FINANCE Q&A's

General Investment Accounts

General Investment Accounts (GIA) offer greater flexibility than alternative saving options, such as ISAs and pensions. Still, they're not without their drawbacks, as Lakeside Technical Specialist *Adam Chambers* explains.

What is a GIA, and who is this type of investment most suited to?

A: A GIA is a flexible savings account that we usually advise as a third investment option beyond saving into a pension or ISA. Such accounts are often used by those who have maxed out their annual ISA allowance and don't want to lock away all their savings into a pension that they can't withdraw from until a certain age.

What are the main benefits of this type of investment?

A: Unlike ISA accounts, there is no limit to the amount of money you can put into a GIA each tax year. A GIA also allows greater flexibility in that you can access the money at any time and put such an account into trust with no restrictions. In addition, you can open more than one GIA each year, and these can be held in joint names. Finally, the money held in a GIA can be invested in a diversified portfolio of funds, stocks and shares and investment trusts, which helps to minimise the investment risk.

And are there any drawbacks to bear in mind?

A: The main drawback of a GIA is the tax implications. Once you reach your Capital Gain Tax (CGT) Limits, any further financial gain will be subject to CGT. Income Tax may also be due on any interest. Unlike pensions, tax relief is not available for GIA contributions, and such accounts are considered part of your estate. This means that unless the GIA is placed in a trust, it would be subject to Inheritance Tax. It's also worth remembering that while GIAs can be a good way of growing your wealth, the investment value can rise and fall with market fluctuations. This will depend on the type of GIA investment and also the risk level of the account portfolio.

How can you help clients wanting to explore this type of investment?

A: ISAs and pensions are the most tax-efficient ways of saving. So we would first look to see if the client was making full use of their annual ISA allowance and pension tax relief. If so, we could advise on the right type of GIA to suit their investment and risk level. Then, every year, we would do a review to explore opening another ISA for the client and moving the money from the GIA to ensure the best tax efficiency. It might also be that opening a GIA is the best option for the client if they want to put some of their savings into trust.

For further information on GIAs, please contact: *admin@lakesidefs.co.uk*



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