

ISA SUPPLEMENT



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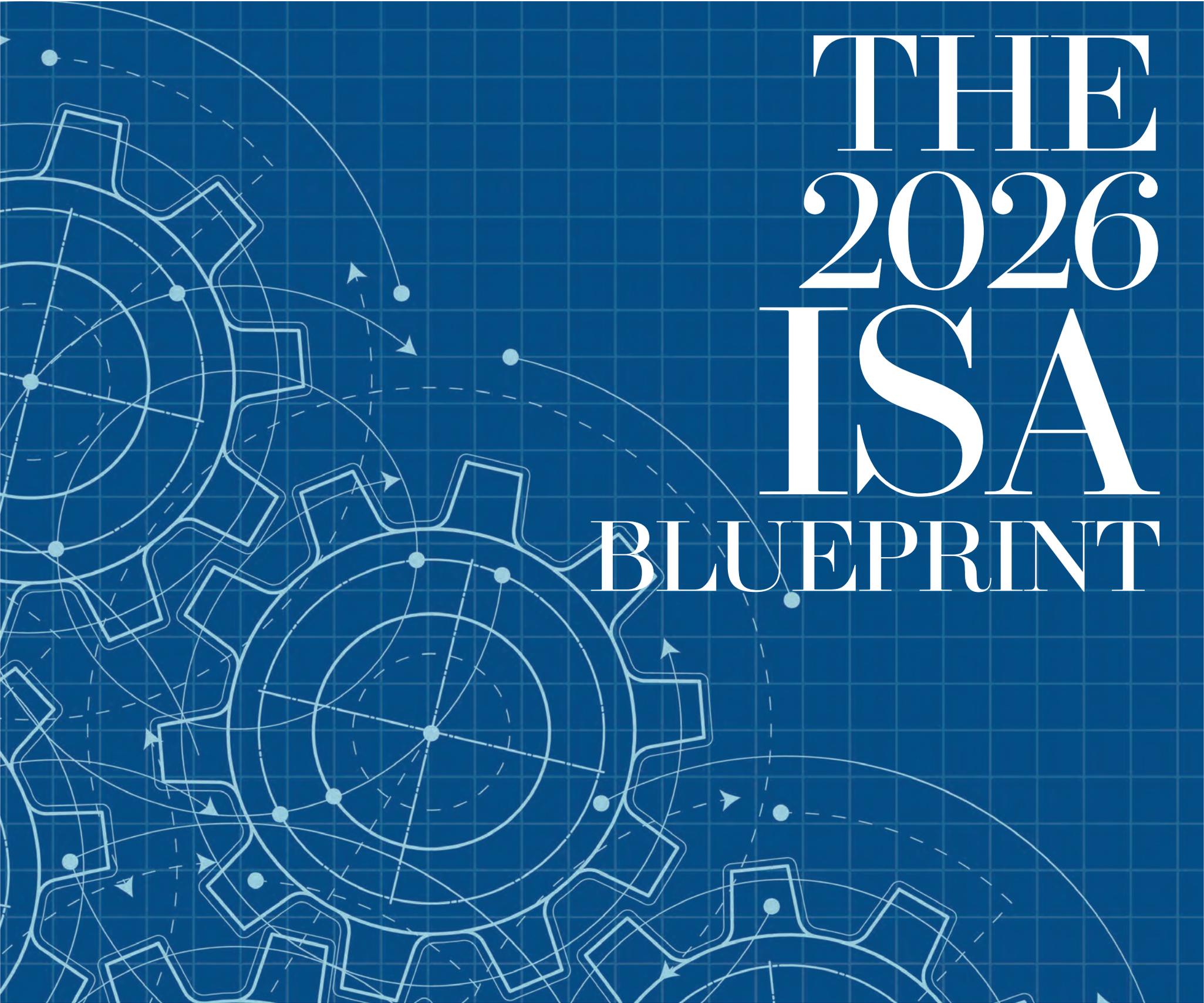
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THE 2026 ISA BLUEPRINT

THE Individual Savings Account (ISA), introduced in 1999, is a cornerstone of UK personal finance, offering tax-free growth and income for investors.

With five core variants, Cash, Stocks and Shares, Innovative Finance (IFISA), Lifetime (LISA), and Junior (JISA), investors can shelter up to £20,000 annually from the tax collector.

This allowance is a crucial tool, especially as the UK tax burden is projected to hit a record high of 38 per cent of GDP by the end of the decade.

TAX CHANGES

This 'tax-hiking' strategy has led to substantial increases in the cost of earning income outside tax-efficient accounts.

The dividend tax rate is set to increase from April sixth of this year, rising from 8.75 per cent to 10.75 per cent for basic rate taxpayers and from

ISAs are the best way to protect your cash from HMRC and there are plenty of options for investors to make the most of their allowance

33.75 per cent to 35.75 per cent for higher rate taxpayers.

These changes could pull an estimated 2m more taxpayers into the dividend tax net. Meanwhile, from April 2027, the tax on general savings income will climb by two percentage points across the board, with the basic rate rising to 22 per cent, the higher rate to 42 per cent, and the additional rate to a near-majority 47 per cent.

Simultaneously, the annual Capital Gains Tax exempt amount has been drastically cut, dropping from over £12,000 to just £3,000 in the 2024/25 tax year.

Even though the Personal Savings Allowance has not changed, higher interest rates have triggered 'fiscal drag,' resulting in nearly four times as many savers paying tax on their

savings income today compared to a few years ago.

These changes mean it's now more important than ever for individuals to consider the tax shelter of the ISA wrapper.

CASH ISAS

The most popular type of ISA. These accounts work just like a standard savings account but with tax-free interest. However, Cash ISAs have historically been a poor product for wealth creation, with returns often failing to keep pace with inflation.

What is more, the government is actively seeking to move funds toward equity investment, leading to a significant upcoming change: from April 2027, the annual Cash ISA allowance will be reduced from

£20,000 to £12,000 for savers under the age of 65.

STOCKS AND SHARES ISAS

These are one of the most attractive tax accounts globally, allowing investors to put the full £20,000 allowance into a wide range of assets, including funds and shares listed on a recognised exchange.

Historical data indicate the power of this wrapper: a consistent £1,000 annual contribution since 1999, if invested in North American funds, would be worth over £127,000, compared to approximately £37,000 in a Cash ISA. Investors can choose between DIY platforms (like Trading 212 or Vanguard), Robo-advisors (such as Moneyfarm or Wealthify) for managed portfolios, or a full Wealth Manager service.

INNOVATIVE FINANCE ISAS (IFISAS)

Introduced in 2016, IFISAs allow investors to funnel money into the peer-to-peer (P2P) lending market. They can offer high returns, often ranging from five per cent to the low teens, but carry a much higher risk profile due to the possibility of borrower defaults. Critically, IFISAs are generally not protected by the Financial Services Compensation Scheme (FSCS). Future rules will prohibit individuals under 65 from transferring funds from an IFISA into a Cash ISA, and from April this year, Cryptoasset Exchange Traded Notes (ETNs) will be permitted in IFISAs.

JUNIOR ISAS (JISAS)

Parents or relatives can save or invest up to £9,000 per year into a JISA for a child, with the funds locked away until the child turns 18. This offers a powerful way to benefit from compound interest over the long term.

Cash ISA rules are going to change from April 2027. Here's what you need to know

CASH ISAs have long been the most popular ISA product in the UK, providing a secure, tax-free environment for savers.

However, the landscape is set to undergo a significant change from April 2027.

THE CASH ISA CAP

Following the new regulations proposed by the Labour government, savers under the age of 65 will see their annual deposit limit into a Cash ISA reduced substantially from the current £20,000 to just £12,000.

Individuals aged 65 and over will retain the ability to hold up to the full £20,000 annual ISA allowance in cash, to accommodate the need of those nearing or in retirement for lower-risk assets.

This policy change is a deliberate attempt to redirect a greater pool of capital towards UK equities. The government's objective is to stimulate investment in the domestic economy, moving away from what it views as an over-reliance on cash savings.

Ultimately, the new cap represents a compromise. Following heavy lobbying from financial institutions and consumer groups, the Chancellor opted for the lower limit instead of the rumoured total removal of the Cash ISA allowance.

A CHALLENGE

While a £12,000 annual limit will likely accommodate the saving habits of the majority of the population, it presents a challenge for certain investors.

Active investors, in particular, who often strategically increase their cash holdings within their ISA while waiting for optimal investment opportunities, may find themselves at a disadvantage.

These investors will need to carefully adjust their tax planning to ensure compliance with HMRC rules.

UNCLEAR RULES

The transition is further complicated by a lack of clarity surrounding the accompanying rules, which are still being finalised by HMRC.

HMRC's primary focus appears to be on preventing investors under 65 from using other types of ISA, such as a Stocks and Shares ISA, to circumvent the lower cash limit. The planned measures could include:

- **Interest Charge:** A levy or charge on interest earned from cash held within a Stocks and Shares ISA.

- **'Cash-like' Test:** The introduction of a test to determine if an investment is fundamentally 'cash-like' in nature. This definition could potentially sweep in alternatives currently used by investors for higher returns on uninvested cash, such as:

- Money market funds
- Treasury bills (T-bills)
- Short-term bonds

Currently, many investors use these assets within their Stocks and Shares ISAs, as they often yield a higher rate than a standard Cash ISA. Restricting the use of these assets

could significantly challenge under-65 investors seeking stable income or a holding ground for funds awaiting reinvestment.

Those seeking tax-free income without falling foul of the new Cash ISA constraints will be pushed toward higher-risk options, including equity income funds, corporate bonds, and Innovative Finance ISAs (IFISAs).

TAX-EFFECTIVE STRATEGIES

In this evolving environment, investors can look to other legal tax-effective strategies.

THE UK'S NEW CASH ISA RULES



Those seeking tax-free income without falling foul of the new rules will be pushed toward higher-risk options

One strategy is the gilt trade, which has become increasingly popular, particularly among high earners, for sheltering cash and generating a higher tax-free return.

This strategy leverages a specific tax quirk associated with short-dated gilts, generally defined as having a maturity of five years or less. Gilts maturing in less than three years are often referred to as ultra-short gilts.

Unlike most bonds, these short-dated gilts do not pay an annual interest coupon. Instead, they are issued at a discount to their par value

(which is 100p).

The investor's return is the capital gain realised between the lower issue price and the full redemption price. For example, a six-month gilt issued at 97.8p and redeemed at 100p provides an annualised return of 4.5 per cent

Under current UK tax law, this capital gain is not subject to income tax. This makes the gilt trade a valuable tool for investors seeking to generate secure, tax-free returns outside of the restrictive new ISA rules.

THE ISA ALTERNATIVE:

Why Sophisticated Investors are Turning to Physical Gold

For decades, the Individual Savings Account (ISA) has been the cornerstone of the British saver's strategy. It is a reliable, tax-efficient wrapper that has served millions well. However, as we navigate a decade defined by global fiscal instability, rising national debt, and persistent inflationary pressures, the limitations of traditional paper-based savings are becoming increasingly apparent to sophisticated investors.

The most glaring restriction is the £20,000 annual ISA contribution cap. For those looking to protect larger sums of liquidated capital or diversify a significant portfolio, this ceiling can feel like a bottleneck.

This is why a growing number of UK investors are pivoting toward a centuries-old safe haven that offers a "limitless" alternative: physical gold bullion.

THE TAX-FREE ADVANTAGE

The primary draw of the ISA is its tax-free status, but physical gold, specifically UK-minted coins, offers a comparable, and in some ways superior, tax profile.

Under current UK law, if you purchase the correct UK-minted gold coins (such as the Gold Britannia or the Sovereign), the investment is entirely tax-free.

Because these coins are technically legal tender, they are exempt from Capital Gains Tax (CGT).

Furthermore, investment-grade

gold is exempt from VAT at the point of purchase. Unlike an ISA, there is no annual £20,000 limit on how much tax-free gold you can acquire.

This allows investors to move significant wealth into a tangible asset without the looming shadow of a future tax bill on their profits.

WHY PHYSICAL ASSETS VS DIGITAL PLATFORMS

In a world of increasing digitisation, the more "connected" our financial systems become, the more vulnerable they feel.

Physical gold offers a "physically diversified" alternative. It is a tangible asset that you can hold in your hand, one that does not rely on a high-speed internet connec-

tion or the solvency of a specific digital banking infrastructure to exist.

When you buy physical bullion through a reputable partner like The Pure Gold Company, you take direct ownership of the asset the moment you buy it. Because of this direct ownership, it is considered a commodity rather than a regulated financial investment, providing a layer of separation from the traditional banking system.

HEDGING AGAINST UNCERTAINTY

The macroeconomic backdrop of 2024 and beyond is one of "turmoil and uncertainty," a phrase that is increasingly describing our global reality.

Central banks worldwide are currently increasing their gold holdings as they move away from the US Dollar.

For the individual, the concern is often closer to home: the debt lurking behind currencies like the Pound and the Dollar.

As governments print more money to manage national debt, the purchasing power of cash in a standard savings account is eroded. Gold, conversely, tends to act as a natural inflation hedge. It has no "counterparty risk". That means it is nobody else's liability. Its value is intrinsic, and historically, it has seen price surges during the exact moments when traditional markets are in retreat.



LIQUIDITY AND SIMPLICITY

A common misconception about physical gold is that it is difficult to sell. In reality, gold is one of the most liquid assets on the planet. Investors today want something tangible that they can still sell quickly and easily should the need arise.

The Pure Gold Company has streamlined this process, making the purchase and eventual sale of bullion fast, simple, and secure. As LBMA (London Bullion Market Association) members and official partners of the Royal Mint, they provide a level of institutional security that has led them to be voted "The UK's Best Gold Broker".

TRUE DIVERSIFICATION

True diversification requires moving beyond different types of paper assets. If your portfolio consists of stocks, bonds, and cash, you are still entirely tied to the performance of the financial system.

Physical gold offers a way out of that cycle. Whether you are motivated by the desire to avoid the £20k ISA cap, the need for a VAT and CGT-free investment, or a simple desire to own something real in an increasingly digital world, gold provides a compelling answer.

The Pure Gold Company has produced a comprehensive guide for those looking to exit the "paper trap" and enter the world of physical bullion.

You can download
your free guide to buying
physical gold directly from
their website:

ThePureGoldCompany.co.uk



THE ALTERNATIVE ROUTE: IS THE IFISA WORTH THE RISK?

SINCE its inception in 2016, the Innovative Finance ISA (IFISA) has stood as the high-octane alternative to the pedestrian safety of Cash ISAs and the volatility of the equity markets.

Designed to help the peer-to-peer (P2P) lending market, it allows investors to funnel their £20,000 annual tax-free allowance directly into the hands of businesses and individuals. However, this is a sophisticated tool for sophisticated investors.

HIGH YIELD, HIGH STAKES

The mechanics of a P2P-based IFISA are simple: specialist platforms match your capital with borrowers on the same platforms. The model is based on the same model banks use, without the cumbersome back-end, low tech systems that can bog down credit decisions.

However, while platforms boast rigorous credit committees, defaults are part of the furniture. Platform default rates hover between 6 per cent and 7 per cent and the higher the interest rate, the higher the chances of a default. While recovery processes during administration often claw back the lion's share of outstanding funds, the threat of capital erosion cannot be ignored.

What's more, unlike Cash or Stocks & Shares ISAs which enjoy FSCS protection up to £120,000, the IFISA generally has no protection. If the borrower defaults, investors have to wait their turn for repayment after other creditors.

PROPERTY-BACKED LENDING

The sector is currently dominated by property-backed lending, but the risk profiles vary wildly.

CapitalRaise, targeting the "prime" end of the spectrum, focuses on high-end developments in London and the Home Counties. With nearly £500m in loans arranged, it offers yields of nine per cent to 10 per cent. It is not for the casual saver; it is strictly the preserve of certified high-net-worth individuals and sophisticated investors.

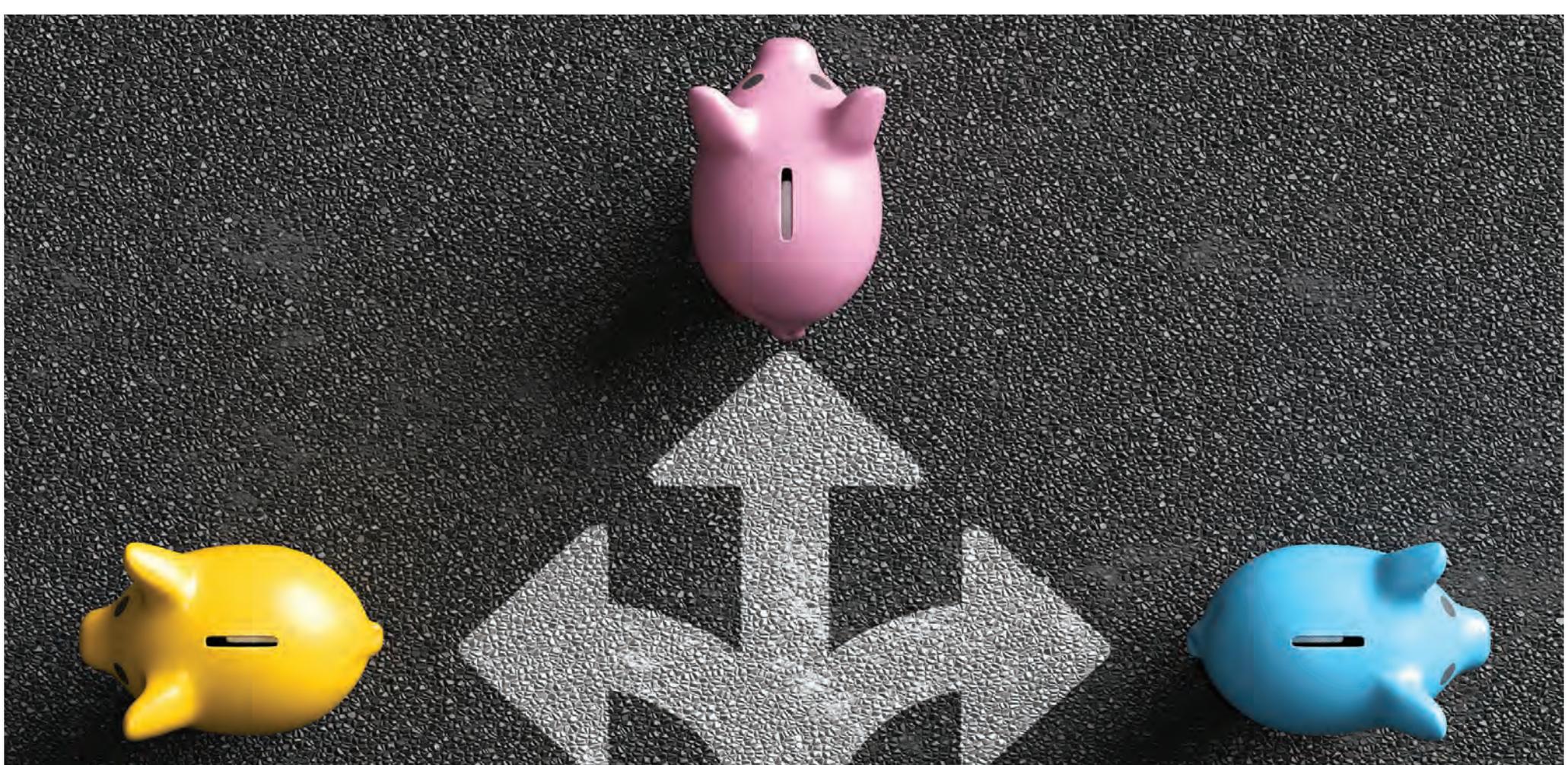
For those seeking a slightly more cushioned landing, Loanpad pitches itself as the "prime" conservative choice. With a £230m book and a remarkably low average loan-to-value

(LTV) ratio of 46 per cent, the emphasis is on capital preservation. Returns reflect this sobriety: 4.8 per cent for instant access, rising to 5.8 per cent for those willing to lock away capital for 60 days.

At the "sharp end" of the market, CapitalStackers offers eye-watering potential. Average interest rates sit near 12 per cent, with some deals hitting 23 per cent. But the warning lights are flashing: a historical write-off rate of over 10 per cent serves as a stark reminder of the risk in the IFISA world.

Finally, for the "profit with purpose" crowd, Triodos Bank remains the standard-bearer. Their IFISA allows investors to hand-pick projects with social or environmental yields. Having raised over £200m across nearly 100 projects, their current offerings, such as community-backed wind farms yielding 5.5 per cent, provide a middle ground for those who want their capital to do more than just compound.





SIPP vs ISA: CHOOSING THE WRAPPER

BOTH Individual Savings Accounts (ISAs) and Self-Invested Personal Pensions (SIPPs) are valuable, tax-efficient tools for financial planning.

While they share the benefit of tax-free growth, their primary purposes and flexibility differ.

SIPP: DESIGNED FOR RETIREMENT

A SIPP is a long-term savings product focused on retirement.

• **Access to funds:** You cannot withdraw money until you reach age 55 (rising to 57 from April 6, 2028).

• **Tax benefits on contributions:** Contributions receive tax relief at your marginal tax rate (e.g., 20 per cent for basic rate taxpayers), which the provider usually claims for you. Higher and additional rate taxpayers must claim the extra relief on their tax returns. Non-taxpayers can still get relief on contributions up to a

TAXPAYER STATUS	NET PAYMENT	GOVT. TOP-UP	ADDITIONAL TAX RELIEF	TOTAL IN SIPP	ACTUAL NET COST TO YOU
BASIC RATE	£80	£20	NONE	£100	£80
HIGHER RATE	£80	£20	£20 VIA SELF ASSESSMENT	£100	£60
ADDITIONAL RATE	£80	£20	£25 VIA SELF ASSESSMENT	£100	£55

gross total of £3,600 per tax year.

• **Withdrawal taxation:** Only 25 per cent of the SIPP fund can be withdrawn tax-free at retirement (capped at £268,275). The remainder is taxed as income.

• **Contribution limits:** The annual allowance is currently £60,000, covering contributions from you and your employer. Exceeding this may incur an additional tax charge.

• **Investment flexibility:** SIPPs typically offer more flexibility than workplace pensions, allowing a wider

range of investments, including commercial property and some unlisted shares.

• **Inheritance tax (IHT):** From April 2027, unused SIPP funds will generally fall into the deceased person's estate for IHT purposes (taxed up to 40 per cent), unless left to a spouse.

ISA: MAXIMISING FLEXIBILITY

ISAs are known for their accessibility and flexibility, making them suitable for shorter- to medium-term financial goals.

• **Access to funds:** With an adult ISA, you can withdraw your money whenever you need it. Some providers even allow you to replace withdrawn funds without affecting the annual allowance, as long as the total remains under the limit.

• **Tax benefits on contributions:** There is no tax relief on ISA contributions, as they are made from post-tax income.

• **Withdrawal taxation:** All withdrawals from an ISA are tax-free.

• **Contribution limits:** The annual allowance is a strict £20,000.

• **Investment criteria:** ISAs have stricter, HMRC-approved criteria, generally limiting investments to those listed on a recognised stock exchange. Direct property ownership is typically excluded.

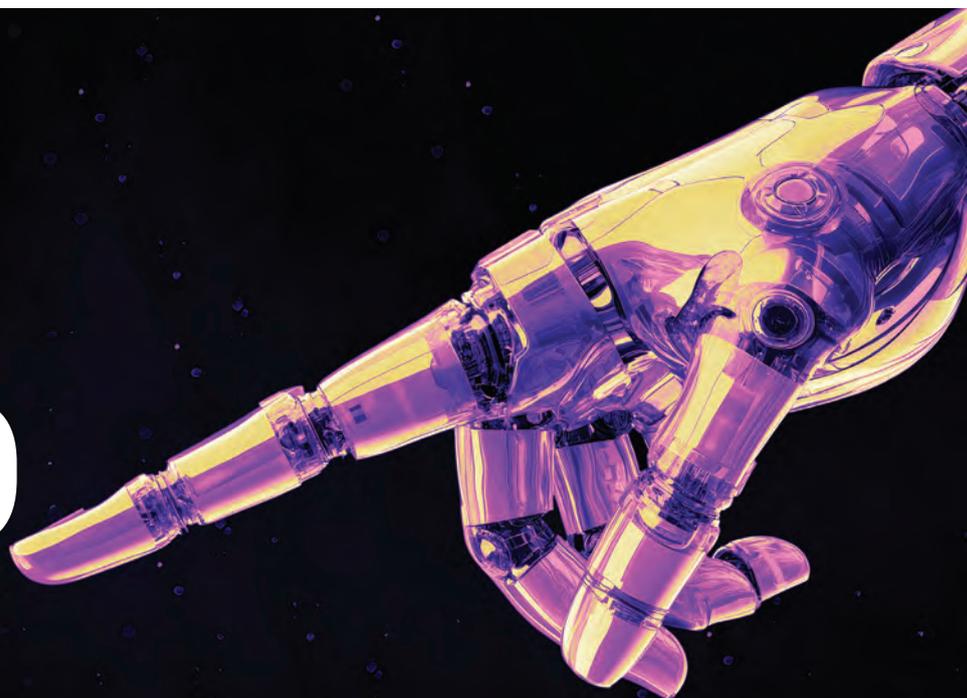
COMPLEMENTARY PRODUCTS

Investors should view SIPPs and ISAs as complementary, not as "either/or" products. They can be used simultaneously to achieve different financial targets.

ISAs are highly flexible and better suited for younger savers or those with medium-term goals (10–20 years) while SIPPs are designed for the very long term, leveraging tax relief and compound interest to maximise retirement savings.

An investor can save into both in one tax year, with a potential combined limit of up to £80,000 (£20,000 for ISA + £60,000 for SIPP).

CHOOSING THE RIGHT STOCKS AND SHARES ISA PLATFORM



Choosing a Stocks and Shares ISA platform can feel like standing before a vast, confusing wall of options.

However, the secret to narrowing down the field lies in understanding your own investing style and how much effort you want to put into managing your portfolio.

Whether you want to hand-pick every stock or outsource the entire process to a professional, there is a platform tailored to your needs.

Before diving into the providers, consider your logistical needs: do you want to house your Cash ISA and Stocks and Shares ISA under one roof? Do you need a flexible ISA or a Junior ISA for your children?

Once these priorities are set, you can categorise the market into three main buckets: DIY Platforms, Robo-Advisors, and Full-Service Investment Managers.

DIY PLATFORMS

The DIY space has evolved significantly over the last decade, splitting into traditional powerhouses and a new crop of low-cost challengers.

THE ESTABLISHED GIANTS

These platforms offer all the bells and whistles, providing access to tens of thousands of global investments.

Interactive Investor: One of the UK's largest players, it uses a flat-fee model starting at £5.99/month for portfolios up to £100,000, with trading fees of £3.99.

AJ Bell: A well-established public company charging a 0.25 per cent annual management fee (capped at £3.50/month). Shares cost £5 to trade, while funds are £1.50.

Hargreaves Lansdown: The market pioneer since 1981. While it is overhauling its fees, it remains on the pricier side with a 0.35 per cent annual ISA fee and £6.95 share dealing costs.

Fidelity: Owned by a global asset management giant, it charges 0.35 per cent annually (or £7.50/month for balances under £25,000) and £7.50 per trade.

THE LOW-COST DISRUPTORS

These newer platforms often strip away infrastructure to offer rock-bottom prices, though some use subscriptions to boost revenue.

Trading 212 & IG: Both offer no management or trading fees, making them highly competitive for cost-conscious investors.

Freetrade: Offers commission-free trading and no annual ISA charge, though a £10/month "subscription" is required to unlock better interest rates and lower FX fees.

Lightyear: Another zero-fee option, though it carries significantly fewer investment choices than competitors like Trading 212.

LIMITED-CHOICE SPECIALISTS

Some platforms trade variety for simplicity and low costs.

Vanguard: Only allows investments in

its own funds but offers a low 0.15 per cent annual charge (capped at £375) and no dealing fees.

InvestEngine: Focuses exclusively on ETFs with no management or trading fees and a £100 minimum.

Columbia Threadneedle: Charges a flat £72 annual fee and focuses on its own investment trusts, which cover equities, bonds, and property.

ROBO-ADVISORS

If you want the growth potential of stocks without the stress of picking them, robo-advisors are an excellent automated solution. They select and rebalance portfolios based on your risk profile with minimal input from you.

Wealthify (Aviva): Charges a 0.6 per cent management fee, plus underlying fund costs.

Moneyfarm: Uses a tiered structure (0.3 per cent to 0.7 per cent). Total costs, including underlying funds, typically land just under 1 per cent annually.

JP Morgan Personal Investing: Blends robo-tech with human advice. It sits at the premium end, with management fees up to 0.75 per cent and total costs often exceeding 1 per cent.

WEALTH MANAGERS

For those with larger portfolios who want an all-inclusive, face-to-face service, traditional wealth managers are the gold standard—though they are the most expensive option.

Rathbones: A top-tier manager requiring a £150,000 minimum. They charge 1.1 per cent on the first £1m of assets.

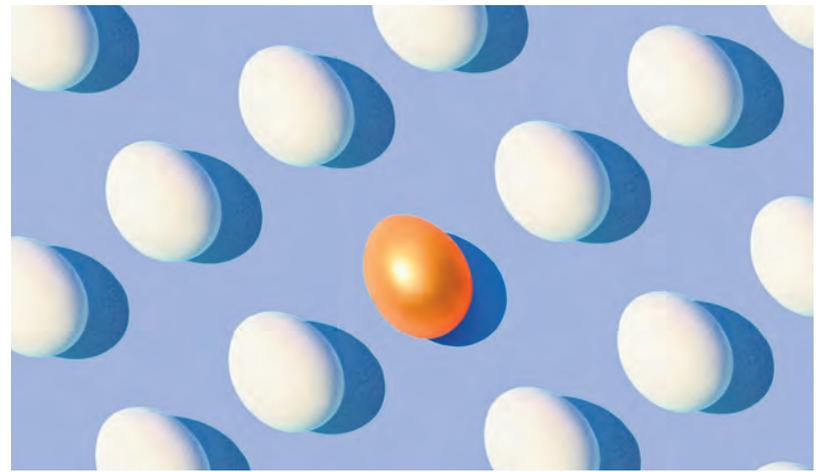
St. James's Place: One of the UK's largest, managing over £220 billion. They rely on a network of advisers for face-to-face planning. Fees are significant: a 3 per cent initial advice fee and ongoing costs that average around 1.5 per cent annually.

JM Finn: Targets younger professionals with a lower £25,000 minimum and a 0.6 per cent management fee for ISA services.

The bottom line on fees: Regardless of the platform, remember that account fees are only half the story. You will almost always pay "underlying fund costs" to the managers of the actual funds you hold, which are rarely included in the platform's headline price. Always audit the total cost, platform fee plus fund fee, before committing your capital.



THE MISSING ASSET IN MOST ISA PORTFOLIOS



As the end of the tax year approaches, many investors are deciding how best to use their £20,000 ISA allowance.

For many, the choice still comes down to a familiar mix of cash savings and equity market investments. Yet the past few years have reminded investors that markets rarely move in straight lines. Inflation shocks, geopolitical tensions and shifting interest-rate cycles have created a far more uncertain environment than the previous decade of ultra-low rates.

For investors sitting in cash or fixed-interest bonds, high inflation can act as a silent tax on wealth, steadily eroding the real value of returns. Meanwhile, many Stocks and Shares ISA portfolios remain heavily concentrated in public markets – equities, funds, and bonds that are influenced by the same macroeconomic forces.

Diversification is often discussed in theory, but in practice, portfolios can remain dominated by financial assets that tend to move together during periods of volatility.

This has led some investors to look more closely at income-generating investments linked to real assets rather than financial market movements.

PROPERTY-BACKED INVESTMENT

One area attracting growing attention is property-backed investment, where returns are supported by rental income generated by underlying real estate. With an Innovative Finance ISA (IFISA), these investments can be held within an ISA wrapper, allowing interest to be earned tax-free.

Within the wider property market, supported living housing has emerged as a distinctive segment.

These properties provide accommodation for people with learning disabilities, autism and other support needs.

Homes are often specially adapted and may include space for carers providing round-the-clock support, helping residents live more independently within their communities.

The sector has expanded over the past two decades as government policy has shifted away from institutional care towards community-based housing. Specialist housing providers – including regulated charities and registered providers – lease properties on long agreements to deliver these services.

Organisations such as Golden Lane Housing, established by Mencap, have played an important role in expanding supported living accommodation across the UK.

Supported living can also represent better value for the public sector. By enabling people to live in community-based housing rather than more

expensive institutional care settings, these arrangements can improve outcomes for residents while reducing costs for local authorities and taxpayers.

SUPPORTED LIVING

The structure also differs significantly from traditional buy-to-let property. Rather than relying on individual tenants and exposure to rental voids, supported living properties are typically leased to specialist providers under long-term agreements, working with local authorities and national housing programmes.

Rental income is therefore generally funded through structured public-sector housing arrangements rather than individual tenant affordability.

In the vast majority of cases, supported living leases include inflation-linked rent reviews, meaning rental income can adjust over time as prices rise.

Historically, access to this type of property investment was largely limited to institutional investors and specialist housing funds. Platforms such as Housemartin are now opening the sector to individual investors by providing access to investments linked to individual supported living properties.

These investments typically offer yields of around seven per cent or more, supported by rental income from the underlying properties. Because most supported living leases include inflation-linked rent reviews, income can rise as prices increase. Investors also gain exposure to the underlying real estate, creating the potential for long-term capital appreciation alongside income.

As the ISA deadline approaches, investors may increasingly ask whether a portion of their portfolio could benefit from exposure to real-asset income.



housemartin

Earn yields of over 7.5% in UK property

Help house people with learning difficulties and autism

Open a tax-free property ISA today

housemartin.co/join

Don't invest unless you're prepared to lose money. This is a high-risk investment. You may not be able to access your money easily and are unlikely to be protected if something goes wrong.



PASSIVE OR ACTIVE: THE GREAT DEBATE

FTSE

FOR decades, the active management industry enjoyed a near-monopoly on the investment landscape. This dominance was predicated on the promise of “alpha”, the ability to generate returns in excess of a market benchmark through skill and timing.

Active fund managers rely on fundamental analysis, quantitative modelling, and economic forecasting to identify mispriced assets, aiming to buy when a security is undervalued and sell when it reaches its intrinsic value.

However, a mountain of performance data and a widening gap in management fees have increasingly tilted the scales toward the passive approach.

Passive investing operates under the Efficient Market Hypothesis, which suggests that all known information is already reflected in asset prices.

Rather than attempting to beat the market, passive funds, typically index funds or ETFs, simply track broad market indices like the S&P 500 or MSCI All World at the lowest possible cost.

THE IMPACT OF COSTS

The most immediate and quantifiable difference between these two strategies lies in their cost structures, specifically the annual management

fee or expense ratio.

In the United States, data from early 2025 shows the average asset-weighted expense ratio for passive equity funds hovering between 0.05 per cent and 0.10 per cent, with “core” ETFs offering exposure for as little as 0.02 per cent. In stark contrast, actively managed equity funds frequently charge between 0.60 per cent and 1.30 per cent.

While a 1 per cent difference may seem negligible in a single year, the compounding effect over a 25-year horizon is staggering.

For a UK investor with a £100,000 ISA growing at 7 per cent annually, the difference between a 0.06 per cent tracker and a 1.25 per cent active fund over 25 years is over £131,000.

At the end of that period, the passive ISA would be worth £534,000, while the active fund would leave the investor with just £403,000.

MANAGER VERSUS MACHINE

Costs are only part of the equation; the results delivered by active managers often fail to justify the higher price tag.

The S&P Indices Versus Active (SPIVA) research has consistently shown a stark gap between strategies over the last two decades.

In the U.S. large-cap equity space, the data is particularly damning:

● **One-Year view:** By the end of December 2024, only 21 per cent of active U.S. equity managers managed to beat the S&P 500.

● **10-year view:** That success rate dropped to 14.2 per cent.

● **20-year view:** Nearly 90 per cent of active managers underperformed their benchmarks.

The UK and global markets tell a similar story of struggle. The “Manager versus Machine” report from AJ Bell noted that while 51 per cent of active

global funds outperformed in the first half of 2025, this was viewed as a temporary reprieve in a “dismal decade”.

Over the long term (10 years), only 24 per cent of active equity funds available to UK investors managed to beat a passive alternative.

Even in sectors where active management is traditionally thought to have an edge, such as small-cap stocks, the results are mixed.

While active managers in UK Small Caps saw a higher 42 per cent success rate over five years, the majority still failed to justify their fees over the long term. Morningstar’s Active/Passive Barometer reinforces this, finding that only 22 per cent of all active funds survived and outperformed their average passive peer over the decade ending in 2024.

THE GREAT MIGRATION

This sustained performance gap has

FUND TYPE

UK FTSE 100 TRACKER (ETF/UNIT TRUST)
UK ALL-SHARE INDEX FUND (E.G., VANGUARD)
ACTIVE UK EQUITY FUND (RETAIL)

TYPICAL ANNUAL MANAGEMENT CHARGE

0.06% – 0.12%
0.06%
0.75%–1.25%

triggered a massive shift in industry scale.

According to Investment Company Institute (ICI) data from December 2025, total assets in US index-based mutual funds and ETFs reached \$19.26 trillion, officially surpassing the \$17.40 trillion held in actively managed funds.

In Europe, while active funds still hold a lead with approximately £9.3 trillion, passive assets have grown to a significant £4.1 trillion.

As investors seek out more for their money and active managers continue to underperform this gap will only widen, which is bad news for active managers, but it could be good news for investors, as passive managers benefit from economies of scale and costs continue to fall.

FINDING THE ACTIVE EDGE

Despite the data, active vehicles are not necessarily a bad investment across the board. Some structures, such as wealth preservation, private equity, and infrastructure trusts, provide exposure to unique assets that are impossible to replicate with passive funds.

Active funds focused on specific themes or niche markets can also prove their worth, provided investors are extremely careful about where they look.

ROBO-advisors are digital-first platforms that leverage sophisticated algorithms and automation to deliver financial planning and investment management. They serve as a streamlined, cost-effective alternative to traditional, human-led wealth management, making professional-grade investing accessible to the masses.

By removing the high overhead costs of physical offices and personal brokers, these platforms have democratised wealth management.

THE UK MARKET LANDSCAPE

The British market is currently led by several heavyweights, each catering to different levels of investor involvement:

● **J.P. Morgan Personal Investing:** Utilises a “hybrid” model that blends automated efficiency with access to human expertise when complexity arises.

● **Wealthify (owned by Aviva):** Focuses on extreme accessibility and a “jargon-free” approach for beginners.

● **Moneyfarm:** A highly decorated platform known for its sophisticated portfolio curation and customised advice.

Alternative options: Platforms like Lightyear, InvestEngine, IG Smart Portfolio, and eToro offer light versions of automated management, often appealing to those who want a blend of automation and DIY flexibility.

With entry points starting as low as £50 per month, these services allow everyday savers to build diverse asset portfolios, spanning global equities and government bonds, that were once strictly reserved for high-net-worth individuals.

HOW IT WORKS: FROM ONBOARDING TO AUTOPILOT

The journey begins with a digital questionnaire designed to map your Financial DNA.

Rather than a cold spreadsheet, the software assesses your specific life goals (e.g., buying a first home or retiring early), your investment timeline, and your appetite for risk.

Portfolio selection: Using decades of historical market data, the algorithm constructs a portfolio of funds—typically low-cost Exchange Traded Funds (ETFs)—tailored to your objectives.

Continuous maintenance: Once live, the software acts as a 24/7 vigilante. It handles rebalancing automatically; if your stocks grow faster than your bonds, the system sells a portion of the stocks to buy more bonds, ensuring your risk level doesn't drift into dangerous territory.

Maximum efficiency: Through fractional shares, these platforms ensure your money never sits idle. The system can purchase as little as 0.001 per cent of an ETF. This means every single penny of a £50 contribution is put to work the moment it hits the account, rather than waiting for you to save enough to buy a full share.

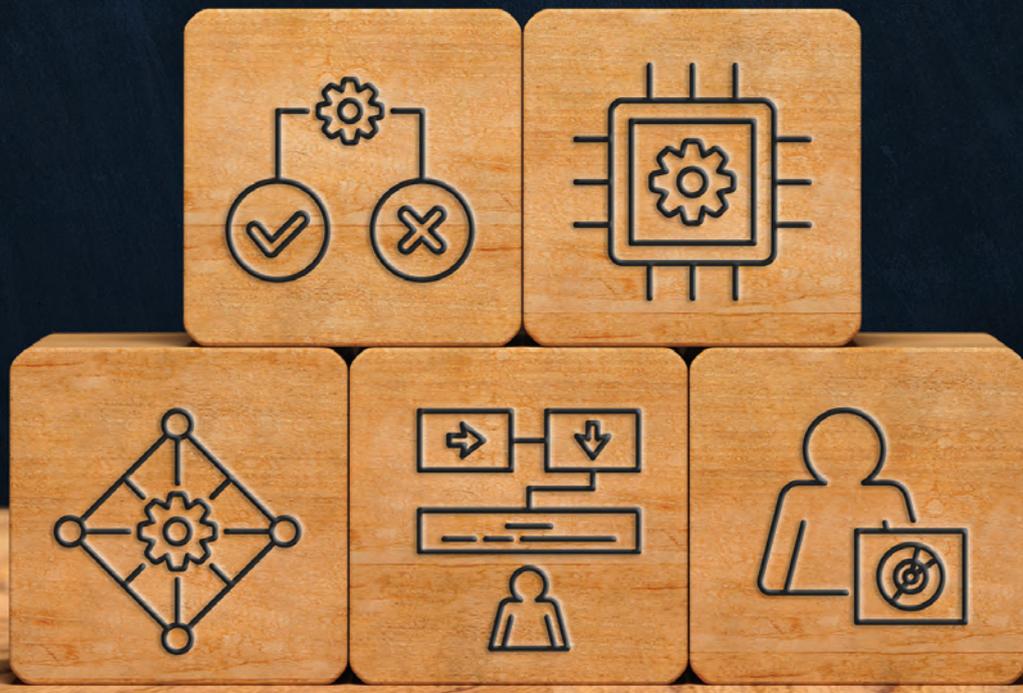
THE COST OF CONVENIENCE

While robo-advisors are significantly cheaper than traditional wealth managers, they carry a premium over purely “Do-It-Yourself” (DIY) brokerage accounts. This premium pays for the automated decision-making and rebalancing.

DIGITAL WEALTH: HOW ROBO-ADVISORS CAN AUTOMATE YOUR WEALTH



**ROBO
ADVISOR**



THE PSYCHOLOGICAL EDGE

Perhaps the greatest value of a robo-advisor isn't the maths, but the emotional discipline.

The Behaviour Gap refers to the difference between an investment's actual return and what the investor really earns after making emotional mistakes. Humans are biologically wired for survival, not the volatility of the stock market.

Robo-advisors act as a psychological

circuit breaker:

● **Removing impulse:** By automating the process, they remove the trade button from your daily routine, preventing you from selling everything in a panic on a volatile Tuesday morning.

● **Sentiment analysis:** Advanced platforms monitor user behaviour patterns. If you log into the app ten times during a market crash, the AI may detect an “anxiety pattern” and proactively

serve you a video or notification. These nudges explain market cycles, helping you stay the course when your instincts tell you to run.

The bottom line: Studies suggest that poor, emotion-driven trading decisions cost investors two per cent to four per cent per year. When viewed through this lens, the one per cent fee for a robo-advisor is a small price to pay for the peace of mind and protected returns it provides.

FEE TYPE

MANAGEMENT FEE

FUND CHARGES (ETFs)

TRANSACTION COSTS (SPREAD)

TOTAL ALL-IN COST

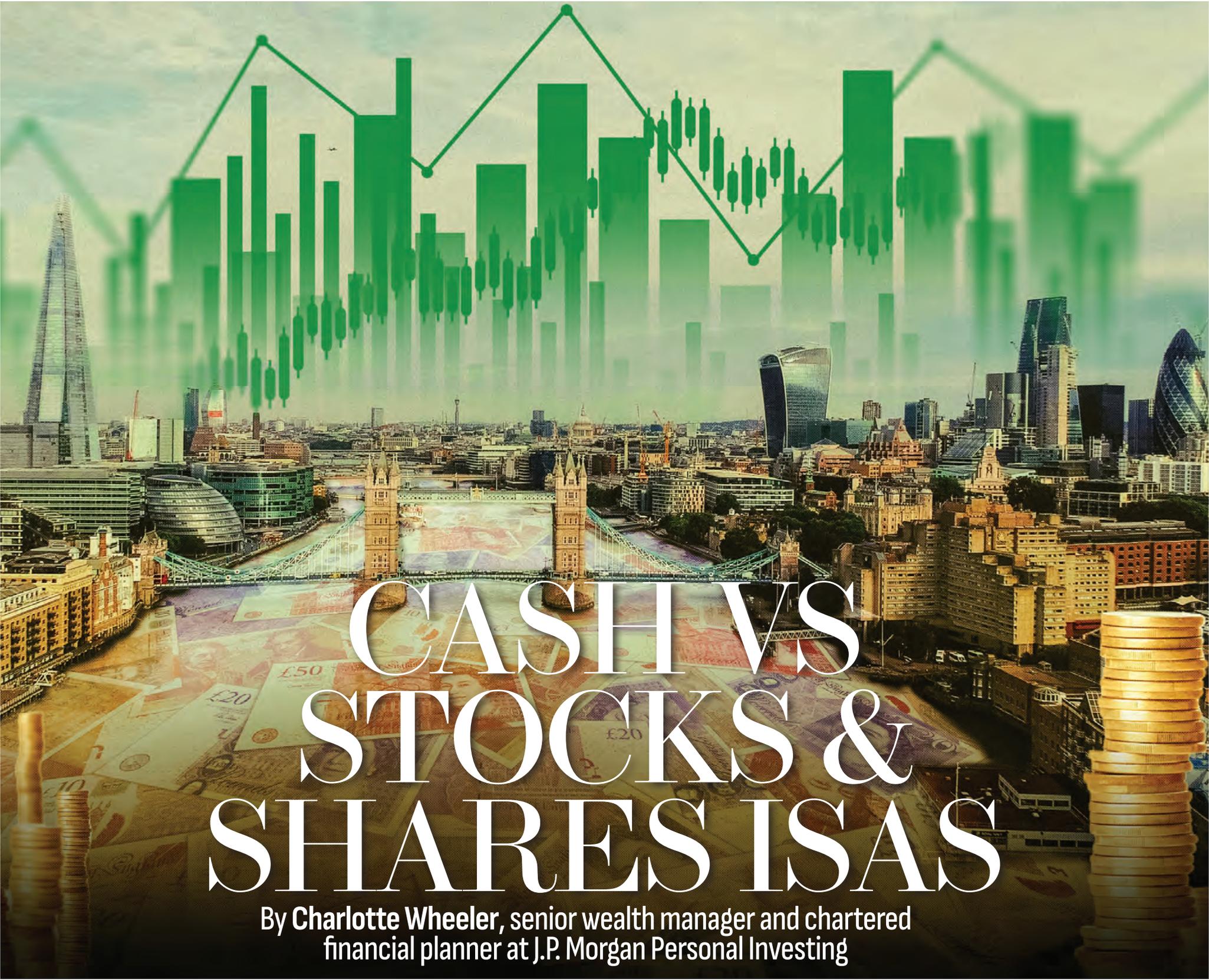
ESTIMATED COST (ANNUAL)

0.25% – 0.75%

0.05% – 0.22 %

~0.10 %

0.50 % – 1.00 %



CASH VS STOCKS & SHARES ISAS

By Charlotte Wheeler, senior wealth manager and chartered financial planner at J.P. Morgan Personal Investing

The cash versus stocks & shares ISAs debate is long running but has grown in importance this year.

At the Budget in November, the Chancellor announced that the annual allowance for the Cash ISA will be cut from £20,000 to £12,000 for those under the age of 65 from April 2027. Those aged 65 and over will be exempt from the policy change, retaining their £20,000 annual allowance for Cash ISA savings.

While details are being finalised on this upcoming move and how it will work in practice, the cut to the allowance has led some to re-evaluate how they are allocating their savings and investments each year. Changes to the allowance have also sparked interest in investing for the first-time among new investors who want to keep their funds in a tax-efficient ISA wrapper but will be impacted by the cut to the Cash ISA.

IS CASH STILL KING?

While the proposed changes will mean that in future the annual Stocks & Shares ISA allowance will be more generous than the Cash ISA for most in Britain, cash still has an important role to play for many in their wealth plan.

It's prudent to hold an emergency fund of 3-6 months' essential expenses in an easy-access account to provide a financial buffer against unexpected events and dips in income so you can protect your family's financial stability. For those in retirement, it can be worthwhile holding more in cash savings and keep the next two years' worth of expenditure requirements in cash, or low-risk assets as they adjust to retirement lifestyle.

Some people with short-term financial goals less than three years away like a wedding or big trip may favour a Cash ISA to build-up spare money in a tax-efficient way. This can also be helpful as any interest you earn above the personal savings allowance threshold of £1,000 for basic rate taxpayers, and £500 for

higher rate taxpayers, incurs tax if held outside a tax-efficient savings wrapper.

That said, it's important that people are aware of the risks with any financial decision, including saving in cash. From the 2027-28 tax year, the tax on interest above the personal savings allowance will increase by two per cent across the income tax bands. We also know that UK consumers hold too much in low interest savings accounts which is being quickly eroded by inflation. Ultimately, holding too much cash for too long can impact your purchasing power over the long term.

WHY INVEST?

While savings are often prioritised for short-term needs and security, those thinking about building wealth for their future will want to consider investing. Investing carries higher risk but it also offers the potential for growth over the long term that keeps up with or exceeds inflation.

While investing for the first-time

can feel daunting, if your financial goal is more than three years away, investing can help your money work harder than a cash savings account.

One way to get started and build confidence with investing is by choosing a globally diversified portfolio or a ready-made investment solution managed by professionals. These portfolios are spread across many countries and sectors, and are managed by experts whose full-time job is to monitor and adjust investments on your behalf. While you may pay a small management fee to the provider, this approach removes the stress of making day-to-day investment decisions yourself, allowing you to benefit from professional oversight while focusing on your long-term goals.

For those with more confidence, you could do your own research and select your own investments. If you go down this route, ensure your investments are suitably diversified so that your money isn't concentrated in one asset class, country or sector. You could also drip feed your money

into the market which can help smooth out any periods of volatility. Investing over a longer time period also allows you to ride out any ups and downs in terms of performance.

It's worth speaking to a qualified professional if you are unsure who can give you some guidance or advice on your situation and the best way to move ahead with investing.

STRIKING THE RIGHT BALANCE

Whether you are focusing on saving or investing, it can be helpful to take a broader view and consider how your choices align with your goals. It's worth asking yourself: what's my goal? Then work backwards from that goal to understand what route is the best way to achieve this.

Ultimately, both cash savings and investments have a clear role to play in ensuring you can look after your short-term financial needs while building wealth for the future. Often, the answer isn't one or the other but thinking about how you can use both to build wealth, manage risk, and achieve the financial future you

GENERATIONAL WEALTH: THE JUNIOR ISA

By Claire Exley, head of financial advice and guidance at J.P. Morgan Personal Investing

It's in your instinct as a parent to want to give your child the best possible start in life. You're there for their first day at school, the exam periods, and that nerve-racking first driving lesson. At every milestone, you do what you can to help them develop and provide stability.

Parents spend years preparing for their children's key life moments and this increasingly includes financial milestones, too. More and more, families are financially assisting their kids through university and further education, buying a first home, or getting married.

To fill this financial need, the Junior ISA (JISA) has emerged as a popular tool for families who want to give their children a head start in life while reducing their future tax liability. In the 2023/24 tax year, £1.8 bn was held in JISA accounts and some children will inherit funds worth over six figures when they reach adulthood.

INHERITANCE TAX WEIGHS ON FAMILIES

One reason JISAs have become more popular is because inheritance tax (IHT) rules in the UK have become more complex. Soon, there will be fewer ways to pass on money in a tax-efficient manner to family members with pensions subject to inheritance tax from April 2027.

This trend has prompted parents and grandparents to seek out ways to guard their family wealth from a hefty tax bill. JISAs are attractive for families who want to pass down wealth without incurring Capital Gains Taxes or IHT if the money has been transferred to the child seven years before the individual passes away.

Parents that contribute into a child's JISA account will benefit from tax-free capital growth whether they are held in cash savings or an investment account. Small regular contributions through childhood can quickly accumulate and snowball as the funds benefit from compounding returns.

For families with young children, opting for a Stocks & Shares JISA can be an effective way to maximise the long-term return potential of the funds with the

aim of achieving a return ahead of inflation. By regularly investing, the portfolio can also ride out periods of volatility by drip feeding their investments and benefit from compounding.

There is a misconception that you need to start with a large sum of money. Parents that invest £50 a month from the child's birth and achieve an average annual return of six per cent would be able to pass on £19,464 to their child by the time they celebrate their 18th birthday.

FROM CHILD TO ADULT

As family and friends have the ability deposit money into the child's JISA, contributions can be made to provide financial support towards key life milestones in adulthood like university costs or a first-home deposit. Some parents and grandparents will add funds to the account at Christmas and at birthdays, putting some money towards savings rather than plastic toys.

One nuance of the tax efficient wrapper is that the money can also only be accessed when the child turns 18. By holding the savings until the child reaches adulthood, it ensures the money is dedicated solely to a child's future, helping families keep it separate to other savings and focused on long-term goals. It also gives the funds time to increase.

If the young adult doesn't withdraw the funds at 18, the JISA can convert into an adult equivalent ISA so the savings or investments will remain in a tax-free wrapper. The transfer of this money to the child when they reach 18 years old can also offer an opportunity to sit down and teach them about the power of good money management, saving and investing.

Since the Junior ISA was first introduced in 2011, it has offered families the opportunity to give their children a financial head start in life and transfer wealth from one generation to the next.

Managed well with consistent contributions over the long term, the child could receive a decent sum of money when they transition into adulthood. However, these funds can give much more than a monetary boost for your offspring, offering financial stability and putting them on the right financial path as they enter a key period in life.

