

House Buying Deposit – Government Backed Schemes

	HTB ISA	LISA
Similarities	Government Bonus of 25%	
Uses	House Purchase	House Purchase and/or Retirement Note: Withdrawing the money for any other purpose usually ends with you ending up less than you paid in.
Deposit Limit	1 st year – £3400 (i.e. 1200 in 1 st month and £200pcm from 2 nd month 2nd year onwards – m£200 per calendar month <i><u>You cannot pay in a lump sum.</u></i> <i><u>Monthly payments only</u></i>	£4000 per financial year You can pay a lump sum or elect to make regular payments e.g. Monthly contributions = £333pcm
Government Bonus	25% paid at completion	For 1 st year, paid at the end of the financial year. Likely in May of the next financial year For subsequent years, paid monthly after each contribution
When you can use it?	A month after it is opened. Ideal if you are planning on buying within a year.	You should have held it for a year. Note: if you are not sure when you are buying, advice is to open and save £1 to get the clock ticking
Providers	Most banks Halifax seems to offer the best interest rate now @ 2.25% AER	e.g. Cash LISA providers --- Skipton Building Society --- Newcastle --- Nottingham Building Society
Points to Note	<ol style="list-style-type: none"> HTB ISAs are available until 30 November 2019. New savers will not be able to open one after this date. Existing savers must claim their bonus before 1 December 2030. Please do your own research on recent and best interest rates to align with your goals More information available at: <ol style="list-style-type: none"> www.monesavingexpert.com/savings/lifetime-isas/ www.moneysavingsexpert.com/news/2017/04/martins-6-lifetime-isa-must-knows/ 	
Personal Example	<p>I opened my HTBISA when it first launched and kept saving. When LISA was launched, I opened an account with £1 to get the clock ticking (I was unsure when I would find the right house to buy). In 2017/2018 tax year, there was an opportunity to transfer all off HTBISA amount into LISA without impacting on LISA annual limit. (Note: this is no longer available. Now, all transfers constitute towards your LISA limit and cannot be more than £4k). Currently, got approx. £3500 of Government Bonus through this scheme.</p>	
	<p><u>Scenario 1 (Tithe Before Tax)</u></p> <p>Gross Monthly Salary = £2000 Less Tithe@10% (before tax through payroll) = £200 Less Taxes & NIC = £150 Take home = £1650</p> <p>Actual Amount in Account = £1650</p>	<p><u>Scenario 2 (Tithe After Tax)</u></p> <p>Gross Monthly Salary = £2000 Less Taxes & NIC = £220 Take home = £1780</p> <p>Tithe@10% (deducted after you receive your salary) = £200 Actual Amount in Account = £1580</p>
Notes to Consider	<ol style="list-style-type: none"> Give your tithe through payroll giving. This is usually termed Give As You Earn (GAYE) or Payroll Giving. Speak to your HR or finance team. It saves you money. A rudimentary example below (note it is only representative and does not take correct tax/NIC limits into account). You have to make sure all giving for this purpose is for a registered charity or a CAF. You should have paid tax in that tax year. Ensure you have a fully funded emergency fund before proceeding with a house sale. Save for solicitor fees, moving costs and other expenses like detailed structural survey costs (if needed) and furnishing costs. <p>Create a mortgage budget. Before you start looking. Build a budget with representative mortgage amounts, bills (internet, utilities, council tax, building and content insurance), travel costs if this will change and more savings. The mortgage budget will help you know what you can comfortably afford even with interest rate increases.</p>	