

## Are you making the most of your ISA?

How to grow your savings beyond cash accounts

Recent research shows a significant change in savings attitudes, with over half of UK Cash Individual Savings Account (ISA) holders willing to explore the investment market. For the 2025/26 tax year, this offers a notable chance for savers to grow their wealth beyond the returns from traditional cash accounts.

Since their introduction over twenty years ago, Individual Savings Accounts (ISAs) have become vital for UK savers. Despite their popularity, there is still a widespread lack of clarity about how they work, especially concerning the specific benefits of Stocks & Shares ISAs. With new research indicating that 60% of Cash ISA savers might be persuaded to invest, it is time to reassess how we approach our long-term savings goals.

The Autumn Budget 2025 announced a significant change to Cash ISAs: starting April 2027, the annual tax-free savings limit will be reduced from £20,000 to £12,000 for individuals under 65. This move aims to encourage younger savers to explore investment options such as Stocks & Shares ISAs while maintaining the £20,000 limit for those aged 65 and over.

### OVERCOMING THE BARRIERS TO INVESTING

The primary barrier preventing many from investing is financial constraints. The research shows that 42% of those not currently investing believe they lack sufficient disposable income. This belief is slightly more common among women (45%) than men (38%), highlighting a confidence gap that goes beyond just financial resources.

The second main concern is risk. Over a third (35%) of non-investors worry about potential financial losses, a valid concern in any investment journey. An additional 12% express anxiety about their ability to access their money quickly if needed. These issues, though understandable, often stem from a lack of detailed information on how Stocks & Shares ISAs can be managed to suit individual risk tolerance and financial timelines.

### THE PULL OF GREATER RETURNS

What motivates a person to switch? For 39% of Cash ISA holders, the main motivation is the chance of better financial returns. This increases to 50% among those aged 18 to 34, a group very aware of

the importance of making their money work harder. The ability to generate returns that outpace inflation is also a crucial factor for 27% of savers, which is especially relevant in the current economic climate.

If this sentiment encourages action, a significant portion of the funds currently in Cash ISAs, potentially up to £216 billion, could be redirected into investments. This shift would rely entirely on savers feeling confident and well-informed enough to proceed, highlighting the crucial need for better financial education and guidance.

### CLOSING THE KNOWLEDGE AND CONFIDENCE GAP

Many people admit that limited knowledge holds them back. A quarter (25%) of non-investors say they do not understand stocks and shares, while 16% are unsure where to begin. This uncertainty is more apparent among younger savers, with nearly a third of those under 50 acknowledging a lack of understanding.

Surprisingly, even those with a Stocks & Shares ISA report a lack of knowledge. Over half (58%) feel they only have 'a little knowledge' about how their investments work. Furthermore, a significant two-thirds of UK adults are incorrect or uncertain about the tax rules, with 25% mistakenly believing they pay tax on gains from a Stocks & Shares ISA. This basic misunderstanding prevents many from recognising one of the account's most valuable benefits: tax-efficient growth.

### MAKING AN INFORMED DECISION FOR YOUR FUTURE

While cash is essential for short-term savings and emergencies, a Stocks & Shares ISA can be a valuable option for those with a longer-term perspective of at least five years. The data highlights a clear opportunity to empower savers with the knowledge they need to make informed decisions that align with their financial goals.

By demystifying the world of investing and highlighting the significant tax advantages, we can help people unlock the full potential of their savings. Investing is not suitable for everyone, and capital is always at risk. However, for many Cash ISA savers, the potential for higher long-term returns could be life-changing. ■

### IS IT TIME TO REVIEW YOUR INVESTMENT OBJECTIVES AND SET CLEAR TARGETS FOR LASTING SUCCESS?

If you are considering your options and want to learn more about how a Stocks & Shares ISA could fit into your financial plan and review your investment objectives to set clear targets for lasting success, please speak to us.

#### Source data:

[1] The Opinium research for Royal London was conducted online between 4-11 April 2025, with a sample of 4,000 UK adults, weighted to be nationally representative.

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