

## Who wants to be an ISA Millionaire?

ISA season is upon us, which means only one thing. The Whitechurch “Who wants to be an ISA millionaire” article is back! Financially repressed millennials take heart, patient, longer term, tax efficient investing could be the answer.

It’s amazing the impact compounding returns can have on the total value of an investment portfolio, even when this is based on only modest monthly contributions. Equally amazing is how few members of the general public benefit from the power of longer term investing, preferring to opt for the miserly returns available from cash deposits. Last year 77% of all ISA subscriptions (worth £39.2bn) were made in to Cash ISAs<sup>1</sup>.

Over the previous 10 years the annual subscription limit has risen by over 185%, from just £7,000 per annum in 2007/8 to £20,000 in 2017/18. These changes mean investors can now look to build a substantial pool of wealth within their ISA, far sooner than was previously the case.

### How much would I have to contribute to my ISA each month to become an ISA millionaire?

We understand that the thought of “taking a risk” prevents wider adoption of investing by the general public, but a move away from cash savings to a Stocks and Shares ISA need not mean taking a leap into speculative investments in an all or nothing gamble.

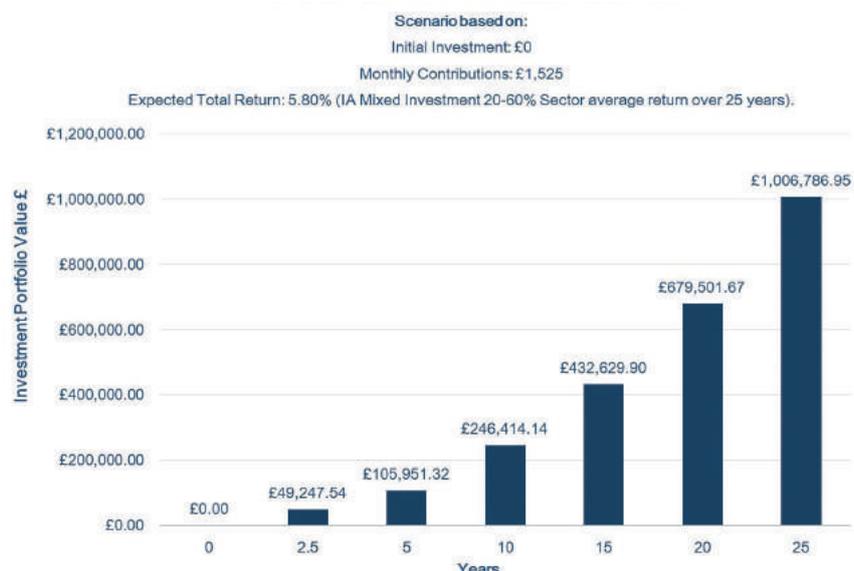
For many, a well-diversified multi-asset strategy can provide a happy medium of potential for enhanced returns with a balanced level of risk.

With this in mind, in the below scenario we ask; **how much would a client have to contribute to an ISA each month to become an ISA millionaire?**

#### We make the following assumptions:

- Expected total returns are based on the average performance of the IA Mixed Investment 20-60% Shares sector over the previous 25 years from 28/02/1993 – 28/02/2018. (5.8% p.a.)<sup>2</sup>
- Income is reinvested.
- The client has a 25 year investment time horizon.
- For simplicity, monthly contributions are fixed and do not grow over time.

**The answer**  
**...£1,525 per month**



<sup>1</sup> Source: HMRC National Statistics: Individual Savings Account (ISA) Statistics, August 2017

<sup>2</sup> Source: FE Analytics.

## ...And for cash?

We have assumed 1.3% interest per annum. Which is the current "Best-Buy" Instant Access ISA on a leading cash ISA comparison site<sup>3</sup> at the time of writing.



## Summary:

In the event that all of our above assumptions hold true:

- After 5 years the investor would be £11,381 wealthier, with up to £3,215 pa in additional income.
- After 10 years, the investor would be £50,965 wealthier with up to £6,379 pa in additional income.
- After 25 years, the investor would be £466,496 wealthier with up to £29,422 pa in additional income.

Income generation is based on the current yield generated by the **Whitechurch Prestige Income & Growth 5 Portfolio** of 3.62% versus the best-buy ISA rate of 1.3%.

### On a budget?

A £250 per month contribution as opposed to the £1,525 shown above would still amass a considerable investment portfolio. After 25 years those £250 monthly contributions will have grown to a value of £165,047.

### More time?

For Generation Z, (those born after 1995), an investor could reduce the monthly contributions to £1,100 and become an ISA millionaire after 30 years.

### More risk?

By taking one notch higher risk (and assuming the 25 year average return of the IA Mixed Investment 40-85% Sector, currently 6.7%)<sup>2</sup> investors could lower their monthly contribution to £1,400 and become an ISA millionaire in 25 years.

Whilst the "Who wants to be an ISA millionaire?" article is designed as a bit of fun. The above scenario demonstrates for those investors that are willing to take a disciplined, long term investment approach, the scale of the wealth which can be achieved from a relatively modest, but persistent, regular monthly investment.

<sup>2</sup> Source: FE Analytics. <sup>3</sup> Source: The Moneysavingexpert.com current "Best-Buy" Instant Access ISA as at 19/03/2018.

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