

Lifetime ISA vs Help to Buy ISA: Know The Pros And Cons



Government programmes such as Lifetime ISAs (also known as LISAs) and Help to Buy ISAs (HTB) are designed to assist you in saving for the future. Both ISAs are ideal for [first time home buyers](#), and both come with considerable government benefits.

While the Help to Buy ISA is no longer accessible as a new product, you can continue paying into and using your current HTB ISA until December 2030.

Therefore, now is a fantastic moment for these customers to learn how these two accounts differ and which one is better for saving your first house. The decision between a Lifetime ISA and a Help to Buy ISA is always personal, but here's a short overview of the pros and cons.

The following is an explanation of the Lifetime ISA:



The Lifetime ISA, introduced in 2017, is designed to encourage people to save for their first house (up to £450,000) or retirement by providing a government bonus of 25% on top of tax-free contributions.

Pros of Lifetime ISA:

- Bonus! You might receive £32,000 in bonuses from the government if you contribute the maximum amount every year (18-49).
- It can be used to either buy the first home or start saving for a rainy day (retirement savings pot).
- Every year, save more (up to £4,000). Buy a larger home! The Lifetime ISA can be used to purchase a home worth up to £450,000 anywhere in the UK.
- Bonuses are paid out monthly (so you'll earn interest on your bonuses and your own money).

Cons of Lifetime ISA:

- You can only open if you're between 18 and 39.
- Early withdrawals are subject to a 25% penalty. If you withdraw less than a year after opening the account or for reasons other than [buying a first home](#) or retiring, you will be charged a 25% government fee on the amount you withdraw. The government bonus list, followed by a 25% penalty, is that you lose £6.25 for every £100 invested (excluding investment gains/losses and costs for a Stocks & Shares Lifetime ISA).

Also Read: [What Is The Role Of a Mortgage Valuation and How Does It Work?](#)

The Help to Buy ISA is explained as follows:



The Help to Buy ISA (not to be confused with the [Help to Buy Scheme](#)) offers the same 25% government bonus on savings as the LISA, though some differences exist.

The Help to Buy ISA is no longer accessible for new accounts to be opened. If you already have an HTB ISA, you can keep contributing to and using it until December 2030.

Pros of Help to Buy ISA:

- There are no additional withdrawal fees.
- Option to buy a house sooner (once £1,600 has been saved) — it does not need to be open for a year before you may use it.

Cons of Help to Buy ISA:

- Each year, you can only save up to £2,400 (£3,400 in the first year).
- Only one lump sum deposit (in the first month) is permitted, with a maximum of £200 per month. So, if you can't pay the max number for a given month, you've missed your chance—no, there's a rollover! Help to Buy, which has a far lower maximum incentive (£3,000), will only be accessible to new savers until November 30. You can pay into the ISA until November 2029 and get the 25% bonus until November 2030.

Also Read: [First Meeting With a Mortgage Advisor: What You Need To Know About](#)

What should I select between a Lifetime ISA and a Help to Buy ISA?

If you're sure you'll be a first time buyer, you are between the ages of 18 and 39. It won't need the money for at least a year after opening, the Lifetime ISA will be the winner because it gives a better incentive.

You can also keep the account open and use it to save for retirement (while simultaneously earning the bonus). You can put money in it until the day before your 50th birthday, then withdraw the money plus a bonus when you reach 60. It's important to understand the withdrawal penalty if you take money from your Lifetime ISA for anything other than a first home or retirement.

Original Source: <https://mountviewfs.co.uk/lifetime-isa-vs-help-to-buy-isa/>