EQ
Shareview
Your Regular Investment Guide
Keeping it simple
shareview.co.uk

Why invest regularly?

If you invest even small amounts into the stock market regularly, your money could be worth more than if you save it in a regular savings account.

This is good news - and a further reason to consider investing rather than saving. As with saving, it is possible to set up a monthly direct debit to invest a small amount, say £50 – less than £2 a day, on an investment platform such as Shareview Dealing which makes investing affordable to those of us who could replace the daily takeaway coffee or weekly takeaway dinner with investing for the future.

- You can begin building an investment portfolio with ease as setting up a regular investment takes less than five minutes.
- Each purchase is only £1.75 per trade.
- There is lots of choice of what to invest in and that choice is expanding all the time.
- Once you've set up your regular investment, you don't need to do anything else. It will take care of itself! Although you may occasionally want to review your holdings.
- You have the flexibility to stop or amend your monthly investments at any time. If you have an unexpected windfall you can increase your regular investment too.

Saving vs investing

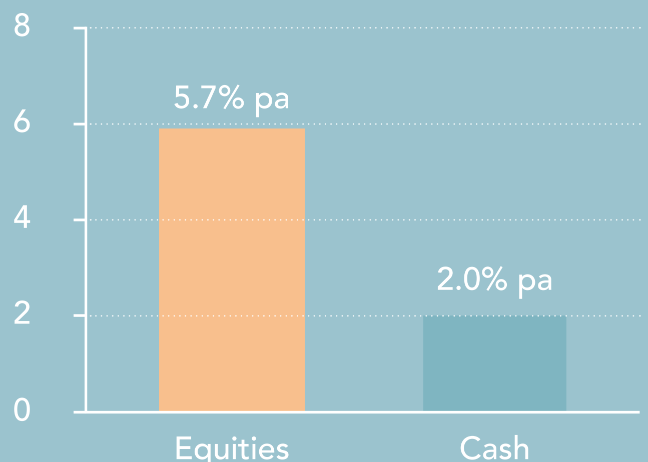
Interest rates are low and have been for several years. At the same time, inflation is rising. The two things together mean that the value of money held in savings is being eroded over time. As a result, more and more people are now trying investing, where gains can be (although are not always) higher, rather than saving.

When you save money, you deposit your funds in a bank or building society. The accounts can come with additional features, such as instant access. But the main benefit is certainty: you know that your savings are safe and that interest will be added at a given rate. Savings accounts are considered low risk.

When you invest, your money is usually buying shares in listed companies. This might be via a fund or you might be picking your own stocks (companies) to invest in directly. The main thing to remember is that when you invest, the value of your money can and probably will go down as well as up from time to time, so you are taking a risk that your money might be worth less over time.

Over the last 50 years, the annual average return for equities (shares) compared to cash is almost threefold.

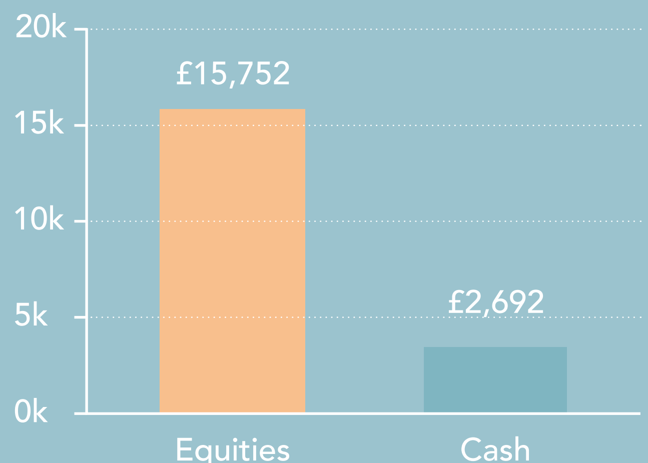
Average annual returns for equities (shares) and cash over the last 50 years



But what if you had invested £1,000 in each of these assets fifty years ago? How much money would you have now?

This example shows that investing in equities would have resulted in 5.8 times the amount you would have received, compared with leaving the money as cash.

Value of £1,000 investment after 50 years



Source: Equity Gilt Study produced by Barclays Capital.

New Investor?

Don't be tempted to continually check the value of your investments. Investing on a regular basis is investing for the long term so you will see decreases in your investments as well as increases. Over the long term, stocks and shares typically outperform cash and gains can be much higher than the interest on savings.

Slow and steady wins the race

Investing £50 a month for 12 months can build up a pot that is worth more than a lump sum investment of £600.

Over the long term, say, a five or ten-year period, the boost from regular rather than lump-sum investing is likely to be more significant (although this is not guaranteed). The reason for this is a very technical-sounding term –"pound-cost averaging".

If over time the general trajectory of the value of the shares is up, but there are occasionally dips along the way, this presents the opportunity for you to benefit from the effects of pound-cost averaging.

The ability to buy more units, or shares more cheaply, while investing the same amount of money, is one advantage of falls in the stock market for investors that wish to remain invested for the long term – assuming that the overall trend is up (and over history so far, it has been).
Think of it like this: if you invest a lump sum and the stock market suffers a steep decline, then your whole investment falls in value and you have no choice but to simply wait for the shares to rise in value again.

If you divide that lump sum up into smaller monthly contributions and drip-feed them in to the market, then if the stock market instead declines, you can also benefit from buying at the lower share prices. This way, when the shares do eventually rise in value again, you have more of them than you would have had in the lump-sum scenario.

Spread the investment

The table illustrates how the same £600 investment amount spread over six months instead of invested as a lump sum, at varying share prices, can produce a higher value of investment, despite the share price being the same at the end of the six-month period.

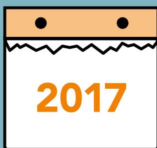
		Lump sum		Regular investment	
Month	Share/unit price	Cash invested	No. of shares/ units purchased	Cash invested	No. of shares/ units purchased
January	£1	£600	600	£100	100
February	£0.90			£100	111
March	£0.85			£100	117
April	£0.95			£100	105
May	£1.10			£100	90
June	£1.00			£100	100
Total		£600	600	£600	623

The only time there would be little benefit from pound-cost averaging is if stock markets continue to rise steadily over the long term, with no down periods. In that instance, the lump sum investment would be a better bet, as there would be no advantage to buying shares that are more expensive at a later date. However in practice, this does not happen, as there is always some volatility in financial markets.

Are there some types of investment that are better for Regular Investing than others?

Investing in Exchange Traded Funds (ETFs) regularly is popular as your money can be invested across multiple asset classes, across companies and countries to achieve a level of portfolio diversification that will spread risk effectively.

Need some investment ideas?



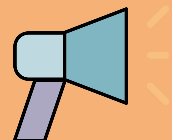
Tom's top five ETFs to watch in 2017

Five ETFs for beginners

Five sterling priced ETFs for accessing world markets

Five ETF ideas for the more specialist investor

Sign up to our monthly newsletter for investing articles and ideas



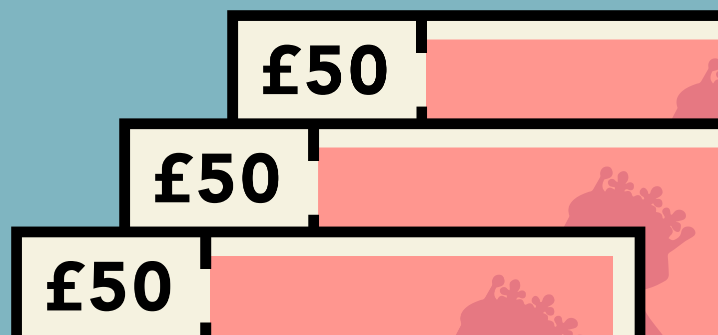
Sign up to our weekly Newsround for market highlights and the top risers and fallers

Visit our website for more information about regular investment:

shareview.co.uk

How to set up a Regular Investment

Watch our video to find out how to set up a Regular Investment.



Contact

Telephone

0345 300 0430

Lines are open Monday to Friday
08:00 to 18:00 (UK time).

Secure message for account holders

Log in to your account to
send and read messages.

Email

enquiries@equinitishareviewdealing.com

Please do not send personal or
account specific information via email

Post

Equiniti, PO Box 4605, Aspect House,
Spencer Road, Lancing, BN99 6QY

Risk Warning

The value of investments can fall as well as rise and any income from them is not guaranteed and you may get back less than you invested. Past performance is not a guide to future performance.

Equiniti Financial Services Limited does not provide investment advice. If you are in any doubt as to the risk or suitability of an investment or product you should seek advice from an independent financial adviser.

Find out more online:

shareview.co.uk

Equiniti Limited and Equiniti Financial Services Limited are part of the Equiniti Group. Their registered offices are Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Company share registration, employee scheme and pension administration services are provided through Equiniti Limited, which is registered in England & Wales with No. 6226088. Investment and general insurance services are provided through Equiniti Financial Services Limited, which is registered in England and Wales with No. 6208699 and is authorised and regulated by the UK Financial Conduct Authority.