How to start your investment journey

Age range: 16-19

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Now that you have learned some basics of investing, you might be considering investing yourself.

Starting to invest early can give your investments more time to grow over the long term. But it's crucial to evaluate whether investing and building your own investment pot is right for you. Consider these seven important steps.

1. Reflect on your personal circumstances

Investing isn't suitable for everyone. If you are overdrawn or have debt elsewhere it makes sense to pay this off before investing, as the interest you'll be charged on your debts is likely to be more than the returns you make on your investments. You should also have enough money built up in savings to cover life's unexpected costs.

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2. Think about risk

It's important to understand the risks involved with investing.

The main reason people invest is to make higher returns – more profit – than they would with a savings account.

However, with investing, any growth you receive is dependent on how your investments perform. Share prices go up and down, so with investing there's a chance you could lose money, although the hope is the value of your investment will rise by more than the rate of interest you'd receive if you kept your money in a savings account.

The level of risk varies depending on what you invest in so it's important to think about how much risk you feel comfortable with taking.

Time also makes a difference – the longer you can invest for, the less chance there is that you'll lose money because it has longer to grow.

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3. Set up an investment account

Before you can invest, you need to set up an investment account where you can manage your money – usually with an app.

Remember there is the option to invest using an Individual Savings Account (ISA) where you can invest up to £20,000 per tax year, tax-free. This can be a good starting point.

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4. How much will you invest?

You'll want to be sure how much money you can afford to invest – remember, the idea is to put money away for the longer term. Ideally, you don't want to be dipping in and out of your investments, but instead should be aiming to leave the money to grow for as long as possible.

Also, think about whether you want to invest a lump sum – maybe you've received some inheritance or have some money saved from a birthday or holiday job – or whether you'd prefer to invest monthly. Investing monthly can be a good habit to get into as you know you've got money regularly going into the stock markets, building up a pot of money for your future.

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5. Decision time

Once you pay some money into your investment account, you're ready to start investing.

Remember to consider what risk level is appropriate for you. Higher risk funds usually offer the potential for higher returns, but with greater risk of losses. Investing in company shares poses higher risk than in funds and is not recommended for first time investors. This is because with a fund, your money is pooled together with that of other investors and spread across a wide range of investments, helping to spread overall risk.

There are thousands of different investments to choose from. But some investment account providers – sometimes known as platforms – offer a shortlist to consider either searching by region or sector. If a list is divided by region, you'll be able to find a shorter list of funds that invest in the UK, Europe, the US or Asia – or all of the above in a 'global' fund.

Some investment account providers also offer ready-made investment portfolios where an expert has pre-selected a variety of investments according to certain risk levels and you just pick the one you're happy with.

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6. Research is key

You must do plenty of research before investing as it will help give you confidence you are making the right decision. After all, it's an important one.

There is help online and from the investment platforms themselves. You'll find that once you're signed up (or even without an account) you can find news updates and broader analysis on any funds you like the look of.

Each fund has a 'fund factsheet' which tells you everything you need to know about it: what it aims to do, how it invests and how it has performed. But remember that even if it's been doing well lately, that doesn't mean it will continue to do so.

It's important to check if a fund management company is regulated and reputable by checking the **Financial Conduct Authority Register**.

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If you want to investigate on individual companies, investment platforms tend to offer share price information. You can find the investor relations section on the company website for their latest news.

Alternatively, you can head to the **London Stock Exchange website**. Its 'news explorer' feature allows you to search for up-to-date regulatory and financial communications from companies as well as share prices.

Remember the golden rule – don't invest in anything that you don't understand.

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7. What next?

Once your investment account is up and running and you've selected and bought some shares or funds (or both) you will be able to keep an eye on how your investments perform by logging into your account online or using an app.

Remember, since stock markets don't rise in a straight line, the value of your investments will fluctuate daily. But don't worry about every movement. Over the long term, investments tend to grow more than savings.

You might also receive payments into your investment account by companies or funds paying dividends. These are made to shareholders from their profits as a thank you for investing in them. You receive an amount per share, so the more shares you own the higher the payment. You can opt for these to be reinvested in your pot – or paid out to you. If you don't need the money, reinvesting is a good idea as it will help boost your overall returns.