THE GOOD GUIDE TO Stocks and Shares ISAs

GOOD WITH MONEY
MORE MONEY, FEWER PROBLEMS

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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.

About Selftrade

Selftrade is an online investment and share dealing platform which provides access to an extensive range of shares and investment products and is a go-to resource for people with all levels of experience looking to understand, plan and make informed investment decisions.

Since it started over ten years ago, Selftrade has built a reputation for helping to keep investing simple and accessible for everyone.

Selftrade offers an extensive choice of investments, with their customers benefiting from over 8,000 shares, Exchange Traded Funds (ETFs), bonds, funds, investment trusts and other assets spanning both UK and international markets, all available within a Selftrade dealing account, ISA or a SIPP.

Contents

Introduction: The leap

If you've always felt curious about the stock market but lacked the courage to follow through with your own money, this guide is for you.

If you want to invest in responsible businesses and funds that make a positive environmental and social impact, then this guide is for you too.

If you want to save money on fees and time on fuss, this guide is also worth a read.

It's a bit of a leap if all you are used to is current accounts and cash savings, but it could get you one step ahead.

Why Stocks and Shares ISAs?

1. The tax advantages

ISAs are tax-free. With Stocks and Shares ISAs, you won't have to pay Capital Gains Tax, even if your gains take you above the CGT allowance of £11,100 (unlikely if you are just starting out!)

Nor will you have to pay dividend tax, if your shares pay you a dividend, or income tax, if any bonds you hold in your ISA pay you interest that takes you over your personal savings allowance of either £1,000 if you are a basic rate taxpayer, or £500 if you are a higher rate taxpayer.

2. Access to a range of companies

Most people that have Stocks and Shares ISAs invest their money into funds rather than individual shares or bonds – it can be time-consuming and more risky to manage your own choice of company shares (although if you are confident enough, then great).

Funds essentially choose a range of companies for you, based on stated "thematic" objectives such as "global", or "emerging markets", or "UK high growth", as well as a desired risk and return balance.

3. The (much) higher returns than cash

At the moment and over most long time periods, investing in stocks and shares outperforms investing in cash. It would not be unreasonable to expect at least a 5% return each year from a Stocks and Shares ISA account. Although unlike a fixed interest rate, it's important to bear in mind that it can vary massively.

Sometimes it will be much more than 5%, sometimes less, but if you are in for the long-term (NB. a five-year "horizon" is recommended for stocks and shares investing, which means keeping your money invested for as long as possible but at least five years), it is safe to say you can expect higher returns than cash.

Yet 60% of the population that have ISAs still opt for cash over stocks and shares. This proportion is shrinking as low interest rates put more and more people off cash savings. But the gains people seem prepared to miss out on in order to keep the security of being covered against loss by the Financial Services Compensation Scheme – the one advantage that Cash ISAs have over Stocks and Shares ISAs - demonstrates what you might call a collective risk aversion (see “How to get over losing all your money by investing” on page 10).

Is it the fault of the financial crisis that we are all so risk averse? Maybe. And risk aversion with a % of your cash is no bad thing. But if you want to make bigger gains than you get from current low levels of interest, then stocks and shares or peer-to-peer lending (you can see our **IFISA guide** for that) are better places to be.

4. The opportunity to invest your money in companies and funds that are having a positive impact

The number of funds that invest according to Environmental, Social and Governance principles (ESG) is growing quickly. According to Julia Dreblow, founder of Fund Ecomarket, there are more than 80 ethical and sustainability-themed options available, with the funds these options relate to representing around 1.2% of the total UK retail funds invested.

Importantly, there is no longer any meaningful difference between returns on a “responsible” fund and those from a mainstream, non-ESG fund. These values-based funds are available on most mainstream investment platforms, including Selftrade, sponsor of this guide.

Thanks to COP21 climate talks back in 2015 and the introduction of the UN Sustainable Development Goals (SDGs) in the same year, the number of companies that are aiming to achieve a net positive impact on the world is also increasing. Examples include Unilever and IKEA.

This means that investors in Stocks and Shares ISAs have a unique chance to make returns and make the world a better place at the same time.

QUIZ:
What's your investment personality?

5 multiple choice questions. Answers ABCD.

1

You are earning a poor rate of return on your current account. Do you...?

a) Check the best-buy current accounts and switch immediately to the one offering the highest rate.

b) Check the best-buy current accounts, then decide it is too much hassle. How do you move all those direct debits across? That sounds like hard work.

c) Check the best-buy current accounts, visit Which? to find out who has the best customer service, ask your friends and family who they bank with and draw up a short-list, before switching.

d) Stay put. I didn't even know I had a rate of return on my current account - it can't be that important.

2

You get a new job and one of the benefits is a pension arrangement whereby you pay 5 per cent in to a pension and your employer matches this contribution, giving a total contribution worth 10 per cent of your monthly salary. You have the option to pay in an additional 2 per cent of your income, which your employer will match, taking your contribution up to 14 per cent. What do you do?

a) You are already paying 5 per cent in. That's enough. You need the money now not in 30 years' time and can invest that 2 per cent somewhere else of your own choosing if you want.

b) You think it is a good idea but decide to see how it goes and make a decision on it in a year's time.

c) You immediately sign up to the additional contribution. There are not enough great employee schemes around and you are lucky to have the opportunity to receive an extra 2 per cent from your employer, even if it means less money for you at the end of the month.

d) Can you repeat the question?

3

A friend tells you about a great investment opportunity offering very high returns. They tell you it is a sure winner. What do you do?

a) Go for it. You trust your friend has done all the research work for you.

b) Look it up, register and file it in your "to-do" list for that month.

c) Look it up, speak to a financial adviser, search online for reviews, decide how much you could afford to lose, then invest this amount to test the water first. It is a token addition to your growing, diverse portfolio.

d) Change the subject.

4

You receive a tax refund of £1,000. Wahoo! What do you do with the money?

a) Go straight to William Hill online to convert that £1,000 into £2,000 in the space of five minutes. £1,000 is not much and you won't miss what you never really had. On the other hand, you could really do something with £2,000. A five-star week in St Lucia, for example.

b) Bank it, research Cash ISAs, bonds and a few equities you have read about. But find it hard to choose where to put the money and end-up spending it accidentally because it is in your current account.

c) Invest it somewhere safe, like a five-year bond. You don't need the money now, but you might need it later. It may as well earn a decent rate in the meantime.

d) Buy a laptop and a pair of shoes.

5

Do you know what a bond is?

a) Kind of. But they are just too boring for me to bother with. I like higher returns please.

b) Yes. But there are so many different kinds and I get a bit confused about all the types that are out there.

c) Of course. They are loans to companies and institutions repaid, with interest, after a fixed time period. The longer your money is tied-up, the better the return, usually. My sort of investment.

d) No, and don't bother telling me. I have a life to lead.

Did you answer mostly...

As? **You are an INSTANT GRATIFIER**, preferring rewards now rather than later.

You think you are informed but do not have the patience to consider all of your options all of the time, preferring instead to make decisions based on impulse and gut-feeling, which you believe are more useful than research and advice.

You probably find money quite exciting, if you can do what you want, when you want. You believe in action. "The early bird catches the worm", and all that.

YOUR MONEY LESSON: While some appetite for risk is healthy and can ultimately be rewarding, the phrase curb your enthusiasm springs to mind. Winning big is great, but don't forget you could lose big too. Living in the present is fine, but take care of your future present self too.

Bs? **You are a SELF-DISTRACTOR**, a bit of a procrastinator when it comes to actually putting your money where your mouth is. But you don't really trust anyone else either.

Fear is your motivator and your de-motivator. You are informed but not confident and therefore prone to risk aversion, so end up doing nothing. If you are honest, you are quite frustrated with yourself. Your money is in an alright state, sitting in the bank, but it isn't really doing anything and is possibly at the mercy of inflation as you haven't moved it anywhere to protect it.

YOUR MONEY LESSON: Develop some trust in the knowledge you are building up and learn the benefits of acting upon information. Knowledge is power, but only if you do something with it. Active control is a much more satisfying state of mind than the view from the armchair. Ban the phrase "I'm too busy" from your lexicon.

Cs? **You are a DELAYED GRATIFIER**: patient, cautious, informed. Phrases like "make hay while the sun shines" are embedded in your psyche. Not necessarily risk-averse but risk-aware - all of your decisions are made with both eyes on your future. Your goal is a comfortable retirement and a worry-free future for your family.

YOUR MONEY LESSON: Keep up the good work. You do not want to get rich quick, which is fine. Your methods are aligned with your goals. Just don't rest on your laurels and set up regular reviews to check that everything is working for you as you think it is.

Ds? **You are an OSTRICH.** You believe that finance is another language and you do not need to learn it to get by. It is frankly amazing that you even took this quiz. You may like things this way.

Honestly though, if you are mostly Ds, there is some work to do. Denial is not just a river in Egypt, as they say. You probably lack confidence in financial decision-making and avoid it for this reason. You also find it boring, which might be true, however personal finance is one of life's necessaries and the better handle you have over it, the less stressful you will ultimately find it. The more you know, the less likely you are to be ripped-off.

YOUR MONEY LESSON: Try to alter your attitude to money. To make money matters more interesting to you, try engaging friends and family on what they think about, for example, their bank. A bit of social dialogue can make financial topics seem less dry and more real. We all need to do a bit more of it.

How to get over a fear of losing all of your money by investing

The main reason more than half the population does not invest is fear: of the unknown – and of loss. For many people, even ultra low interest rates will not be enough to help them over that fear of losing savings that they have worked hard for. This has a fancy name: cognitive bias.

As James de Sausmarez, head of Investment Trusts at Henderson Global Investors says: “we cling to the nominal cash value of our savings, so in recoiling from taking investment risks, we unwittingly suffer the corrosive effect of inflation.”

“You can be near certain you will lose money over the longer term by putting your savings in cash accounts, as the cost of living, and expectations for living standards will quickly climb out of reach of the paltry returns on cash deposits. It’s costing us billions of pounds every year.”

There are some myths about investing and once you demolish them, you might be more prepared to take that leap...

Stocks and shares myths, dispelled

Myth 1 :

The stock market is for rich people. You can invest into a Stocks and Shares ISA from around £50 a month. It is true that it is usually less affordable to buy and sell frequently if you don't have a large pot to play with, as the cost of trades can be high, relative to your balance, if you don't have much money. This makes it even more important to research your first choice set of investments, as you are likely to be with them for a while.

Myth 2 :

You need a broker to invest in stocks and shares. Thanks to the internet and the birth of low fee, investment platforms such as **Selftrade**, you just need yourself and a bit of time to do some research. You need only Google "best stocks and shares ISA" or "best funds" and you will be armed with tons of info. We also suggest Fundecomarket.co.uk for a handy list of Environmental Social and Governance funds.

Myth 3 :

You have to trade regularly to make money from shares. Nope. Ditch those images of stressy, red-faced traders buying and selling. That is not what the stock market is like for most investors.

In fact, if you are just getting into investing and only have a small pot, the best thing to do is pick a fund you like after doing your research and just stick with it for as long as possible. This is because there are fees, usually between £10 and £15, per trade, on investment platforms. If you only have £100 invested, this is a high proportion to be paying to change your mind. So in fact, it is beneficial, overall, to leave your money in a fund for the long term. AND don't check performance too frequently or you will get the heeby jeebies.

Myth 4 : **The popularity of a fund is the best indicator of its performance.** The most popular funds probably wouldn't be popular if those invested in them weren't happy with the performance. But a star fund manager who has demonstrated stronger than average returns over the last three years is no guarantee of future performance. Some people believe there is strength in numbers, which is one reason why Neil Woodford's Equity Income Fund is so popular. But there are plenty of great fund managers working well below the radar that can demonstrate comparable past performance and equally sound methodologies.

Myth 5 : **Active fund managers justify their higher fees (usually about 1 to 1.5 per cent higher than the cheapest funds) with stronger performance.** There is now plenty of evidence that passively-managed index trackers with lower fees can perform just as well. Active management comes into its own, though, when you are impact investing, as this strategy is more labour intensive for the fund manager.

Myth 6 : **Investing is difficult and time-consuming**. It doesn't have to be. There are so many platforms that, enabled by technology, can make it possible for you to have opened a Stocks and Shares ISA within a few minutes.

The practical stuff: How to invest in a Stocks and Shares ISA

You have to choose a platform. This is quite an important first step as they all have slightly different ways of charging, features and benefits.

The major platforms are AJ Bell, Alliance Trust Savings, Charles Stanley Direct, Hargreaves Lansdown, Interactive Investor, The Share Centre and **Selftrade** (sponsor of this guide).

There is also a new generation of "robo-advice" platforms, that tailor portfolio recommendations for you so you don't have to do any choosing at all. The biggest of these are EQ Investors (the only one that offers a Positive Impact Portfolio), Nutmeg and Moneyfarm.

If you aren't going to trade a lot and have only a small amount of savings to get going, % charges rather than flat fees will work out better for you. Expect to pay around 1% in fees to the platform for its services.

Once you have chosen your platform, you will want to open your ISA.

Already got an ISA you want to move?

You may already have existing ISA savings in cash or stocks and shares – you can transfer these over to the new one if you wish. You simply fill out a form and let the providers do the rest.

Just starting out?

You need to open an ISA on the platform (you will need your National Insurance Number) and then choose what you would like to invest in (or let the robo-adviser choose for you based on your answers to questions). You can set up a direct debit for an amount you are comfortable with. This can be paid into a cash element of your Stocks and Shares ISA or can directly buy into funds or company shares. If you pay your monthly sum into the cash element of your ISA, don't let it sit there for a long time not earning interest.

Is a Stocks and Shares ISA for me?

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 a Stocks and Shares ISA or an IFISA (see the Good Guide to the IFISA)

Would you consider moving your existing ISA pot?

YES

NO

Why not?

- Hassle
- Exit charges
- Happy with existing platform
- Happy with existing returns

NO

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

YES

NO

If you do not want to take a risk with your capital, you should seek the highest return Cash ISA, savings account or current account you possibly can and try to ensure that it is at least covering inflation.

Are you prepared to diversify your own ISA portfolio?

YES

You could invest your Stocks and Shares ISA in a range of individual companies, in addition to funds and bonds, if you wish.

NO

You would probably be happier choosing funds within a Stocks and Shares ISA, where fund managers diversify for you (for a fee), rather than picking your own companies.

Have you got at least £50 a month to invest?

YES

You can set up a direct debit for at least £50 a month on any of the major investment platforms, including platforms that offer the newer IFISA.

NO

You probably need around £50 spare a month to get into investing.

Have you got any reason to withdraw the money within 5 years?

YES

You can still make better returns from stocks and shares within a 5-year timeframe, but there is more risk associated the shorter your investment term. If you know you need the money sooner, you might be better off choosing a high interest savings account or a bond that offers fixed interest for less than five years.

NO

Stocks and shares have historically outperformed cash over most five-year periods, so you could feel more confident that this would be the more profitable home for your cash.

What are the different types of ISA?

	Limit	Risk level	Typical interest/return	Features
Cash ISA	£20,000	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	**£20,000**	**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**	**Up to £20,000 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	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 so does not form part of your £20,000 annual allowance. The child can access the pot when they reach 18.
Innovative Finance ISA	£20,000	Medium to high depending on diversification/ interest rate	Varies – around 5 to 7 per cent. Debt-based, therefore pays interest not capital growth	Introduced April 2016. Only one innovative finance platform per ISA per year. Can invest in a range of projects or credit profiles on the same platform to diversify. Can also invest in other types of ISA alongside, up to the maximum annual limit.
Lifetime ISA	Up to £20,000 (but only first £4,000 eligible for the bonus)	Cash or stocks and shares. Low to high	Varies depending on type/risk level, performance and fees. Equity not debt, therefore pays capital growth not interes	Government will top up to £4,000 of annual tax-free savings with 25% contribution. You must have been under 40 on April 6 2017 to be eligible. The Government bonus is paid to a maximum age of 50. Savings in the 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)	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 £1,000 minimum. 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.

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

"How I got into Stocks and Shares ISAs"

I started investing in stocks and shares through an ISA about 18 months ago. I was motivated by the poor returns on Cash ISAs; the desire to complement my pension savings with long-term ISA investments; the desire to put my money where my mouth is (ie. in companies with a focus on sustainability) and because I just finally felt ready.

I was 34 and I had about £100 to £150 a month spare to invest. I chose a platform and set up a direct debit for £100 to invest in the WHEB Sustainability fund. It is the only fund I invest my ISA money into at the moment because it ticks all of my boxes: it is a B Corp, meaning it meets reasonably strict criteria on its impact, and it has performed well since launch. Here is a table showing its performance so far:

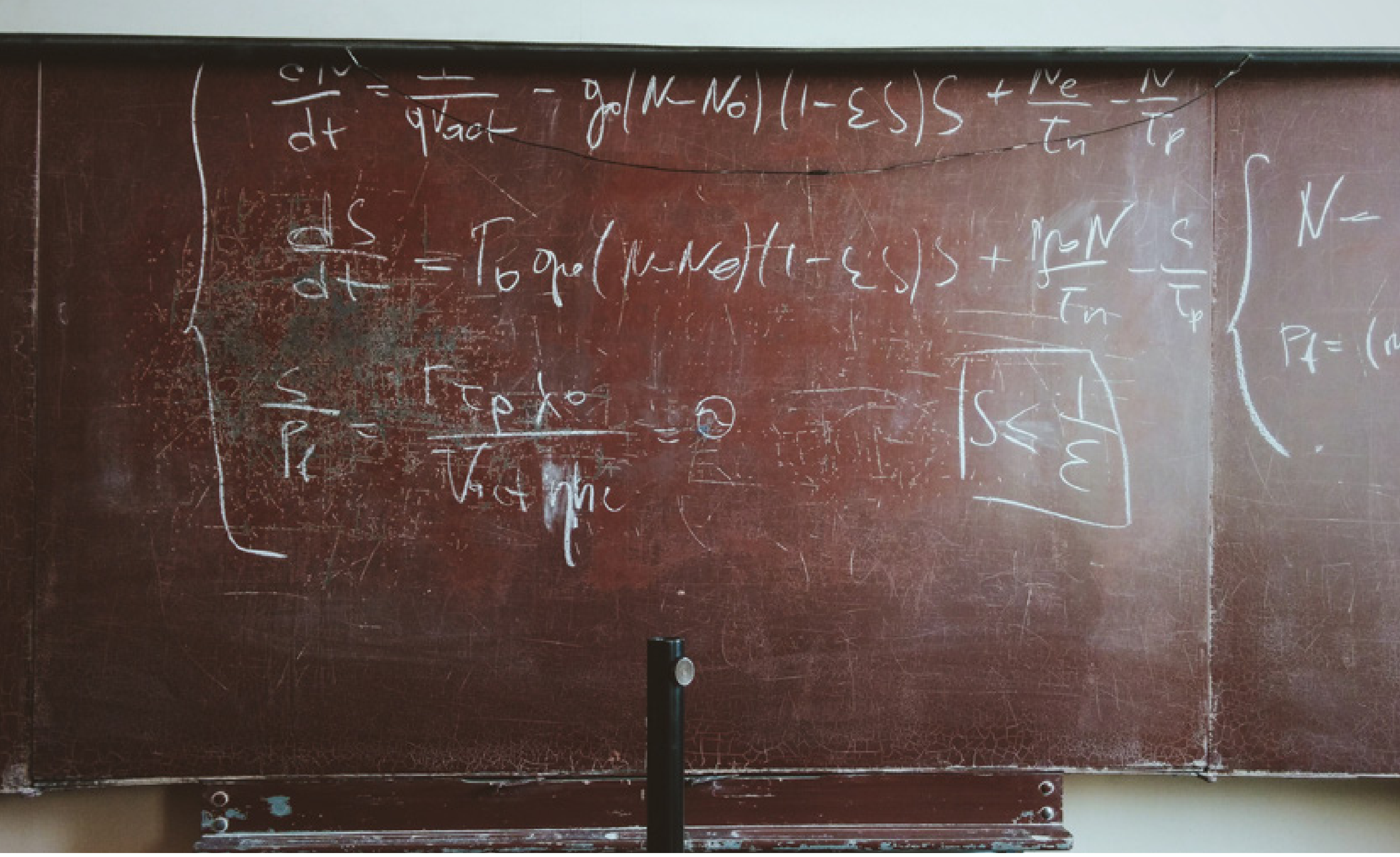
Performance

	21/02/12 to 21/02/13	21/02/13 to 21/02/14	21/02/14 to 21/02/15	21/02/15 to 21/02/16	21/02/16 to 21/02/17
Annual Return	7.34%	11.46%	12.47%	1.98%	32.73%

The FTSE 100 has returned 23 per cent over the same five-year period, so WHEB is doing well so far. The fund invests in sustainable transport, health and energy efficiency, with companies such as Canadian Solar, Johnson Matthey and Kingspan.

I opened my ISA not with any particular purpose in mind – but it is for the long term and I hope will complement my pension savings. I am not using it for the kids – we save into their Junior ISAs too.

I find it quite hard to work out how much to invest in all of the different ISAs available and it isn't easy choosing a fund when you don't really know what differentiates them. There are literally thousands and they can all sound a bit samey. So for me, investing in line with my values actually makes it easier to choose where to put my cash, as well as motivating me.



How to understand a fund factsheet

All funds have to produce factsheets.

They can be easy to disregard as a bunch of numbers – but don't.

They contain information on fund charges (anything higher than 1.2 per cent is higher than average these days) and also a list of the "top ten" companies the fund actually invests in – important if you are a bit anxious about investing in, say, oil or tobacco companies.

It will list the objective of the fund, the performance target, the number of companies invested in and also historical performance information.

Don't be put off if performance in the last few months hasn't been great – what you want to know is whether the fund's performance is consistent with its own targets, over a long term, and also how it compares to its peers – the sector average.

Clearly, if a fund has always underperformed an index for as long as the data goes back, you might want to look elsewhere.

It will also tell you who the fund manager is and what their style of management is.

Here's an example factsheet, from Kames Ethical Equity:

Kames Ethical Equity Fund
B GBP Acc
Factsheet as at 31 December 2016

KAMES
CAPITAL

Fund managers

Audrey Ryan

Key facts

Fund launch	17 April 1989
Share class launch	17 April 1989
Sector	Investment Association UK All Companies
Index	FTSE All-Share
Initial charge	0.00%
Annual charge	0.75%
Ongoing charge[1]	0.79%
Minimum initial lump sum investment	GBP 2 million
Fund structure	UK domiciled OEIC
SEDOL	0745088
ISIN	GB0007450884
Payment dates	30 Nov
Valuation point	12 noon (GMT)
Fund base currency	GBP
Fund size	GBP 573 million
Number of holdings	70
Active share	81.6%
Sharpe ratio*	0.35
Standard deviation*	12.76

Source: Kames Capital.

Ongoing charge based on actual expenses for the year ending 30/11/2016.

* Source: Lipper, net return, annualised over 3 years, B (Acc) shares.

Number of holdings represents physical holdings only.

Ratings

Silver

Note: Awards and ratings are highlighted to demonstrate our investment capabilities. Past performance is not a guide to future returns.

Fund objective

The investment objective is to maximise total return (income plus capital) by investment in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed in the UK stock market which meets the funds predefined ethical criteria.

Performance

The Fund aims to achieve second quartile performance over a rolling 12 month period and top quartile performance over a rolling 36 month period.

Performance (to 31 December 2016)

	1 month	3 months	6 months	Year to date	Since launch (p.a.)
Fund (%)	3.61	1.02	12.76	-0.27	8.18
Index (%)	5.01	3.89	11.97	16.75	8.61
Sector Median (%)	3.77	3.57	13.37	10.49	7.92
Quartile	3	4	3	4	2

Annualised performance (to 31 December 2016)

	1 year	2 years	3 years	4 years	5 years
Fund (%)	-0.27	6.44	5.07	12.34	13.61
Index (%)	16.75	8.57	6.05	9.56	10.10
Sector Median (%)	10.49	7.41	5.14	9.93	11.10
Quartile	4	3	3	1	1

Discrete year performance

	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Fund (%)	-0.27	13.62	2.36	37.37	18.85
Index (%)	16.75	0.98	1.18	20.81	12.30
Sector Median (%)	10.49	3.93	0.46	25.64	14.27
Quartile	4	1	2	1	2

Cumulative five year performance

Source: Lipper. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Benchmark and sector median source: Lipper.

By Mark Taylor,
Chief Customer Officer
Equiniti

One small step for you, one giant leap for your finances

Why investing is within closer reach than you think

Simply put, anyone can invest, at any time. You can set up an online investment account in a matter of minutes from the comfort of your own home, on the sofa with a cup of tea.

Investing your money is a lot more accessible and logical than you may think, and there's no better time to start than now. Thinking about your future is an investment in itself and will pay dividends further down the line – literally and figuratively speaking.

The bottom line is that cash doesn't increase in value, so if you're storing it up in a savings account or stashing it under the bed, it will be doing nothing for you. With interest rates at an all-time low, your hard-earned cash is sitting stagnant in a flattened environment, with nowhere to go. Actually it's worse than that, in real terms your money is worth less due to the impact of inflation.

You're not alone, either. The Equiniti Selftrade survey revealed that 43 million British citizens have some form of savings, and a substantial 58% of these have cash-only savings. This means that the UK is collectively sitting on £762 billion of cash – idle money which is failing to contribute towards individual wealth.

You could be sitting on cash reserves for a decade or more, and meanwhile, as the general costs of living continue to increase due to ever-rising inflation, your cash value remains exactly the same. It's a wasted opportunity for you to reap the benefits of financial accumulation.

This is a far cry from the days of high interest rates, where people could profit from savings and continue to nurture their cash into a tangible financial nest-egg for the future. However, in an environment rife with political and financial uncertainty, those days are long gone – it's time to get smart with your money.

The reason so many people sit on cash is the fear factor. Because investing sounds like a daunting prospect reserved for the future Warren Buffets among us, the majority of people shy away from it; held back by the misconception that you need years of financial experience to invest.

What many people don't realise is that you don't need to be topping the Forbes rich list to get started in investing. You can start small – just fifty pounds a month can set you well on your way to better financial future, because the likelihood is that your ISA can generate far greater interest than any cash savings account could. In fact, in 2016 alone, investors that did nothing would have missed out on a 24% rise in the FTSE 100.

An ISA is a straight forward and simple solution for first-time investors. Where savings accounts used to be referred to it as 'rainy day savings', investment ISAs are the 21st century equivalent – you can put your money somewhere to accumulate in a low-risk environment, while all the time having access to it in case you need it in an emergency. By setting up a regular investment into an ISA, there's also less of a demand to make regular amendments to an investment portfolio, so you can set it aside with minimal maintenance.

Naturally with investments there's always an associated risk but with sensible and careful planning, the financial opportunities that are available far outweigh the low risks that are involved.

All it takes is that initial small step outside of your cash-cushioned comfort zone and you'll soon be exploring the dynamic landscape of investing and the myriad benefits that it offers, grateful for the huge leap you took towards a better financial future.

Glossary

Asset class	A grouping of companies according to a common theme, such as commodities, retail or technology.
Dividend	A payment companies can make to shareholders that are a kind of "thank you for holding our shares". Often profitable, larger companies can pay shareholders nice dividends out of their profits, rather than re-investing their profits into the business.
Emerging market	An investment in a country that is developing quickly and shows high productivity. Can be risky because of geo-political issues and for other reasons but can also show high growth.
ESG	Environmental, Social and Governance. An investment theme that prioritises these considerations alongside risk and return.
Fund	A fund is an investment in a group of companies. Sometimes a fund manager selects companies according to a theme or goal, other funds are simply "index trackers" which track a chosen index of companies.
Fund Ecomarket	A place to find out about responsible investment funds
IFISA	Innovative Finance ISA – a newly introduced type of tax-free ISA that allows you to lend up to your annual ISA limit via authorised peer-to-peer lending platforms.
Income	If a fund is an income fund, it usually owns bits of companies that are known for paying regular dividends. For investors who want their money to provide them with a form of income, these funds can be preferable to funds that prioritise capital growth (these companies tend not to pay such chunky dividends.)
ISA	Individual Savings Account. Hardly anyone uses the full term anymore.
Lifetime ISA	Introduced April 2017. For those under 50 who want to use ISA savings to buy a house or to supplement pension savings, the Government will add a 25% top up to funds held in a Lifetime ISA.
Personal Allowance	The personal savings allowance is the amount of interest you can earn tax-free in a tax year. For basic rate taxpayers, this allowance is £1,000, for higher rate taxpayers, it is £500.
Shares	Shares are little units of a company that you can buy, hold and sell. They can go up and down in value according to company growth, competition, market movements and policy changes, for example. Shareholders own little bits of companies. If you own only a few shares in a massive company or fund, you are a minor shareholder. Major shareholders own greater proportions. All shareholders get to vote on key decisions, if they wish.
Stock	An old-fashioned term to describe a company or group of companies in which it is possible to invest. "I hold stock in Japan" would be a way of saying "I invest in Japanese companies".

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

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