

BAG A NICER ISA

We name the mini cash Isas that have given savers a good return every month for the past six years and those that have been consistently poor performers

As the end of the tax year is looming, now is the time to use up your Isa allowance to make the most of the tax-free interest you can earn with it. It's also a good time to check on the rate you're getting to see if you could be doing better.

Keen observers of our regular 'Money Monitor' feature will know rates can change from month to month. Many providers achieve Best Buy status with competitive rates, only to drop them once they have pulled in lots of new customers. So unless you watch the rate that your Isa's offering and switch to a new Best Buy when it drops, your savings could suffer.

Alternatively, you could go for an Isa that pays consistently good rates. To help you do this, we've analysed rates over the past six years (from January 2000) to show which Isas have offered consistently good (above-average) rates every month. We've also highlighted those Isas that have had consistently below-average rates.

IS IT BETTER TO CHASE A GOOD RATE?

The key question is: should you choose a Best Buy Isa and switch to another Best Buy if its rate drops, or should you stick with one that pays consistently above-average rates? To answer this, we've calculated how much interest you'd have earned if you had paid in £3,000 every year to a consistent good payer (Nationwide) for six years, and how much you'd have earned on the same amount if you had switched to a new Best Buy cash Isa every year to get the highest rate available.

By switching, you would have been just over £200 better off in total (or an average of around £33 a year) than if you had stayed with the above-average payer. This figure assumes that the competitive rate stays the same all year (which isn't always the case). Also, it doesn't take into account any interest lost during the transfers or any transfer penalties your Isa provider might impose. These can be as much as £30.

Whether you stick with a consistent good payer or chase the best rate will depend on whether the potential savings are incentive enough for you to keep switching. If you want a consistent good payer,

choose an Isa from the top table, on p29. With the exception of Kent Reliance BS-Direct, they don't currently offer the highest rates available – our current Best Buys are highlighted in 'Money Monitor', p38. If you're saving up for only a short period, say for less than a year, go for one of these.

Whatever you do, don't keep your money in a poor-performing Isa. As the graph, below, shows, you could end up £300 a year worse off than if you'd put it in a Best Buy Isa.

ISA LIMITS EXPLAINED

There are two types of Isa – mini and maxi – and two types of Isa investment – cash, and stocks and shares. The total annual Isa allowance is £7,000. Only £3,000 of this can be invested in cash. The

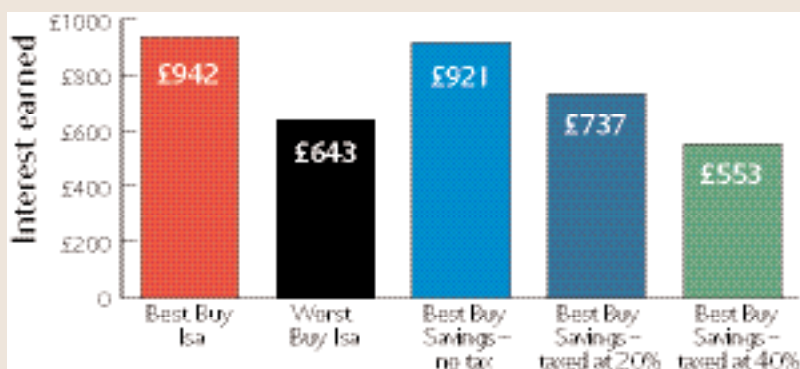
ISA FACTS

- Amount saved in cash Isas in April 1999-2000
£4.6 million
- Amount saved in cash Isas in 2004-2005
£8.9 million
- Average amount deposited into each account during 2004-2005
just over £2,000

ISAs VERSUS SAVINGS ACCOUNTS

The chart shows how much interest you would have earned from January 2005 to December 2005 on savings of £18,000 with a range of accounts. The Best Buy Isa beats the interest earned on

all the savings accounts even if you are a non taxpayer. However, savings in the worst buy Isa earn less interest than they would in a Best Buy savings account taxed at the basic rate.





Mini cash Isas with above-average rates

	Amount invested					
	£1	£3,000	£6,000	£9,000	£12,000	£15,000
Abbey Easy Isa					✓	✓
Cheltenham & Gloucester Cash Isa	✓					
Julian Hodge Bank Cash Mini Isa	✓	✓	✓	✓	✓	✓
Kent Reliance BS Direct Mini Cash Isa	✓					
Monmouthshire BS Mini Cash Isa	✓					
Nationwide BS Instant Access Isa	✓	✓	✓	✓	✓	✓
Principality BS Mini Cash Isa	✓					
Shepshed BS Cash Isa	✓	✓	✓	✓	✓	✓
Skipton BS Mini Cash Isa		✓	✓	✓	✓	✓
Stafford Railway BS Mini Cash Isa	✓					
Tipton & Coseley BS Mini Cash Isa	✓	✓	✓	✓	✓	✓
Yorkshire BS Mini Cash Isa Plus	✓					

A ✓ indicates that the rate for this level of investment has been above average every month for the past six years.

rest must go into stocks and shares. You can choose to invest your total allowance in one maxi Isa with one provider or two mini Isas – one cash and one stocks and shares – with different providers.

You can't pay into both a maxi and a mini Isa in the same tax year. If you go for a mini Isa, you can put up to £3,000 into a cash Isa and up to £4,000 into a stocks and shares Isa. If you go the maxi route you can pay the whole £7,000 into stocks and shares or you can put up to £3,000 of it into the cash element. So you could, for example, have £6,000 in stocks and shares and £1,000 in cash through a maxi Isa. However, not all maxi Isa providers offer a cash element, and those that do generally have lower interest rates than Best Buy mini cash Isas.

You can't pay into more than one mini Isa of the same investment type (for example, cash Isas) during a tax year. These limits are fixed until 2010.

Mini cash Isas with below-average rates

	Amount invested					
	£1	£3,000	£6,000	£9,000	£12,000	£15,000
Clydesdale Bank Mini Cash Isa		✓				
Co-operative Bank Mini Cash Isa		✓	✓		✓	
HSBC Cash Mini Isa	✓					
Newcastle BS Nova Isa Direct	✓	✓	✓	✓	✓	✓
Royal Bank of Scotland Mini Cash Isa	✓	✓				
Ulster Bank Cash Isa	✓	✓	✓	✓	✓	
Virgin Money Deposit Mini	✓	✓	✓	✓	✓	✓
Yorkshire Bank Mini Cash Isa		✓				

A ✓ indicates that the rate for this level of investment has been below average every month for the past six years.

How to switch

It's important to switch your Isa correctly to avoid losing any interest. Before you switch, check whether your current provider imposes a charge for leaving, as this may well cancel out the benefits of switching.

- Open your new account and tell both your old and new providers that you wish to transfer your savings. Ask your existing Isa provider to arrange the transfer. You must not withdraw money from your old account and take it to your new provider yourself.

If you do, it will be treated as a new investment and will count against your current year's Isa limits.

- A cash Isa can be transferred only to another cash Isa, and a stocks and shares Isa can be transferred only to another stocks and

shares Isa. This rule applies to both this year's and any previous years' savings.

- Current-tax year Isa savings can be switched only to the same type of Isa. So a mini Isa can be switched only to another mini, and a maxi only to another

maxi. However, any money paid into your Isa in previous tax years can be transferred from mini to maxi and vice versa. So you could, for example, take cash you paid into a maxi Isa before April 2005 and switch it into a mini cash Isa with a better rate.

- You must switch everything you have paid in to your Isa and earned in interest since the beginning of the current tax year (6 April 2005). But with money paid in to Isas in previous tax years and interest earned on it, you can transfer as much or as little of it as you like.