THE GOOD GUIDE TO THE INNOVATIVE FINANCE ISA

GOOD WITH MONEY

MORE MONEY, FEWER PROBLEMS

About Good With Money

Good With Money is a personal finance website with a difference: it focuses on ways you can get value with values or profit with principles from your savings, pensions, current accounts and even credit cards. Because deals that look after people and planet as well as your pocket are SO much more rewarding for everyone.

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Introduction: What is an IFISA?

It is short for "Innovative Finance ISA" and in short, it is a way of earning returns of around 5 to 8 per cent – much more than you can get from a cash savings account, tax-free.

£1,000 invested in an IFISA paying 5 per cent a year would generate a return of £1,050 after a year, compared to £1,010 from a current best buy savings account, although the risk level is higher.

According to the platforms that offer them, they also offer "more than just a good return" because they give you more control over what your money funds, as it is invested straight into businesses. This means you can choose investments that reflect your values and YOU, not a fund manager, are in control of your financial future.

Is an IFISA right for you?

Do you already have an ISA?

- YES → Are you happy with your returns?
  - YES / NO → *"NO" or "YES" - if your returns are lower than 5 %, you stand to make higher gains through an IFISA*
  - Would you consider moving your existing ISA pot?
    - NO → Why not?
      - *- Hassle*
      - *- Exit charges*
      - *- Happy with existing platform*
      - *- Happy with existing returns*
    - YES ↓
- NO → Would you like to start one?
  - NO
  - YES ↓

Are you prepared to accept a little more risk for higher returns than cash savings?

- NO → *If you do not want to take a risk with your capital, you should seek the highest return cash ISA you possibly can and try to ensure that it is at least covering inflation (see page on "IFISA and investing against inflation" on pg 22)*
- YES ↓

Are you prepared to diversify your own ISA portfolio?

- NO → *It is possible to diversify your own IFISA portfolio (see page 21 on the importance of being diverse). However if this is not for you, you would probably be happier investing in funds within a stocks and shares ISA, where fund managers diversify for you (for a fee).*
- YES ↓

Would you like your money to be invested directly into British businesses.

- NO → *If you don't want to invest directly into companies, you might want to consider funds within a stocks and shares ISA*
- YES ↓

Have you got at least £100 a month to invest?

- NO → *With some platforms, such as Abundance, there are lower minimum investments. However to really notice the benefit of interest adding up, it makes sense to invest the maximum you can manage every month into your IFISA.*
- YES → *You could invest in an IFISA on any of the regulated IFISA platforms.*

Would you prefer to lend to renewable energy projects, a range of UK businesses or other individuals?

- Renewable energy → Abundance
- Range of innovative UK businesses → Crowd2Fund/ Other IFISA platforms
- Personal borrowers → (Non-IFISA) Zopa/ Ratesetter

Returns

The returns from peer-to-peer lending are typically much higher than you get from cash savings accounts. This is because of technology making the process really efficient and also because you are lending directly to businesses not via an institution. You are also risking your capital and are not covered by the FSCS.

Peer-to-peer or “debt-based” crowdfunding platforms use technology to reduce overheads as well as the “middleman” fees that traditional savings and investment providers tend to charge. By reducing these costs, the platforms are able to pass on the savings to investors in the form of higher returns (so it is not just the level of risk determining the higher rate you get.)

These platforms also tend to be more transparent on charges than some traditional providers and to use a simpler fees structure, with fewer charges overall. However, there is no standard charge among IFISA providers so it is worth checking that you are happy they are fair and not unnecessarily eating into your returns.

Why returns on peer-to-peer tend to be higher than on cash savings accounts:

1. "Debt-based" crowdfunding means lending your money to companies, projects and individuals, for a return. It is a type of investing, even though it is not buying shares, so there is some risk. Higher risk is usually reflected in higher returns.

2. There is always the risk that a company could fail, for whatever reason, even if its historical cash flow has indicated a decent credit risk. The risk of failure of the company or the individual that you are lending to is one reason for the higher return. Bear in mind that risk levels vary between companies, even when returns are the same.

3. Lower overheads. Innovative finance platforms are reinventing the wheel. They are powered by the latest technology and are relatively new, so they do not have the legacy of cumbersome overheads, such as big back offices, that larger, more traditional investment platforms have. They can pass on the savings from lower overheads to customers, in the form of higher returns. Just like a bank would lend to a business – you become the banker.

4. Lower fees. Partly because of the lower overheads, innovative finance platforms can afford to operate on lower profit margins than older businesses, so they can also afford to charge lower fees for arranging finance deals between lenders and borrowers than banks.

How returns are paid

Sometimes, you may receive interest and bits of capital back in instalments throughout the term into the account you hold on that platform. For other loans, you may receive interest at the end, along with the capital.

Terms are usually fixed but you can sometimes sell your investments on noticeboards to other interested investors, so there is some "liquidity" (ie. ability to sell), but it depends on there being enough potentially interested buyers. In the trade this is called the "secondary marketplace".

Why tax-free is the only way to save

Whatever you are saving for – whether it's a wedding, retirement or holiday; if you are new to saving or even if you haven't even started saving yet, the advantage of that "tax-free" bit might be lost on you.

The first thing to say is that most savings interest is now tax-free, whether it is in an ISA or not.

If it is in an ISA, what you save up to the maximum allowance will definitely not be taxable.

If it is in a savings account or with a peer-to-peer platform that does not currently qualify for the IFISA, then your interest is tax-free up to what is called your "personal savings allowance".

If you are a basic-rate taxpayer, then the first £1,000 of interest you earn via any means – whether it is a savings account or a peer-to-peer platform, is not taxed.

If you are a higher-rate taxpayer, then the amount of interest you can earn tax-free is £500.

After your personal savings allowance of tax-free interest is used up, then your savings above that level are taxable at whichever income tax rate you currently pay, because it is treated as income.

If you are a basic-rate income taxpayer, you could end up having to pay an additional 20 per cent in tax on savings interest above your allowance.

If you are a higher-rate income taxpayer, this would be an additional 40 per cent tax on savings interest above the allowance.

If you think about it, the allowance is quite generous and means that most savers not already in receipt of their pension pot will not pay tax on interest earned in any savings vehicle.

This is because to earn £1,000 of interest, in an account paying no more than 2 per cent, you would have to have a pretty substantial savings account in the region of £50,000+.

It is really only older savers who have amassed a working life's worth of savings, high earners, or those who have come into an inheritance or other lump sum, who would have to think about where to put their money after their personal savings allowance is used up.

Younger, low value, regular savers with more modest savings pots are unlikely to reach this threshold within their first few years of saving.

Gains from share ownership are not eligible for the personal savings allowance – only interest-bearing savings and investments.

So when you get around to saving or investing, one of the first things you should check when you come across something you are interested in is whether it is an ISA and therefore tax-free up to the annual limit, or whether it is eligible for the personal savings allowance and therefore you can earn interest tax free up to £1,000 or £500, depending on your tax rate.

Don't forget, you can transfer your existing ISA into an IFISA wrapper.

Summary of recent ISA changes

	Limit before April 2017	Limit after April 2017	Risk level	Interest/ return	Features
Cash ISA	£15,240 max.	£20,000 max	Low	Low <2%	Allows savers to deposit savings up to the annual limit in accounts covered by the Financial Services Compensation Scheme.
Stocks and Shares ISA	£15,240 max.	£20,000 max	Low to high depending on type of fund.	Varies depending on risk level, performance and fees. Equity not debt and therefore capital growth rather than interest.	Can be mix of stocks and shares and cash, can be "flexible" so you can take money out and put it back in without losing the tax-free status of that bit of your allowance.
Junior ISA	£4,080 max	£4,080 max	Low to high depending on type of fund.	Varies depending on risk level, performance and fees. Capital gains rather than interest.	Cash or stocks and shares or a combination of the two. In the child's name. The child can access the pot when they reach 18.
Innovative Finance ISA	£15,240	£20,000	Medium to high depending on diversification/ interest rate.	Varies – around 5 to 9 per cent.	Introduced April 2016. Only one innovative finance platform per ISA per year. Can invest in a range of projects on the same platform to diversify. Can also invest in other types of ISA alongside, up to the maximum annual limit.
Lifetime ISA	n/a	Up to £4,000 of £20,000 max allowance.	Cash or stocks and shares. Low to high.	Varies depending on type/ risk level, performance and fees.	To be introduced April 2017. Government will top up up to £4,000 of annual tax-free savings with 25% contribution. You must be under 40 on April 6 2017 to be eligible and Government bonus paid to a maximum age of 50. Savings in LISA must be used either to buy a house or towards a pension. Pension can be accessed from age 60. Part of annual £20,000 allowance (giving £16,000 left over). Cannot have one of these and a Help to Buy ISA.
Help to Buy ISA	Up to £2,400 (£3,400 in first year).	Up to £2,400 (£3,400 in first year).	Low (cash only)	Low <2%. Cash accounts, return is interest.	You must use the proceeds to buy a first home worth up to £250,000. Government top-up of 25%. £12,000 max investment, starting deposit of £1,600 minimum to be elegible for bonus. Part of overall ISA allowance (giving £17,600 to invest in other types of ISA). Cannot have a Help to Buy and a Lifetime ISA in the same tax year.

For more detail on how to use your ISA allowance see page 18

A brief history of the IFISA

Once upon a time, saving was as easy as heading down to your local high street building society with a wad of twenties in your hand.

These days, it is either a little more complicated or more inspiring, depending on your point of view.

The humble tax-free ISA is as British an institution as the crisp.

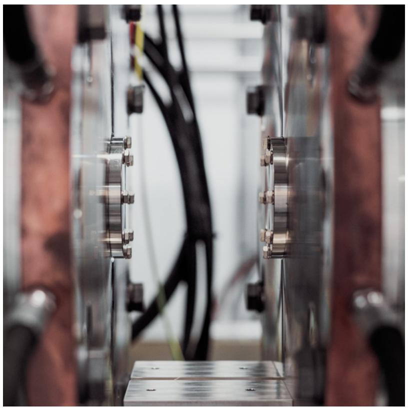
ISA stands for Individual Savings Account. ISAs are a hugely popular way of putting money aside. There are 12.7 million ISAs in the UK.

Lately, the ISA has undergone a similar revolution to the crisp.

Where once, you could get ready salted, salt & vinegar or cheese & onion, you can now get winter berries and prosecco, kale & spirulina and parsnip & Manuka honey.

In addition to the old school cash and stocks and shares ISA, you can now choose Innovative Finance, Lifetime (from April 2017), Help to Buy (if you haven't bought a house yet) and Junior (if you have kids).

This sudden increase in the number of flavours of ISA makes it both more confusing AND more inspiring, because the real choice on offer means you can find something that is more suited to you – your financial goals and your values, whether that's kale & spirulina all the way, or grilled steak.



What is Innovative Finance?

"Innovative Finance" refers to the use of technology to unlock higher returns, which at the moment, applies to debt-based crowdfunding or "peer-to-peer" lending.

It's innovative because it is a relatively new way for people to lend money to get a return that is higher than you would get on deposits in a cash savings account, but is a bit more accessible than buying shares on the stock market, for which you must pay fees to brokers.

It's a kind of halfway house on the risk/return spectrum between cash savings and buying stocks and shares, which can go up and down in value.

Handy FYI:
Cash – depositing ie. cash ISAs, savings accounts
Peer-to-peer – lending, ie. IFISAs, debt-based crowdfunds
Equity – buying shares, ie. stocks and shares ISAs, investment trusts, company shares, equity crowdfunds

It could just as easily have been called the "Interesting Finance" ISA, because by cutting out the banks from the whole lending/borrowing interchange, what it means is that for the first time, you can invest your money directly in projects and businesses that are making genuine contributions to the real UK economy (not just lining the pockets of fund managers and investment bankers), tax-free, although the tax treatment of any of the investment offers will depend on the individual circumstances of each investor and may be subject to change in the future.

Nb. It is useful to understand the difference between debt and equity crowdfunding. Equity crowdfunding, where you buy shares in a (usually early stage) business that may rise or fall in value, is not, REPEAT NOT, eligible for the IFISA, primarily because it is a lot more risky than debt crowdfunding. It comes with different tax relief schemes, called the Enterprise Investment Scheme or Seed Enterprise Investment Scheme.

Why was the IFISA introduced?

It was felt that there was a gap in the market for a type of ISA that enabled people to lend via peer-to-peer platforms, tax-free.

The peer-to-peer concept first entered the UK savings market in 2005 with the launch of Zopa, a platform that cut out the bank and enabled regular folk to lend to other regular folk who needed to borrow, at an agreed interest rate.

Others joined such as Ratesetter and Funding Circle – the first platform that enabled individuals to lend to businesses without a giant bank in the middle – and an industry took off (incidentally, the biggest platforms are NOT eligible for the IFISA. The IFISA is only eligible for platforms that are properly regulated and also only allow private investors to lend through them. Unlike Ratesetter, Funding Circle or Zopa.)

Q: *Why did the peer-to-peer lender cross the road?*

A: *Because the other side was really dull.*

Until November 2016, people who had lent via P2P had to pay income tax on their proceeds.

As it became more mainstream, its lack of tax-free status didn't seem very fair and was restricting growth of this viable industry. As well as helping savers in a low return environment, the Government saw granting ISA status as a way to boost investment in real businesses, when bank lending was still constrained.

And lo, the IFISA was born.

Granted, it could have had a catchier title. But the title belies the potential, because here is a way to really understand the difference your money can make in the real world, supporting the businesses that genuinely boost UK GDP.

Many investors think P2P lending can be a more fun and interesting way of investing your cash, because you can see exactly where it will end up, whether that is a renewable energy project or a chain of coffee shops.

What does "debt-based" mean?

Debt-based means you are lending your money to a company, project or individual. The borrower will pay back your capital, plus interest, at an agreed rate, over an agreed term.

In the most basic terms, the interest rate normally depends on the level of risk involved, which depends on the borrower's credentials.

A higher rate of return generally means a borrower is likely to be more risky – the lender (you) is in effect being offered a higher reward for agreeing to take on the extra risk of losing your capital.

A lower rate of return generally means there is a lower risk of you losing your capital.

HOWEVER (and this is a big however) it is worth pointing out that what might look like a high rate of return doesn't necessarily mean the loan is very risky. It's important to invest in multiple businesses to manage your risk.

Most platforms are judged by the success of their past crowdfunds and do not want a string of borrower defaults on their books, therefore they perform due diligence on the businesses raising money and if they think there is a risk of default, the platform can turn the business away.

Who are the IFISA providers?

Among the biggest lending platforms to have so far received approval from the Financial Conduct Authority to offer the IFISA are:

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You can find out more about each of these and others at https://innovativefinanceisa.org.uk/ or on the Government's own IFISA page.

Q: How many ISA investors does it take to change a lightbulb?

A: 4: 1 to change it and 3 to point out all the other lightbulbs that need replacing

Transferring your ISA into an IFISA

Transferring your existing ISA funds into an IFISA is really easy. You can find a form on the platform you want to transfer your funds to. Print this off, fill it out and send it to the NEW platform at the address provided. They will then instruct your OLD ISA provider to move the funds across.

How many ISAs can you have?

In this complicated new savings world of multiple ISA types, you may worry there's a risk you'll end up breaking a rule and losing your tax-free status.

Just remember the following golden rules for keeping your ISA money tax-free:

- As long as you don't invest more than £15,240 in the year between April and April or £20,000 from April 2017 in an ISA, your savings will be tax-free

- You can only have one IFISA in the tax year, with one provider

- You can use your ISA allowance in a combination of cash or stocks and shares, innovative finance or lifetime/ help-to-buy but you cannot have a Help-to-Buy and a Lifetime ISA in the same tax year

- The £4,000 maximum you can put in a Lifetime ISA is part of the £20,000 maximum, so you still have £16,000 to invest or save tax-free before you reach the limit

- Likewise, the maximum £2,400 you can put in a Help-to-Buy ISA is part of the £20,000 maximum

- You can invest lump sums or monthly in all ISAs except the Help to Buy ISA, which must be monthly deposits.

So a sample ISA portfolio* for a 38 year-old who is eligible for the Lifetime ISA from April might look like this:

£4,000 – Lifetime ISA
£4,000 – Innovative Finance ISA
£9,000 – Stocks and Shares ISA
£3,000 – Cash ISA

*this is an example only and not a recommended ISA portfolio – everyone's circumstances are different

By Chris Hancock, chief executive of Crowd2Fund

Due to the innovative nature of Crowd2Fund, we normally attract really interesting businesses who are keen to attract a community of private investors. This means that when you invest through the platform you not only get the potentially higher returns, but also get to support the businesses you choose. Investing in this way is also great for the economy as it helps business grow and create jobs for people.

So to learn more about the platform and this new approach to investing go to www.crowd2fund.com.

Investing in British innovation

At Crowd2Fund, we're really excited about how the new Innovative Finance ISA can revolutionise the financial services sector to help provide a much better service compared with what's on offer from incumbent financial institutions, both for investors and businesses, simply by embracing technology and innovation.

The UK is leading the world in financial innovation and the results of the FinTech revolution, which began a few years ago, are starting to emerge. An army of technology entrepreneurs have been setting up businesses with the support of a forward thinking and adaptive regulator, which cannot only help protect consumers' interest but also provides a supportive framework for these new finance companies – unlike anywhere else in the world.

Using Crowd2Fund as an example, by putting technology at our core, we use automation and the direct relationship between borrowers and investors to embrace the investment community philosophy, digitally.

Technology dramatically reduces the management fee required to manage your ISA and secondly, it facilitates potentially significantly higher returns as, as an investor, you're lending directly to the business via the platform – these efficiencies are passed back to you the investor.

Features have also been built to help automate the management of your Crowd2Fund investment portfolio. Unlike other platforms, you can also access your capital by selling your investment to another investor – this means that you potentially don't have to lock away your money for years.

Conducting a credit risk assessment of an opportunity and thorough due diligence is key to maintaining a higher interest rate of return for our investors and minimising defaults. Because of our state of the art platform, the credit risk team have an array of sophisticated tools to improve credit decision making and help manage the risk of opportunities listed; they can make sure that wherever possible, the correct guarantees and security is put in place to help you manage your risk.

By Bruce Davis
Co-founder and joint managing director of Abundance Investments

Introducing the Win Win ISA

The Innovative Finance ISA (IFISA) is a brilliant thing - and I don't just say that because Abundance offers one. Its merits go far beyond offering savers and investors a more attractive return on their money and extend to having the potential to fundamentally change the landscape of saving and investing for the better.

Here in the UK we don't talk about money as much as we should, or even as much as I suspect we would like to, despite the fact that we are a nation of keen ISA savers. Last year alone almost 13 million people saved into an ISA and between them they saved over £80 billion.

Yet any conversation, particularly in the press, is dominated by rates and needs and what our money can do for us. However, that is only half the story. There is a whole other side to money, a social side that millions of people consider.

The independently commissioned Great British Money Survey attests to this. Now in its fourth year, the survey asks about our habits and attitudes to saving and investing.

Most striking is the consistency with which people say they want control of their money and for it to do more than get a return. Across the three surveys commissioned to date an average of 65% of people agreed with the statement: 'I want to invest in things that give both a decent return and don't harm our future.'

Similarly, 67% agreed with: *'I like to be in control of my savings and investments and choose exactly where my money goes.'* It is clear that making some money is equally as important as doing some good for the majority of people. The IF ISA is uniquely placed to bridge that gap.

The peer-to-peer lending and investing market is at its core a more socially and environmentally minded way of investing. It was born out of a frustration that banks were taking repayment interest from borrowers and not passing enough of it on to savers.

So the first P2P businesses did just that, sidestepping the banks and connecting individual borrowers with one or many lenders, giving both a better deal. It was a social win-win.

The market expanded into small business lending and sustainable investing, growing almost 500% in the two years from 2013 to 2015. And the win-win grew with it, with individual investors helping UK businesses to grow and employ more people, or greening the grid with clean energy investments in solar panels, wind turbines and biomass boilers.

Abundance is the market leader in the latter. Since 2012 we have been working closely with developers to raise finance for clean energy projects, each of which is making a difference to our society and the environment.

The projects our investors have funded are already lowering electricity bills for some of the most vulnerable to fuel poverty in our society; they are lowering heating and electricity bills for schools, libraries, family run hotels and various small businesses; they are paying out directly to community groups and initiatives.

And all the while, our investors are earning attractive rates of 6-9% IRR. We pushed hard for inclusion in the new IFISA because we see every day that people want their money to reflect what they do in other areas of their lives too.

Investors through Abundance need to be aware that their invested capital is at risk. Investments through Abundance are long term, typically having terms of 15 - 20 years. They are also not readily realisable, which means that it may not be possible to sell them if you want to access your money before the end of the term. Full risks of each investment are given on the Abundance website, and investors should take care to read and understand the risks before they invest.

Happily, the Abundance ISA has proven the point in a whole new way. Customers are signing up in droves and projects are selling faster than ever before, despite the premise remaining the same. We are just at the beginning but we are confident that the era of win win investing is upon us. What's keeping you?

By Becky O'Connor
Co-founder and director of
Good With Money

Oscar Wilde thought that being earnest was possibly the most important thing, but in investing, it's being diverse.

Increased choice and freedom in savings are wonderful quite recent developments. However, with great power comes great responsibility.

The importance of being diverse

The IFISA appeals to people who want more direct control over where their money is going, for better returns.

But to have complete responsibility for your own life savings is a scary thing, particularly when you don't feel like much of an expert.

If you like the sound of an IFISA but are a bit daunted by the prospect of choosing projects or businesses into which to invest your savings, then take small steps to make sure you are comfortable with how it works first.

Innovative finance might be more fun, but that doesn't mean losing your head. The main thing to remember about doing it yourself is that while it can be great picking a range of cafes to invest in because you love going to cafes and drinking coffee generally, there is a danger that your investments will not be diverse enough.

A diverse range ("portfolio") of investments helps to protect you from risk. So that if, say, coffee imports suddenly receive 20% extra duty and the UK ditches flat whites overnight, your entire life savings, if you had invested everything in UK coffee shops via an IFISA, would not be taken down over night.

You can only use one platform to invest your IFISA allowance, but that doesn't mean you only have to invest in one project.

It is vital to spread your investment across as many different projects or businesses as possible, across as many different sectors.

So for example, if you invest on Abundance, which tends to offer renewable energy projects, it would be unwise to just pick 4 wind farms (unless you are obsessed with wind turbines). Better to choose a solar farm and biomass project alongside a wind project.

Or if you invest in Crowd2Fund, which has businesses from a range of different sectors, you might choose one business from the retail sector, one from logistics and one coffee manufacturer.

Remember, if you choose to put some of your ISA into an IFISA, you can also still invest some of your allowance in a Stocks and Shares ISA, a Lifetime ISA and a Cash ISA. Spreading investments across different types of ISA is another way of diversifying, so that you could have a range of debt, equity and cash investments, all with different risk profiles, in different sectors and countries.

By Becky O'Connor
Co-founder and director of
Good With Money

Recent economic history lesson alert: The Bank of England usually increases interest rates to curb inflation, as higher interest rates discourage spending and encourage saving. However, there are fears that indebted UK consumers would not be able to cope well with interest rate rises on their mortgages and other borrowings, and so the bank is reluctant to increase them by too much. Higher rates can damage economic confidence too, which is already very fragile.

The three Is: IFISA, Inflation and Interest rates

The world turned on its axis in 2016 and we may start to see some of the repercussions of that for our money this year.

The biggest threat on the horizon for savers and investors is undoubtedly **inflation.**

The cost of goods and services is rising, with some experts predicting that inflation could reach 5 per cent next year – well above the Bank of England's target rate of 2 per cent.

Part of the reason for this rise is the ramifications of Brexit; part of it is **ultra low** interest rates, which do not seem likely to rise by much this year, even with the pressure of rising inflation.

High inflation can dent investment returns, because the real return (taking into account prices) is being eroded all the time by rising prices. In other words, the money you are earning will buy you less, the more inflation rises.

This is a problem for all savers, but particularly those in receipt of fixed interest rates over long-terms. If inflation rose to 5 per cent, then an investment with a fixed interest rate of 5 per cent over the year would not have rewarded the investor for their saving efforts at all.

Inflation is a much bigger threat to cash savers, currently earning less than 2 per cent, than it is to peer-to-peer lenders, typically receiving between 5 and 7 per cent.

If anything, inflation provides a bigger incentive to move into the highest paying vehicle possible.

But those nervous about inflation may wish to consider shorter terms for their investments – the greatest risk is tying your money up for many years in a high inflation environment.

Co-sponsor platforms: key features

USP: Investments that help you make a decent return and a nicer planet.

abundance.

Specialises in loans to renewable energy projects around the UK

About: Abundance was founded in 2012 and has raised more than £30 million from individual investors for solar, wind and biomass projects around the UK. The platform has a £5 minimum investment and sells, somewhat uniquely, long-term debentures, which are like IOUs from the renewable energy companies to investors.

So far, the loans have been repaid using revenue from electricity generated by the projects, which comes from electricity prices and renewable energy incentives, such as feed-in tariffs.

Terms range from one year to 25 years. Investors can sell debentures they no longer want to other investors.

Investors money is usually paid back to them as capital and interest repayments, which helps to manage the risk of potentially not getting all of your money back at the end of a 25-year period.

Typical rates of return: 5 to 9 per cent

IFISA minimum opening amount: £5

Charges: Abundance charges the projects raising money two fees: one for raising the money and one for managing the investment and investors on a yearly basis.

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USP: "We grow innovative businesses"

Crowd2Fund provides opportunities to lend to a range of businesses in different sectors for higher returns than are typical on peer-to-peer platforms. It performs strong due diligence and will not allow companies that cannot repay funds to raise money.

It has a 0% default rate so far and a target default rate of 0.5%.

You can pledge to invest an amount at the interest rate you want to receive, or pick individual businesses.

Established in 2014, the platform has an app, so you can invest on your phone. It also has a "Smart Invest" feature, which automatically invests and re-invests for you, based on your goals and risk appetite.

Typical rates of return: Investments have an interest rate between 6% - 15%, averaging at 8.7% APR

IFISA minimum opening amount: £100

Charges: Crowd2Fund charges the businesses raising money a 5% fee on the total amount raised, or 2.5% if they are raising more than £500,000.

It charges investors a 1% annual fee on interest and capital payments. There's also a 1% fee if you transfer funds using a credit or debit card.

Final word from the Good Money Girls

"The IFISA promises to make investing both more accessible and more interesting."

"For so long, the established investment platforms have made equity investing the preserve of the well-off."

"The IFISA gives people with less investment experience a taste of the process for less risk and lower cost. Because of the lower fees, the minimum threshold at which investing in an IFISA makes sense is much lower."

"Even though one of the key benefits of the IFISA is accessibility and ability to engage non-investors in their money, it is also very appealing for more experienced investors, as it is a way for them to diversify away from either cash or stocks and shares."

"For those who do not want to take on the risk of DIY equity investing and all of its complicated charges and jargon, the IFISA is invaluable."

"It is a stepping stone towards investing directly in things you believe in for people who do not want to invest in the stock market and it's actually a lot more simple and user-friendly to invest in an IFISA on any of these platforms than it is to invest in a stocks and shares ISA on any of the more established investment platforms."

"We're really looking forward to when there are 10+ IFISA platforms to choose from, and the day the Government lets us spread the allowance over more than one (because we're a bit indecisive)."

"If you want to get into investing, recognise that cash saving is almost pointless but are not quite ready for the stock market, the IFISA is for you."

"In fact, it has the potential to be for most of us."

Want to get in touch with us or any of the providers in this guide?

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