first time buyers can both receive a bonus when buying together

If you have a Help to Buy: ISA you can transfer those savings into the Lifetime ISA in 2017, or continue saving into both – but you will only be able to use the bonus from one to buy a house

use it to save for retirement

after your 60th birthday you can take out all the savings tax-free

you can withdraw the money at any time before you turn 60, but you will lose the government bonus (and any interest or growth on this). You will also have to pay a 5% charge

save up to £4,000 a year

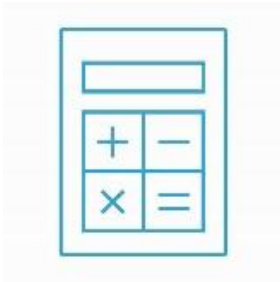
25% government bonus

Lifetime ISA

house person



LISA – a meaningful role in long term savings



Invest £4,000 pa from
age 25 to 50



Boosted by bonus and
2.5% pa returns



Additional retirement
savings of £220,000

Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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