

Important information about ISA and PEP rule changes

On 6 April 2008, the government is introducing some changes to the rules about ISAs (Individual Savings Accounts) and PEPs (Personal Equity Plans). These changes are designed to simplify the existing ISA rules and to bring out-of-date PEP regulation in line with ISAs. The new rules are summarised below.

1. New ISA investment limits

The annual ISA investment limit has been raised to £7,200 for the 2008/09 tax year. Up to £3,600 of that allowance can be saved in cash with one provider. The balance – up to the whole £7,200 - can be invested in a stocks and shares ISA with the same or another provider. (Please note that Principal only manages stocks and shares ISAs - we do not offer a cash ISA.)

	2008/09 Investment Limits
Cash	up to £3,600
Stocks & Shares	up to £7,200
Overall Total Allowance	£7,200

2. Minis and Maxis to disappear

In order to simplify the ISA rules, the distinction between Mini and Maxi ISAs is disappearing. From 6 April 2008 there are just cash ISAs and stocks and shares ISAs.

3. Cash ISAs can now be transferred into stocks and shares

From 6 April 2008, money held in cash ISAs can be transferred into stocks and shares ISAs (but not vice versa). **This means that any cash which you have saved in cash ISAs (including Tessa Only ISAs) can be transferred into your Principal stocks and shares ISA, to be managed alongside your other Principal investments as part of a cohesive strategy.** Please consult your financial adviser before deciding whether this would be a suitable course of action for you.

4. What happens to my existing PEPs?

From 6 April 2008, PEPs cease to exist and all existing PEP accounts automatically become stocks and shares ISAs, governed by the ISA rules. This means that interest on uninvested cash held in a former PEP will be subject to the same 20% charge, payable to HMRC, that already applies to ISAs. **In order to streamline administration, Principal will be merging clients' Principal PEPs into Principal ISAs, where appropriate, when the new regime comes into effect.**

This note is for information only and you do not need to take any immediate action as a result of these rule changes. This summary is based on our understanding of the new legislation, and is not intended as a definitive list of PEP and ISA rules. The tax reliefs referred to are those currently available. Levels, bases of and reliefs from taxation may change.