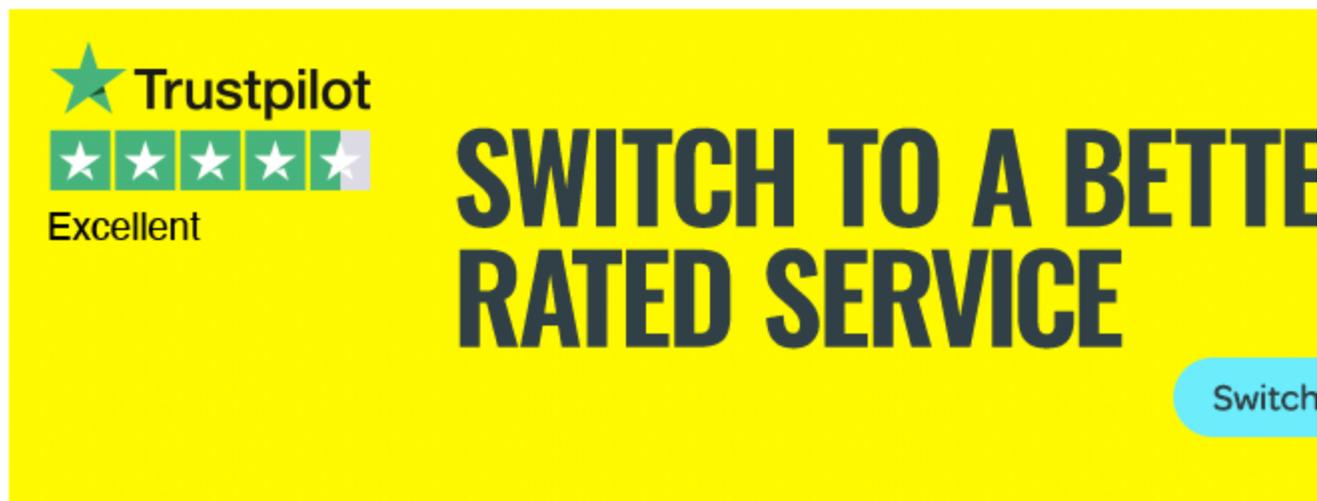




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Lifetime Isa savers face penalties after house price surge as cost-of-living crisis bites

- For every £4 you save into Lisa, the Government will add £1 up to £1,000 a year
- If you save the maximum £4,000 a year, you get a £1,000 bonus each tax year
- Rules state you won't qualify for bonus if first home costs more than £450,000
- But if you withdraw early you face a fee of 25 per cent which amounts to £1,250

By [SYLVIA MORRIS FOR THE DAILY MAIL](#)

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The Lifetime Isa has been a hit with young savers trying to get on the property ladder or build a retirement fund.

But critics say they could fall into the trap of paying high penalties if they need the money to help with the cost-of-living crunch. Or they could find that they are denied the 25 per cent top-up bonus.

The Lifetime Isa, a tax-free savings account for those aged 18 to 39, was launched in 2017 to encourage younger people to save to buy their first home or for retirement.



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The Lifetime Isa, a tax-free savings account for those aged 18 to 39, was launched in 2017 to encourage younger people to save to buy their first home or for their retirement

For every £4 you save, the Government will add £1 up to a maximum of £1,000 every tax year until you turn 50. You can save up to £4,000 a year and the bonus is paid each month.

You cannot spend the money until you reach 60 unless you use it to buy your first property worth up to £450,000.

After age 60, you can spend it as you want. If you use the money for anything else before age 60, you lose all the bonus and part of your savings with a 25 per cent withdrawal charge.

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But more savers could be in desperate need of their money now to help with daily expenses.

And first-time buyers can also be scuppered as the rules state they will not qualify for the bonus if their first home costs more than £450,000.

This has remained the same for the past five years, rather than rising to around £570,000 in line with rocketing house prices.

Former pensions minister Baroness Ros Altmann says: 'The rise in house prices means the £450,000 limit may be too low. So savers would have been better off putting the money in a bank or building society account.'

This is Money newsletter

If you save the maximum £4,000 a year, you get a £1,000 bonus topping up your savings up to £5,000. But the withdrawal fee of 25 per cent amounts to £1,250 — or £250 more than the bonus you earned.

Some 545,000 savers took out plans in the tax year 2019 to 2020, the figures from HM Revenue and Customs show.

A Freedom of Information request by Hargreaves Lansdown found HMRC pocketed £34 million in withdrawal charges in the 2020/21 tax year.

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