

# What's the difference between Bonds & P2P Loans?

With bank savings accounts currently only offering paltry rates of around 3%, if you choose P2P or bonds carefully you could achieve returns of around 5-7% a year in interest.

Although investments such as Bonds and Peer to Peer Lending (P2P) are not covered by the FSCS protection scheme and carry more risk, the rewards are potentially much greater.

As with any money you make, the tax office wants its cut.

**Bonds:** you may be liable for tax unless your bonds are eligible for an ISA or pension.

**P2P:** your interest is also liable for tax, but from April the new 'Innovative Finance ISA' and the changes to the personal savings allowance will further boost the benefits of P2P lending.

**Both** require a lump sum money investment for a defined period of time. ✓

**Both** Bonds & Peer to Peer make a return on an 'interest only' basis. ✓

**Both** should return your capital in a money lump sum at the end of the term. ✓



P2P: Individual Investments

## P2P

P2P lending is a chance for investors to lend to businesses or individuals. Instead of asking banks for loans, P2P cuts out the 'bank' and websites like Crowdstacker connect lenders and borrowers.

P2P loans will be eligible to be included in a new category of ISA from April 2016 called the Innovative Finance ISA (IFISA) meaning you can shelter more of your interest from tax

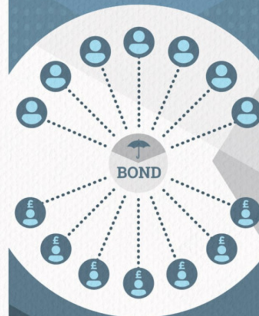
So what are the key differences?



Bonds: Group Investments

## Bonds

Much like an 'I.O.U.', a Government or company borrows money from you for a fixed period and promises to pay you back with interest. With bonds, you'll usually need the services of a stockbroker or bank.



What about Savings Bonds?

It is important to note that Savings Bonds are totally different to Bonds. To avoid confusion, Saving Bonds are offered by banks and are basically just fixed term savings accounts.

Read the full article "What's the difference between a bond and a P2P loan?" by our guest writer, finance columnist, Sue Hayward at [www.crowdstacker.com/knowledge-hub](http://www.crowdstacker.com/knowledge-hub)

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Your capital is at risk if you lend to businesses through peer to peer lending. Peer to peer lending is not covered by the Financial Services Compensation Scheme FSCS. Tax treatment is dependent on an individual's circumstances and may be subject to change in the future.