Tax-efficient saving

A guide to making the most of your allowances
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome to our little guide</td>
<td>3</td>
</tr>
<tr>
<td>How savings are taxed and how you can protect them</td>
<td>4</td>
</tr>
<tr>
<td>Different kinds of tax</td>
<td>5</td>
</tr>
<tr>
<td>Investing tax-efficiently with J.P. Morgan</td>
<td>8</td>
</tr>
<tr>
<td>Our tax-efficient investment options at a glance</td>
<td>12</td>
</tr>
<tr>
<td>Investing with J.P. Morgan</td>
<td>13</td>
</tr>
</tbody>
</table>
Welcome to our little guide

**Tax-efficient saving** is one of a series of guides where we look at a variety of key investment topics.

We’ve produced this guide because we’re investment specialists, and it’s part of our job to help you understand how to make the most of your savings. Investing your money tax-efficiently can greatly increase the value of your potential returns, and can be an essential foundation for a saving strategy.

Committing yourself to a strategy of protecting your savings from tax also helps give you a discipline and a framework for effective investing, as you will probably want to make the most of your personal tax allowances every year.

This guide will look at:

- Who pays tax, and the different ways tax can affect your savings
- Opportunities for tax relief
- Ways to make the most of your personal tax allowances
- Ways to invest tax-efficiently with J.P. Morgan Asset Management
- Points to consider and next steps

Please remember the information in this guide does not constitute investment or tax advice. The tax information is based upon our understanding of the current law and cannot be relied upon in making any tax or investment decisions. We recommend you speak to a financial or tax adviser before making any investment or tax decisions.

**OUR BIG COMMITMENT TO INVESTORS**

When you save tax-efficiently, it’s good to know that you’re making the most of your opportunities by investing with experts. So you may be reassured to hear that we’re trusted with managing over £1.6 trillion of assets (source: J.P. Morgan as at 30 September 2015) and have more than 150 years of experience.

We’re also the only asset manager who has received Incisive Media’s Gold Standard Award thirteen years in a row (2003 - 2015 as at November 2015). This is an unrivalled achievement; one that recognises financial strength, capability, trust, and fair value. The award also demonstrates our commitment to offering excellent customer service.

So whatever your circumstances, goals or financial aspirations, you can be confident that J.P. Morgan Asset Management has the know-how to meet your aims. That applies today, tomorrow and for the years ahead - which is ideal when you want to make the most of your personal tax allowances year after year.

Please note past performance is not a guide to the future. The value of investments and the income from them may fall as well as rise and investors may not get the full amount invested.
How savings are taxed and how you can protect them

This guide is full of good news. It tells you about easy ways in which you can safeguard your savings from tax, so you keep more of any potential returns you make.

This is important, because almost everyone could be liable to pay tax on their savings. All UK residents are potential taxpayers, regardless of age and income, as explained on the next page. How much you pay depends both on your overall income and on your personal circumstances, but the basics are simple.

To start with, you can be taxed on your income. This applies both to earnings from work, and income from saving and investing. However, everyone has a personal allowance (which varies according to your age and income, as explained on the next page). This means that you can earn a certain amount of money before you are liable to tax. Once you earn more than this personal allowance, every additional pound you earn through work or through investment income is potentially subject to income tax.

Next, you can be taxed on ‘capital gains’. This can apply when you sell an investment for more money than you paid for it. Much like your personal allowance for income, you also have an annual allowance for capital gains. Any gain you make over this threshold can also be taxed.

Finally, there could also be inheritance tax when you die. We will look at all these taxes, and how they can affect you, in the next section.

**HOW MUCH TAX COULD YOU PAY?**

You pay tax on investment income or capital gains at your highest marginal rate of tax. So if you’re already a higher or additional rate taxpayer, your savings will be taxed at the higher or additional rate. Even if you’re not already a higher rate taxpayer, the gains you make from saving or from selling an investment could tip you over the threshold, so you could pay higher rate tax on a portion of your investment income or profits.

This could mean paying 45% tax on your savings income, or 28% tax on your capital gains (2015/2016 tax year- a tax year runs from 6 April to 5 April in the following year) which could greatly reduce any return you make from investing.

**NOW, HERE’S THE GOOD NEWS**

Because governments have recognised that people need to save for their future, you may not have to pay any tax on your savings. This is because, to encourage you to save, governments have set up tax-efficient ways to invest: which means you get to keep more of any potential gains you make.

Before we look at different ways to save tax-efficiently we’ll look at the different kinds of tax.

Tax benefits and liabilities depend on individual circumstances and may change in the future.
We believe there are three particular key taxes you should consider in detail.

1. **INCOME TAX**

In addition to any income you make by working, you are also assessed for income tax on any interest paid by savings accounts or on investment income. You will then need to pay income tax on any amount over your personal allowance, which depends on your age. Up to age 65, your personal allowance is £10,600 (2015/16). However, your personal allowance is reduced progressively if you earn over £100,000.

The basic rate income tax limit is £31,785 (2015/16), and the higher rate income tax limit is £150,000 (2015/16). You pay 20% tax (the ‘basic rate’) on the first £31,785 you earn on top of your personal allowance, then 40% tax on any income earned from employment over this amount up to £150,000. Income over £150,000 is taxed at 45% (2015/16).

However, the amount of income tax you pay on your savings depends not only on the total amount of income you receive in any tax year, but also on how this is generated.

**Savings income (such as bank and building society accounts)**

Generally speaking, you will pay basic rate tax of 20%, unless you are a higher or additional rate taxpayer, where you will pay tax at 40% or 45% on that portion of your income which falls into the higher tax band or bands. There is also a 0% starting rate charged purely on the first £5,000 of savings income (for 2015/16) if your total income is less than your personal allowance, plus £5,000 - but this may not apply to most savers.

You can find more details about personal allowances and tax rates online at www.hmrc.gov.uk

**Dividend income**

Depending on your personal circumstances, you can pay three different income tax rates on dividends from UK companies and investment funds.

When you’re at or below the £31,785 basic rate tax limit (2015/16), you are liable to pay tax on dividend income at a rate of 10%. This is automatically offset by the notional 10% tax credit attached to most dividends. You then pay tax at 32.5% up to the £150,000 tax limit, and at 37.5% above this (with an offset for the notional 10% tax credit as noted above).
Dividend tax rates 2015/16

<table>
<thead>
<tr>
<th>DIVIDEND INCOME IN RELATION TO THE BASIC RATE OR HIGHER RATE TAX BANDS</th>
<th>TAX RATE APPLIED AFTER DEDUCTION OF PERSONAL ALLOWANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend income at or below the £31,785 basic rate tax limit</td>
<td>10%</td>
</tr>
<tr>
<td>Dividend income at or below the £150,000 higher rate tax limit</td>
<td>32.5%</td>
</tr>
<tr>
<td>Dividend income above the higher rate tax limit</td>
<td>37.5%</td>
</tr>
</tbody>
</table>

Please note that any interest payments (as opposed to dividend payments) made by investment funds are taxed at the rate for savings income.

You can find more information at www.hmrc.gov.uk.

2. CAPITAL GAINS TAX (CGT)

Most asset sales, including property (other than your own home) and investments, are subject to CGT. There are various exemptions and mitigations concerning family businesses and specialist investments, but these involve complex tax planning and fall beyond the scope of this guide.

Gains are broadly calculated as the difference between the price at which you sell an asset, and the price you paid for it. This may seem simple and straightforward, but unfortunately it takes no account of inflation. So you could end up being liable for tax on an asset which may have lost value in real terms over the years. This is just one of the important reasons why you should always consider sheltering your investments from the effects of CGT.

Everyone has a personal CGT allowance, known as the annual exemption, and only gains you make above this limit are liable for CGT. This tax is then charged at your highest marginal rate of income tax. However, it's important to realise that you could become a higher rate taxpayer if you make capital gains, as this money will be added to your other earnings for tax purposes.

What's your CGT allowance?

You can make a gain of up to £11,100 from the sale of assets (2015/16 tax year annual exemption). Any additional capital gains are taxed at 18%, or 28% if you are a higher or additional rate taxpayer.

You can find more details about CGT at www.hmrc.gov.uk/rates/cgt
3. INHERITANCE TAX

Inheritance tax (IHT) is a tax on savings that could take a big bite out of your personal estate when you die. Once the value of your estate that you leave exceeds your personal IHT allowance, the government could take 40% of anything extra you leave.

Technically, inheritance tax is payable not by you, but by your estate. However, each individual can pass on up to £325,000 tax-free (2015/16). Remember, however, that the value of your estate is calculated by adding up the value of everything you own – including your home. A married or civil partnership couple can jointly leave their beneficiaries up to £650,000 (2015/16).

Generally speaking, the value of an estate above these limits is taxed at 40%, though this can change where substantial donations to charity are made, and there are various specialist exemptions and mitigations. There are also special rules related to trusts.

In addition, each individual can give away up to £3,000 each year to one or more people, and can make individual gifts of up to £250 as long as these are all to different individuals. There is also relief in respect of gifts from income.

If you think you could be liable for inheritance tax, we recommend that you contact a financial adviser or other investment professional or tax specialist.

Saving IHT is not within the scope of our guide but you can find more details at www.hmrc.gov.uk/inheritancetax.
Investing tax-efficiently with J.P. Morgan

We offer you a number of different accounts available for tax-efficient investing. Furthermore, you can maximise your opportunities to invest with our monthly saving option.

ISAS: BUILD UP SAVINGS TAX EFFICIENTLY

Individual Savings Accounts (ISAs) have been a popular investment for many years, because they allow you to save tax-efficiently. They are also very simple to understand: there is no UK income tax or capital gains tax to pay on returns. You don’t even need to include your ISAs on a UK tax return. Please note the level of tax benefits and liabilities depend on individual circumstances and may change in the future.

ISAs come in two ‘flavours’ - a Stocks and Shares ISA, where you can invest in a range of funds and other investments, and a Cash ISA which is a way of saving cash or cash equivalents without paying income tax on any interest or income. In the 2015/16 tax year, you can currently invest up to £15,240 in either a Stocks & Shares ISA or a Cash ISA.

WIDE INVESTMENT CHOICE

A Stocks and Shares ISA may be invested in a wide range of investments including funds and investment trusts. These give the potential of capital growth when the performance of the underlying investments is positive. But you should note that the value of investments and the income from them may fall as well as rise and you may not get back the full amount invested.

J.P. MORGAN STOCKS & SHARES ISA

J.P. Morgan offers a Stocks and Shares ISA, with a minimum investment of £50 a month (or a £500 lump sum).

Here are the main points:

• Low minimum investment - you can invest from £50 a month or with a £500 lump sum
• Tax-efficient - no UK income tax or capital gains tax to pay on returns
• No annual account fee on OEIC funds
• Wide choice of J.P. Morgan funds and investment trusts
• No initial charge. Brokerage fees of up to £10 may apply as well as stamp duty. Other charges will apply

We offer a large and diversified range of investments for you to choose from. Please see the Key Features and Terms and Conditions for full details about the fees and charges.
ISAS FOR CHILDREN

The Junior ISA brings similar tax advantages to children and was introduced in November 2011 by the government to fill the gap created by the abolition of the previous Child Trust Fund (CTF).

A child may have one Stocks and Shares Junior ISA and one Cash Junior ISA at a time, but must not hold more than one of each type during their childhood. The Stocks and Shares Junior ISA may be held with a different provider to the Cash Junior ISA. All of the contributions can be invested in a Stocks and Shares Junior ISA or all in a Cash Junior ISA or you can contribute to both types of Junior ISA – as long as you don’t go over the annual contribution limit per tax year of £4,080 for 2015/16.

The money is also given every chance to grow, as withdrawals cannot be made from the Junior ISA before the child reaches age 18 (except in cases of death or terminal illness). At age 18 the child can then transfer the account to an adult ISA.

You are now able to transfer a CTF to a Junior ISA.

J.P. MORGAN STOCKS & SHARES JUNIOR ISA

The J.P. Morgan Stocks and Shares Junior ISA has been developed by J.P. Morgan Asset Management to give children access to our global investment skills and resources. We cater for even the smallest of fortunes, with low minimum investment limits; you can invest from £50 a month or with a £100 lump sum. We also offer you wide choice, flexibility and simplicity.

Our Junior ISA has all the other tax advantages of our standard, adult ISA. Children can make their own investments from age 16, and at age 18 the Junior ISA is fully transferred to the child. Their ISA either then becomes an adult ISA or they can choose to withdraw the money.

WHO CAN OPEN A JUNIOR ISA?

Anyone with parental responsibility* for an eligible child can apply to open a Junior ISA. Children can also apply themselves, after reaching age 16. The account is always held in the child’s name, and is wholly his or her property. The child’s parents are not liable for UK tax on any investments held in a Junior ISA. Once a Junior ISA is established, anyone can pay into it and invest in the child’s future up to the total annual limit. The money belongs to the child and can be withdrawn from the age of 18 years.

For more details please see our companion guide, Investing for Children.

*Parental responsibility means the child’s natural parent, or someone who has legally adopted the child or who has been granted parental responsibility by the court or a local authority that has parental responsibility for a child in its care or who has formal legal responsibility for a child.
Self Invested Personal Pension (SIPPs)

A SIPP is a personal pension plan that offers you a high degree of choice and control. Basically, it’s a tax-efficient ‘pension wrapper’. Like an ISA, a SIPP lets you hold a wide range of investments such as funds, investment trusts, equities and bonds. That makes it easy for you to tailor your SIPP to both your own attitude to risk and your personal retirement timeframe and goals.

Most important of all, however, is the fact that a SIPP is a qualifying pension – and so offers automatic tax relief. This in turn means that when you invest in your SIPP, so does the government (subject to certain applicable limits).

Please note that J.P. Morgan does not offer a Self Invested Personal Pension (SIPP).

NO INCOME OR CAPITAL GAINS TAX

With a SIPP, you have no UK income or capital gains tax to pay while your fund is invested (though you pay income tax in the normal way once you begin taking an income after you retire). However, the usual risk factors still apply to the underlying investments. The level of tax benefits and liabilities will depend on your individual circumstances and may change in the future.

WHO IS ELIGIBLE?

SIPPs are generally available to UK residents. As an adult you can contribute up to £40,000 a year (2015/16 tax year) into a SIPP, or 100% of your earnings up to this amount. You will receive tax relief on whichever is the lesser of these amounts, so the tax savings are potentially significant. Most people can contribute up to £3,600 gross per year regardless of earnings being below this amount and receive tax relief. If you do not use the full £40,000 allowance, you can carry any unused allowance forward to the next tax year.

WITHDRAWING CASH FROM YOUR SIPP

Deciding when and how to take your pension is one of life’s most important decisions. To ensure you fully understand how your pension can help fund your retirement we believe that it is critical you are fully aware of all the options available to you. From 6 April 2015, the government have introduced new retirement options allowing you to access your pension more flexibly. With this in mind, the Government has introduced an entitlement to a free impartial service which does just that. This focused service provided by The Pensions Advisory Service, offers impartial guidance on all your pension options. Prior to making a decision on what to do with your pension the Government recommends that you take advantage of this free, easy to use service by visiting www.pensionwise.gov.uk/.
SIPPS FOR CHILDREN

You may think it odd that we’re talking about pensions for children, but it can make good sense. Indeed, at a time when company schemes and even state pensions are facing funding concerns, giving your child a head start in pension provision could be more important than ever. It could also make a huge difference to your child’s standard of living in future years.

You can invest up to £3,600 a year into a SIPP for a child - but you only need pay in £2,880, as the government adds £720 in tax relief (per child).

By investing in a SIPP for your child or children, you are setting up a tax-efficient savings plan for them for the long term. Please remember they can not access the money in a SIPP until age 55 based upon current rules. A SIPP also gives you a wide range of investment options that are easy to manage, so you can maximise potential for growth.

For more details please see our companion guide, Investing for Children.
Our tax-efficient investment options at a glance

Here’s a quick summary of the features offered by the different tax efficient investment routes.

| FEATURES |
|-----------------|---------------------------------------------|
| J.P. Morgan Stocks and Shares ISA | • Tax-efficient: no personal UK income tax or capital gains tax to pay on returns  
• Invest from £50 a month or with a £500 initial lump sum and £100 top-ups  
• Annual contribution limits |
| J.P. Morgan Stocks and Shares Junior ISA | • Tax-efficient: no personal UK income tax or capital gains tax to pay on returns  
• No annual account fee. Please note other charges will apply  
• Invest from £50 a month or with £100 lump sums  
• No early access: assets are tied up until the child’s 18th birthday  
• Annual contribution limits |

If you are in any doubt about the suitability of an investment, please speak to a financial adviser. You can find an independent financial adviser at www.unbiased.co.uk.
STRONG FOUNDATIONS TO SUPPORT YOUR TAX-EFFICIENT SAVING

Whatever your reasons for saving, we are here to help you achieve your goals. We do this by giving you a wide range of funds and investment trusts to choose from, all of which can be held within our tax-efficient ISAs. You can choose from investments with varying risk levels, so you can create and manage a portfolio that matches your personal preferences.

INVESTMENTS YOU CAN CHOOSE INCLUDE

• J.P. Morgan OEIC (Open Ended Investment Company) funds
• J.P. Morgan investment trusts

HOW WE AIM TO KEEP YOUR COSTS LOW

• Whichever way you invest with us, you don’t pay any account fee on OEIC funds

• For J.P. Morgan investment trusts, the ISA annual account fee for J.P. Morgan investment trusts is 0.10% within an ISA. This is a fixed charge.

EASY TO KEEP TRACK OF YOUR INVESTMENTS

When you log in, you can see an overview of all investments you hold in your J.P. Morgan Account. If you hold a J.P Morgan ISA or J.P Morgan Investment Account you can place your instruction online 24/7 to buy, sell and switch your investments.
Points to consider – a personal checklist

THINK ABOUT WHAT YOU’re SAVING FOR AND YOUR INVESTMENT TIME HORIZON

When you know why you’re saving, it’s easier to make a regular commitment. Think about specific investment goals, and how long you have to save before you’ll need to access the money. In general, an ISA offers you greater flexibility if you need to withdraw some cash as a safety net. If you’re considering a SIPP, consider how much money you can afford to lock away.

DETERMINE HOW MUCH YOU WANT TO SAVE

Work out how much money you can invest as a lump sum now or how much you could put away each month. Be ambitious, as this could pay off with greater gains in the long term.

CHECK YOU’re MAKING THE MOST OF YOUR TAX ADVANTAGES

If you have any savings in excess of ‘rainy day’ money which you may need in the short term, it could be worth paying them into an ISA. Otherwise, you could be losing money in tax unnecessarily each year.

DECIDE HOW MUCH RISK YOU’re COMFORTABLE WITH

Different kinds of investment offer different combinations of risk and reward. Which do you feel most comfortable with?

DECIDE WHICH INVESTMENT PRODUCT IS RIGHT FOR YOU

ISAs offer major tax advantages, which is why many investors see them as central to their investment strategy. Will they help meet your investment goals?

MAKE YOUR INVESTMENTS AND REVIEW REGULARLY

Check your ISA regularly to make sure you’re on track to meet your investment goals. Don’t forget that you can manage your individual investments easily online 24/7. And remember, we don’t charge an annual account fee on J.P. Morgan Stocks and Shares Junior ISAs.

If you are in any doubt about the suitability of an investment, please speak to a financial adviser. You can find an independent financial adviser at www.unbiased.co.uk.

Tax-efficient saving gives you a way to increase any potential investment returns, which gives you a huge head start in building up a nest egg for you or your family.
Four simple steps to start investing

We've made it as easy as we can for you to make the most of tax-efficient saving.

STEP 1 – CHOOSE A PRODUCT
First of all, choose your investment product: ISA or Junior ISA.

STEP 2 – RESEARCH AND CHOOSE YOUR FUNDS
To research and select funds, go online at www.jpmorgan.co.uk/investor. For managed funds ensure you receive and read the Key Investor Information Document (KIID) and for investment trusts the Investment Trust Profiles booklet.

STEP 3 – READ THE IMPORTANT INFORMATION
Please read the Key Features and Terms and Conditions booklet for the product that you have selected.

STEP 4 – START INVESTING

Online: Log in to www.jpmorgan.co.uk/investor and select the relevant product.

By post: Complete the relevant application form(s), which can be requested from us or found online at: www.jpmorgan.co.uk/forms

Alternatively, call us on 0800 20 40 20 (or +44 1268 44 44 70). Our telephone lines are open Monday to Friday 9am to 5.30pm.

A FINAL THOUGHT
Saving tax-efficiently means that you get to keep more of any potential gains. However, you should remember that you have opportunities to protect money from tax every year - as long as you don’t miss the deadline at the end of the tax year (5 April). When you’re saving in an ISA, for example, you have an annual limit as to how much you can invest. If you don’t use it, you lose it forever.

While tax-efficient saving is clearly a sensible way to invest, it’s also surprisingly simple to do. J.P. Morgan Asset Management offers you ISA solutions, and you can also make minimum investments from £50 a month or a £500 lump sum.

We aim to give you every advantage - and we look forward to welcoming you as a tax-efficient saver soon. Get in touch with us today.
NEXT STEPS

Find out more at www.jpmorgan.co.uk/investor or call 0800 20 40 20 (or +44 1268 44 44 70). Telephone lines are open Monday to Friday, 9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes. J.P. Morgan Asset Management does not give advice on any investment. If you are unsure about the suitability of any investment, you should speak to a financial adviser. This material should not be considered by the recipient as a recommendation relating to the acquisition or disposal of investments. This material does not contain sufficient information to support an investment decision and investors should ensure that they obtain all available relevant information before making an investment. The investment views expressed in this document are those held by J.P. Morgan Asset Management at the time of writing, which are subject to change and are not to be taken or construed as investment advice. The information in this document is based on our understanding of law, regulation and revenue and customs practice as at the time of print. Investment is subject to documentation which is comprised of the Prospectus, Key Investor Information Document (KIID) and either the Key Features and Terms and Conditions or the Supplementary Information Document (SID), copies of which can be obtained free of charge from JPMorgan Asset Management Marketing Limited. Issued by JPMorgan Asset Management Marketing Limited which is authorised and regulated in the UK by the Financial Conduct Authority. Registered in England No. 288553. Registered Office: 25 Bank St, Canary Wharf, London E14 5JP.