

## ISA misconceptions see savers lose out on investing opportunities

- 44% of consumers don't know that they can invest through an ISA
- More than a quarter (28%) of consumers believe they can only have one ISA at a time
- A fifth (21%) believe you have to use your full ISA allowance in order to qualify for one

Despite ISAs having turned 25 years old and there being widespread encouragement for individuals to utilise their ISA allowances, there remains much confusion over what consumers can and cannot do with their ISAs. More than two fifths (44%) of consumers don't know that they can invest through an ISA, according to research from Charles Stanley.

Nearly a third (29%) of consumers think ISAs are just for cash savings, while 15% revealed they don't know if ISAs are just for cash savings or not. This highlights that a large proportion of savers could be missing out on the tax efficiencies ISAs offer when it comes to investing.

The misunderstandings around ISA rules are not limited to differentiating between Cash and Stocks and Shares ISAs. Well over a quarter (28%) of respondents believe they can only have one ISA at a time, while 22% believe they aren't able to withdraw money from an ISA. A quarter (25%) believe you get taxed on any interest earned within an ISA.

Shockingly, a fifth (21%) believe you have to use your full ISA allowance in order to qualify for one, while as many as two-fifths (40%) mistakenly believe you can top up your ISA allowance from previous years' unfulfilled contributions.

In the run up to the recent Spring Statement, rumours circulated as to what reforms Rachel Reeves could impose on cash ISAs - specifically on reducing the Cash ISA allowance from £20,000 to £4,000. This comes with the objective of incentivising the use of Stocks and Shares ISAs and, by extension, boosting investment in UK equities. While this has not yet come to pass, the Government has not ruled out possible changes to cash ISA limits in the future. But for this plan to be effective, it's imperative that measures are taken to improve public understanding of the rules around ISAs.

Other misconceptions consumers have regarding ISAs include believing that ISAs are the only tax-efficient savings vehicles available, of which nearly a third (31%) believe. A fifth (20%) believe that ISAs can only be accessed via a financial adviser, while another fifth (19%) believe that ISAs have to be kept in the same place forever.

**Rob Morgan, Chief Investment Analyst at Charles Stanley, comments:** "It's now been confirmed that the Government is considering reforming the ISA system to give the UK equity market a much needed boost. Yet, if this is to be effective, there is a need to close the knowledge gap for consumers to know what ISAs are, how they work, and how best to make the most of them.

"The upsides of making full use of ISAs are huge. They're tax-efficient, easily accessible, and can be used for short and long term goals, including retirement saving. The issue that our research brings to light is that not enough people

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are aware of what ISAs can do for them. Although they've been around for a quarter of a century, and it's high time that everyone makes them count for their financial futures."

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### Notes to Editors:

#### Methodology:

The research was conducted by Censuswide, among a sample of 3,001 'mass affluent' consumers, aged 18+ (defined as those earning above the UK average pre-tax salary (£33,000) AND with at least £1,000 in accessible cash/savings). The data was collected between 14.02.2025 - 21.02.2025. Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuswide is also a member of the British Polling Council.

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