July 2015

The benefits of regular investing

We all know that stock markets can go up and down. These movements can, at times, be quite extreme. Understandably this can deter some people from investing. However, making regular payments is an approach that can take away some of the worry. They can also make the inevitable ups and downs work for you!

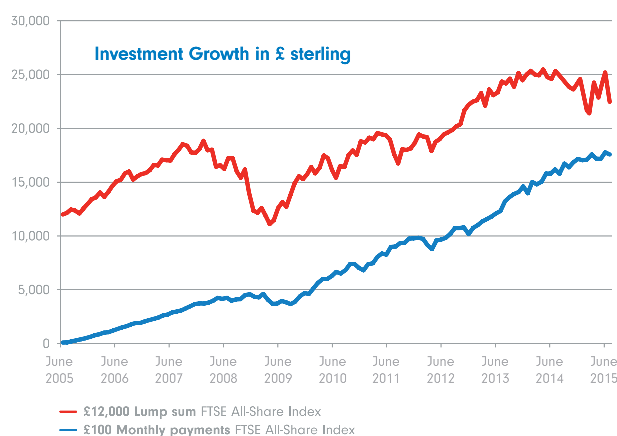
Greater peace-of-mind

Drip feeding money into the stock market can take away some of the worry of investing. If you commit a large lump sum, there is always the concern that there could be a large fall in share prices just around the corner. However, making regular payments means you are staggering your investment over time. If the stock market does fall, you will have only invested some of your savings. In addition, your future payments will take advantage of the cheaper share prices now on offer.

Providing a smoother ride

Investing regularly helps smooth your return. This is because you are contributing to your savings throughout all stock market conditions. The chart below illustrates this. It shows the value of £12,000 invested as a lump sum and through monthly payments over a ten year period into the UK stock market. As you can see, both approaches experienced the ups and downs of the stockmarket. However, investing regularly evened out a lot of these fluctuations.

Regular and lump-sum investing



Source: Morningstar Direct from 30.06.05 to 30.06.15 on bid-bid basis with net income reinvested, excludes initial charge

FTSE All Share Index

How the index has performed over the last five years	June 10 to June 11	June 11 to June 12	June 12 to June 13	June 13 to June 14	June 14 to June 15
FTSE All Share	25.6%	-3.1%	17.9%	13.1%	2.6%

Source: Datastream from 30.06.10 to 30.06.15 on bid-bid basis with net income reinvested. These returns do not take into account initial fees.

Please note that past performance is not a guide to the future. The amount you get back from regular or lump sum investing is not guaranteed. The value of investments can go down as well as up and you may get back less than you invested.

Benefiting from the ups... and the downs

Regular investment also provides what is known as 'pound-cost averaging'. While this sounds complicated, it is really quite a simple concept. It's based on the principle that when markets are low, you get more shares for your money. When stock markets are high, you get less.

The example below illustrates how this notion can work for you. As you can see, despite the share price being the same at the end of the period as at the beginning, pound-cost averaging means that the investment is actually showing a profit of £52.90! This is an example of what you might get back and is not guaranteed.

	Investment made	Share price	Shares Purchased
Month 1	£100	£1.00	100.0
Month 2	£100	£0.90	111.1
Month 3	£100	£0.75	133.3
Month 4	£100	£0.85	117.6
Month 5	£100	£1.10	90.9
Month 6	£100	£1.00	100.0
Total	**£600**		**652.9**
Value at month 6 = £652.90 (652.9 shares x share price of £1.00)			

The value of advice

When making decisions about investing, we recommend that you consult with a Financial Adviser. An Adviser will work with you to understand your needs and then offer broad-based advice to help you achieve your long-term goals.

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Key points – regular investing

- It can be a reassuring way to invest
- It helps smooth your return
- You can benefit from stock market ups and downs

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