

AVALON FREEDOM ISA & FREEDOM PORTFOLIO FACT SHEET

SOCIALLY RESPONSIBLE INVESTMENT PORTFOLIOS



THE TAX ADVANTAGES OF AN ISA

What can you save or invest in a Freedom ISA?

Freedom ISAs can be used to invest in shares or funds - any capital growth will be tax-free and there is no further tax to pay on any dividends you receive.

Transferring money from cash ISAs or stocks and shares ISAs to a Freedom ISA

If you have money saved from a previous tax year you can transfer some or all of the money from a cash ISA or a stocks and shares ISA to a Freedom ISA without this affecting your annual ISA investment allowance. If you have money saved in the current tax year:

- you may transfer money saved in the current tax year from a cash ISA, or another stocks and shares ISA, to a Freedom ISA but you must transfer the whole amount saved in that tax year in that cash or stocks and shares ISA up to the day of the transfer
- the money transferred is then treated as if it had been invested directly into a Freedom ISA in that tax year; you are then still able to save or invest the remainder of your £7,200 annual ISA investment limit in that tax year, including up to £3,600 in a cash ISA
- from 6 October 2009, the ISA limit increased to £10,200, up to £5,100 of which can be saved in cash, if you are aged 50 or over
- from 6 April 2010, the ISA limit will increase to £10,200, up to £5,100 of which can be saved in cash for all eligible ISA investors

How much tax will you save?

Interest from savings :

- if you pay tax at the basic rate, outside an ISA you usually pay 20 per cent tax (2009-10) on your savings interest
- if you pay tax at the higher rate, outside an ISA you usually pay tax at 40 per cent on your savings interest
- if you pay the 'saving rate' of tax for savings, outside an ISA you pay tax at 10 per cent on your savings interest

Dividend income :

- if you're a basic rate taxpayer inside or outside an ISA you pay tax at 10 per cent on dividend income; this is taken as a 'tax credit' before you receive the dividend and is not refunded for ISA investments
- if you're a higher rate taxpayer you would normally pay tax on dividend income at 32.5 per cent; in an ISA you won't get back the 10 per cent dividend tax credit element of this, but you will save by not having to pay any additional tax

Capital Gains Tax (CGT) savings:

- If you make gains of more than £10,100 from the sale of shares in your Freedom Portfolio (and certain other assets) in the tax year 2009-10, you would normally have to pay CGT (at the prevailing rate of 18% on the gain over and above your personal allowance). However, you do not have to pay any CGT on gains from an ISA (but losses on ISA investments can't be used to reduce CGT on gains from investments outside the ISA), and you do not have to disclose the fact you have an ISA on your tax return.

Eligibility

- You must be 18 years of age
- You must be resident in the UK for tax purposes
- ISAs must be held in single name only, Portfolios may be held in joint names
- Portfolios may be written in trust

Contribution Limits

Freedom ISA :

- Maximum lump sum currently £10,200 for those aged 50 and over, and from 6 April 2010 for all other eligible applicants.
- Maximum monthly subscription - £600 (£850 for over 50's)
- Minimum lump sum subscription into Socially Responsible Investment (SRI) models - £5,000
- Minimum monthly subscription - £80

Freedom Portfolio :

- Maximum lump sum or monthly subscription - no limit
- Minimum lump sum subscription into Socially Responsible Investment (SRI) models - £5,000
- Minimum monthly subscription - £500

Portfolio to ISA Subscription Service

Avalon can provide an automatic Freedom Portfolio to Freedom ISA subscription service. Assets from the Portfolio will be sold 15 days prior to the end of the tax year to ensure your ISA allowance is maximised. Simply complete the relevant section on the application form. Please note that Avalon must hold a valid ISA application form before this facility can be used.

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The Ethical Partnership Charges

The Ethical Partnership has negotiated discounted charges with Avalon as follows:

Avalon initial charge :

- Freedom ISA - 0.5% plus IFA commission
- Freedom Portfolio - 0.25% plus IFA commission
- Monthly paid Freedom Portfolio - 0.5% plus IFA commission

Avalon annual charge :

- All products - 0.5% +VAT (0.125% taken each quarter)

There will be additional fees for discretionary fund management and renewal commission payable for ongoing financial advice, details of which can be obtained from your financial adviser or in the discretionary fund management agreement. Please note that if you invest in investment trusts, UK equities or gilts, there will be an additional charge of 0.6% levied on the lump sum subscriptions.

Investment Models

If you invest in a Socially Responsible Investment Portfolio through an Avalon Freedom ISA or Freedom Portfolio you may invest in one of the following investment 'models':

- Socially Responsible Adventurous Portfolio
- Socially Responsible Adventurous Saver (for monthly subscriptions)
- Socially Responsible Balanced Growth Portfolio
- Socially Responsible Balanced Income Portfolio
- Socially Responsible Conservative Portfolio

Funds will be actively managed by Minerva Fund Managers to achieve positive long term capital growth. Please note there will be additional charges levied by the fund managers for purchasing and managing your investments.

Common Features - Freedom ISA and Freedom Portfolio

For every Socially Responsible Investment Freedom ISA, Freedom Portfolio and Freedom Self Invested Personal Pension application we receive, Avalon will donate 10% of our annual management fee to WaterAid.

In addition there are no charges for :

- Withdrawals - income from investments may be paid by direct credit monthly, quarterly, half yearly or annually. Fixed Income is by unit/share cancellation.
- Encashment - on full encashment the full value will be paid out.
- Transfers Out - we will transfer sale proceeds on written request.
- **NB.** In specie transfers will attract a charge of £25 per line of stock.

Past performance is not a guarantee of future returns.

The value of your investments and the income from them can fall as well as rise in line with stock market movements and you may not get back the original amount invested. Equity based investments should be considered medium/long term investments and are not considered suitable for money that may be needed in the short term.

Full written details of the Freedom Portfolio and the Freedom ISA are available on request.

Avalon Investment Services Ltd is authorised and Regulated by the Financial Services Authority