

The STARTING LINE

CHEAT SHEET · UK EDITION · FOR BEGINNERS

§ PART ONE

The Five Rules That Matter Most

01 Pay off high-interest debt first.

A 25% APR credit card is a guaranteed 25% loss every year you carry it. No legal investment beats paying it off.

02 Keep 3 to 6 months of expenses in cash.

An emergency fund is what stops you selling investments at the worst possible moment when life happens. Held in an easy-access savings account, not in stocks.

03 Use your ISA and SIPP allowances.

£20,000 per tax year into a Stocks & Shares ISA is tax-free forever. SIPP contributions get tax relief at your marginal rate. Use these wrappers before any regular investment account.

04 Invest the rest in low-cost index funds.

A global or S&P 500 index fund gives you instant diversification at near-zero fees. Total cost matters more than any single line. Check the fund OCF plus your platform fee plus any trading costs.

05 Automate. Stay the course.

Set up direct debits so you invest on payday before you can spend it. Check quarterly, not hourly. The investors who sit through downturns tend to be the ones who do well over decades.

"The stock market is a device for transferring money from the impatient to the patient." Warren Buffett

■ PLEASE NOTE

The value of investments can fall as well as rise. You may get back less than you invested. Past performance is not a reliable indicator of future results.

§ PART TWO

What £300 a Month Becomes

Illustrative only. £300 invested every month at a 7% assumed annual return. The S&P 500 has averaged around 7% real after inflation over the long term, with frequent drops of 20% or more along the way. Notice how the curve bends upward over time. The first decade is unimpressive. The third changes your life.

YEARS	YOU CONTRIBUTED	TOTAL VALUE	GROWTH FROM COMPOUNDING
5 yrs	£18,000	£21,478	£3,478
10 yrs	£36,000	£51,925	£15,925
15 yrs	£54,000	£95,089	£41,089
20 yrs	£72,000	£156,278	£84,278
25 yrs	£90,000	£243,022	£153,022
30 yrs	£108,000	£365,991	£257,991
35 yrs	£126,000	£540,316	£414,316
40 yrs	£144,000	£787,444	£643,444

§ PART THREE

What Derails Compounding

The maths above only works if you let it work. Five common interruptions.

- ✘ **Selling in a panic.**
Selling after a 30% drop turns a paper loss into a permanent one. Markets have always recovered. Your timing rarely does.
- ✘ **Paying high fees.**
A 1% extra annual fee on a £100,000 pot over 30 years costs you around £34,000. Fees compound against you.
- ✘ **Trying to time the market.**
Missing just the 10 best market days over 20 years roughly halves your return. Nobody reliably catches them.
- ✘ **Cashing out early.**
Every £1,000 withdrawn at 35 is roughly £7,600 missing at 65 at 7% growth. Treat investing accounts as a one-way valve except for emergencies.
- ✘ **Picking single stocks blindly.**
Most individual stocks underperform the index. Concentration risk works both ways. An index fund removes the guessing.

§ PART FOUR

A Rough Asset Mix by Age

A starting point, not a prescription. The classic heuristic: subtract your age from 110 and put that percentage in stocks. The rest in bonds, gilts, and cash. Adjust for your own circumstances, such as time horizon, income stability, and how you cope with sharp drops.

AGE	STOCKS	BONDS/GILTS	CASH	CHARACTER
25	85%	10%	5%	<i>Aggressive growth</i>
35	75%	20%	5%	<i>Growth with ballast</i>
45	65%	30%	5%	<i>Balanced</i>
55	55%	35%	10%	<i>Approaching retirement</i>
65+	40%	45%	15%	<i>Income and preservation</i>

§ PART FIVE

The UK Tax Wrappers Every Beginner Needs

The UK gives you several tax-advantaged accounts. Use them before any regular investment account. For most people the order is: workplace pension match first (free money), then ISA, then SIPP.

ISA: Stocks & Shares

£20,000 allowance per tax year (across all ISA types combined). Growth, dividends, and withdrawals are all tax-free, forever. No reporting requirement to HMRC. The first wrapper most people should fill.

SIPP: Self-Invested Personal Pension

Government adds basic-rate tax relief (£80 becomes £100). Higher and additional-rate taxpayers reclaim more via self-assessment. Locked until age 57 (rising to 58 in 2028). 25% tax-free lump sum on access.

LISA: Lifetime ISA

For first-time buyers and retirement. £4,000 per year (within your £20,000 ISA limit). Government adds a 25% bonus. Penalty for withdrawals not used for a first home or after age 60.

Workplace Pension

If your employer matches contributions, this is free money. Always take the match first. Auto-enrolment minimums apply for most UK workers. Contributions reduce your taxable income.

General Investment Account

No allowance limits, but no tax advantages either. Capital gains over the annual allowance are taxable. Dividends over the allowance are taxable. Use this only after the wrappers above are full.

§ PART SIX

Red Flags: When to Walk Away

■ Guaranteed returns.

No legitimate investment guarantees returns. Anyone who promises them is selling something dangerous, and often outright fraud.

■ Pressure to act now.

Real opportunities do not evaporate in 24 hours. Urgency is a sales tactic. Walk away and decide in calm conditions.

■ Crypto from strangers, group chats, or DMs.

Almost always a scam. The FCA reports rising crypto fraud. Never send funds to anyone you have not independently verified.

■ Not on the FCA Register.

Always check register.fca.org.uk before investing or sending money. If a firm is not authorised, you have no FSCS or Ombudsman recourse.

■ Complexity you cannot explain.

If you cannot explain what you own in one plain sentence, you should not own it. That includes structured products and exotic derivatives.

■ Suspiciously consistent market-beating returns.

Madoff promised steady, above-average returns for years. He was lying. Real markets are not smooth. Real performance is lumpy.

§ PART SEVEN

The Essential Lexicon

CAPITAL AT RISK

Your investment can fall in value. You may get back less than you put in.

COMPOUND GROWTH

When earnings generate their own earnings. The most powerful force in investing over decades.

DIVERSIFICATION

Spreading money across many investments to reduce investment-specific risk.

DIVIDEND

A share of company profits paid to shareholders, often half-yearly or quarterly.

DOLLAR-COST AVERAGING

Investing a fixed amount on a fixed schedule, regardless of price.

ETF

Exchange-Traded Fund. A basket of investments traded like a single stock. VUSA tracks the S&P 500.

FSCS

Financial Services Compensation Scheme. Protects up to £85,000 if a regulated firm fails. Does not cover investment losses.

FTSE 100

Index of the 100 largest companies on the London Stock Exchange.

GILTS

Bonds issued by the UK government. The safest sterling investment.

INDEX FUND

A fund that holds every company in a market index. The pragmatic core of most portfolios.

ISA

Individual Savings Account. Tax-free wrapper, up to £20,000 per tax year.

OCF

Ongoing Charges Figure. The annual cost of a fund as a percentage of your investment.

S&P 500

Index of the 500 largest US companies. The benchmark most American active funds fail to beat.

SIPP

Self-Invested Personal Pension. Tax relief on contributions. Locked until age 57.

VOLATILITY

How sharply an asset's price swings up and down over time.

YIELD

Income from an investment as a percentage of price. Dividends for stocks, coupons for bonds.

KEEP THIS NEAR YOUR DESK

Read it before any big financial decision. If you are unsure whether an investment is right for you, consider seeking advice from a financial adviser regulated by the FCA. Check the FCA Register at register.fca.org.uk.