Easy Stock Market Investing

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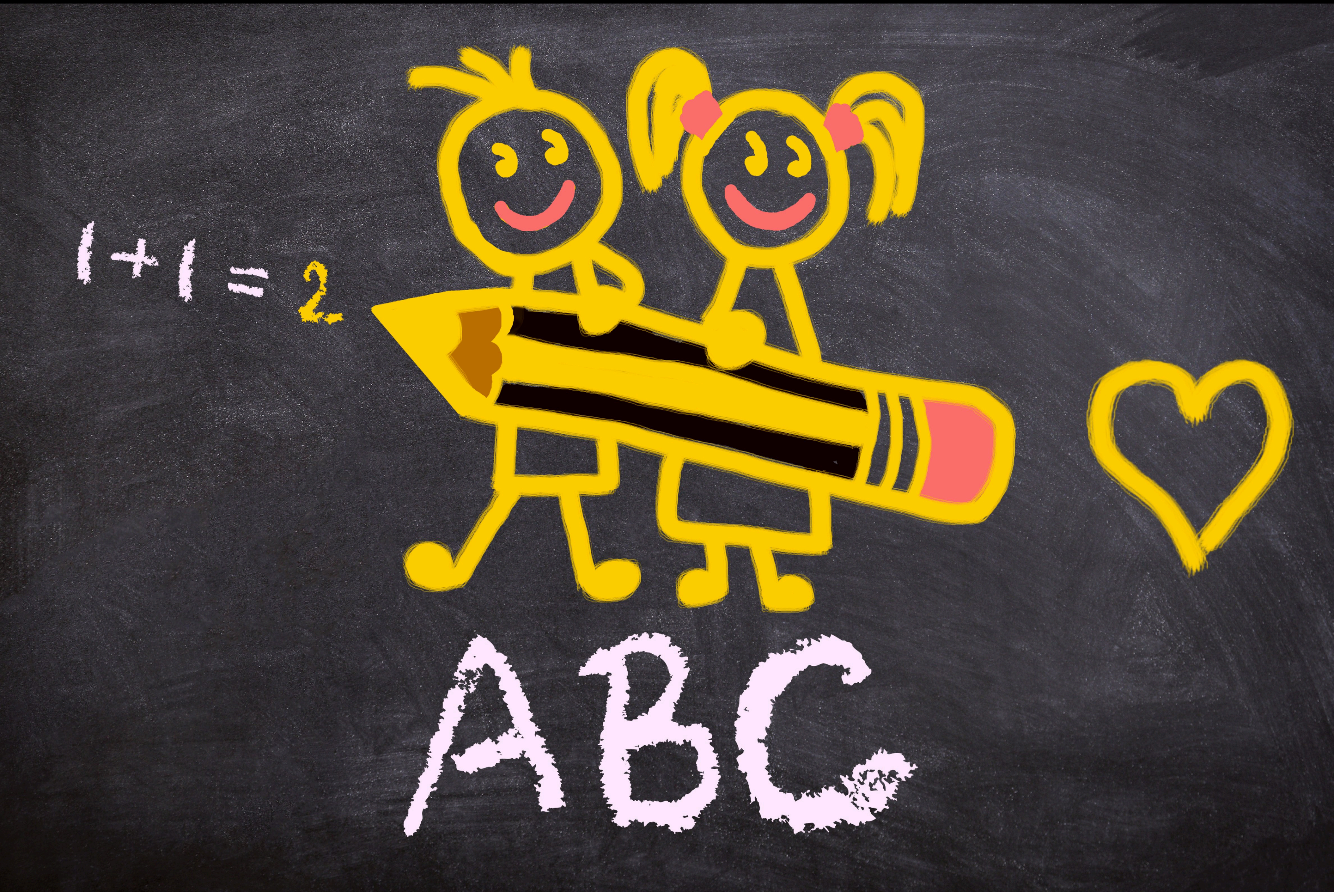

Concise guide to simple investing for everyone

SEAN TOWERS

Easy Stock Market Investing

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Introduction

This is a really quick guide to give you a good understanding of index investing, in less than half an hour.

I've been an active stock market investor, buying and selling shares in individual companies, and I wrote a guide on investing in individual shares back in 2015. The majority of friends, family and work colleagues who read my guide on buying shares still didn't feel confident enough to go ahead. The usual reasons are not having enough time and not having enough money. This is what prompted me to write this guide, to help more people benefit from investing in the stock market, by showing them just how easy it is.

This guide is designed to give the investing novice an insight into how easy it is to invest in the stock market. People often think that they would need large amounts of cash, extensive knowledge and that it will take considerable effort. In fact, it's remarkably easy to invest in the stock market, and you can invest with as little as £25 per month.

This guide concentrates on a popular passive investing strategy known as index investing. It's not aimed at people who want to buy shares in individual companies or play a highly active role in choosing what to invest in. The strategy simply involves investing in a fund that tracks the performance of the whole world stock markets. Many experienced and successful active investors agree that this is the best strategy anyway. Approximately 85% of active investors fail to beat the market index. By diversifying your investment across thousands of companies situated all over the world, you massively reduce your risk compared to investing in a few individual companies.

To keep the figures simple, I've ignored inflation in all examples. Obviously, a pound won't go as far in 30 years' time as it does today, but the numbers are much easier to understand without inflation added. In reality, that means that your investments would need to increase in line with inflation so that you have the equivalent spending value in the future.

Warnings

All forms of investment carry a degree of risk and it's important that you fully understand the risks involved.

The value of investments can go down as well as up so you may get back less money than you originally invested.

Past performance is not a reliable indicator of future performance.

Never invest money that you cannot afford to lose and never use borrowed money to invest.

Investing in the stock market should always be considered a long-term strategy, absolute minimum 5 years.

The information contained in this guide should be taken as one individuals' suggestion rather than qualified financial advice.

It is strongly recommended that you do your own research on all aspects of investing.

Why Invest?

Historically the stock market has offered much better returns than savings accounts over the long term. As a very rough guide, you could realistically expect to achieve approximately 10% per year average over a long period.

Even as little as £25 per month over 30 years (£9,000 total) could grow to £56,512 (£47,512 profit) if you achieved 10% annualised return.

Obviously, these figures are not guaranteed but they are entirely realistic. There will be good years and bad years though, which is why it has to be considered a long-term strategy. It’s always better to use a modest percentage when planning, rather than an ambitious one.

If you look at the performance of the world stock markets over the last 20 years', it's easier to understand just how much the performance can vary year to year.

MSCI World Index

Year	Performance	Negative Year Notes
2006	+20.65%	
2007	+9.57%	
2008	-40.33%	Global Financial Crisis
2009	+30.79%	
2010	+12.34%	
2011	-5.02%	US credit downgrade & Greek debt crisis
2012	+16.54%	
2013	+27.37%	
2014	+5.50%	
2015	-0.32%	China's "Black Monday" & commodity price slump
2016	+8.15%	
2017	+23.07%	
2018	-8.20%	Trade war concerns & late-year growth slowdown
2019	+28.40%	
2020	+16.50%	
2021	+22.35%	
2022	-17.73%	Interest rate hikes & Ukraine invasion by Russia
2023	+24.42%	
2024	+19.19%	
2025	+21.60%	

Total return with dividends reinvested.

Over the last 10 years the annualised return was +13.04%.

Over the last 10 years the total growth was +231.76%.

£100 invested in 2016 would have grown to £331.76 at the end of 2025.

Index Investing

Index investing is a passive investment strategy that doesn't require extensive research or knowledge of the stock market. In simple terms, it involves investing in the entire index of companies instead of trying to pick individual companies.

Take banks for example, imagine you bought shares in Barclays. You are now entirely dependent on that one company doing well. If they have a bad year and their shares drop in value 20%, you're down 20%. You could split your investment between Barclays and HSBC to reduce that risk slightly. Or you could split it even further, adding Lloyds, Metro and Santander to your portfolio. Now if Barclays goes down 20% it would only affect your portfolio of shares by 4% or more likely it wouldn't affect it at all because one or all of the others would have benefited from Barclays weakness. Diversification is absolutely key to risk management.

An index is simply a list of a particular group of companies. The one you are most likely to have heard of is the FTSE 100. The FTSE 100 is simply an index of the 100 largest companies listed on the London Stock Exchange. The FTSE 100 includes companies like BP, HSBC, Next, Shell, Tesco, and Vodafone, big household names. There are many indexes available, covering different countries, regions, industries, commodities, bonds etc.

Instead of trying to pick the best companies from the FTSE 100, which would require researching all of them, index investing includes all of them. Some will do well, some not so well, but overall the market is expected to grow. So, buying the FTSE 100 index would require 99% less effort and carry much lower risk than investing in one or two companies.

The FTSE 100 is a great investment, but you can dilute risk even further by spreading your investment across even more companies. You could invest in the whole UK stock market but even that is focused on just one country, just one currency etc. The world index offers the ultimate diversification and spreads risk as far as possible.

Essentially that means having a little piece of every listed company in every sector and in every country. This also means that it naturally covers all of the other aspects like commodities and currencies because the fund will include the companies that deal in these. By diversifying across all of these companies in different industries and different countries and currencies, you reduce your risk as much as possible. If one company, industry or country is suffering, any loss will hopefully be offset by something else doing well. The strategy has proven successful for a very long time.

World Index Tracker

A world index tracker is a fund that will replicate the performance of the world stock markets. To keep costs down, it won't hold shares in every single company, but it will hold a fair representation, usually somewhere between 1,500 and 3,000 companies. The shares are correctly weighted by the company size, so a huge company that represents 1% of the total market will be represented as 1% of the fund. A company 10 times smaller will only be 0.1% in the fund. Fund managers will continually rebalance the shares to maintain the correct percentages. These are passive funds, meaning that the fund manager isn't trying to pick the best companies, they are simply holding all of the companies in the correct percentages. Obviously, providers charge for operating a fund but passive funds are much cheaper than active funds. The charge is deducted from the profits not actually paid by you, but you still need to consider how much a fund is charging. The world index is heavily weighted towards the USA because that is by far the largest part of the world stock markets, approximately 60%. The UK is approximately 5% of the world stock markets by comparison.

There are two main variables when choosing world index trackers, the fund type (Mutual Fund or ETF) and the way the fund handles its dividend income (Accumulation or Income).

Mutual Fund or Exchange Traded Fund (ETF)?
There are two types of fund structure, Mutual Fund and Exchange Traded Fund (ETF). They trade slightly differently, as illustrated in the table below. Mutual Funds are better suited to small monthly contributions, because all of the money can be invested. If you want to invest £25 per month, you can buy £25 per month of a mutual fund. For the ETF it is dependant on the price per unit. If you choose an ETF that is £15 per share, you could only buy one share and £10 would sit as uninvested cash.

Mutual Fund	ETF
The buy price and the sell price are exactly the same	There is a difference between the buy price and the sell price (approximately 0.1%) known as the spread. This is similar to what you would see on currency when you buy your holiday money
Trades only occur once a day, you place orders first thing in the morning, there is a valuation point (usually 12pm) and all orders are processed at that price	Trades occur all day long, you can place a buy or sell order instantly
You choose a monetary amount to invest	You choose how many shares you would like to buy

Accumulation or Income?
Accumulation funds, automatically reinvest all dividends back into the fund, and therefore grow faster. Income funds pay out the dividends which you can withdraw or manually reinvest. Accumulation funds are better unless you want to withdraw the income or you are using a general investment account, where tax calculations get complicated.

Stockbrokers

To invest in a world index tracker, you're going to need an account with a stockbroker. There are specialist stockbrokers and some banks have stockbroking services. My personal preference is Interactive Investor who are one of the largest specialist stockbrokers in the UK. For the purpose of cost illustrations, I will use Interactive Investor in all examples except the Junior ISA, but you can certainly choose your own stockbroker. Adding even one other stockbroker comparison would make the guide much more complicated. Having the Interactive Investor fees clearly broken down for you though, will help you to compare them against any other stockbroker. In the next five sections I'll explain the different account types, the fees and the benefits of the different account types. The account type that's best for you will depend on how much you want to invest and for what final purpose. It takes approximately 5 minutes to open an account with a stockbroker.

Here's a brief summary of the two main Interactive Investor price plans.

Core Plan	**Plus Plan**
£5.99 per month	£14.99 per month
Total portfolio up to £100,000	Unlimited portfolio size
GIA, ISA & SIPP included	GIA, ISA & SIPP included
Regular investing FREE	Regular investing FREE
UK & US Shares £3.99 per trade	UK & US Shares £3.99 per trade
Mutual funds £3.99 per trade	Mutual funds £1.49 per trade
	1 x free trade per month
	5 x free family accounts
	Free Junior ISAs for all your children

You can visit the Interactive Investor website here, and if you use my referral link you'll get a whole year of zero monthly platform fees I will also receive a referral commission.
https://www.ii.co.uk/recommend-ii?ii_referrer=hly6npq7ci8u-eo7eco01iqif

Other Popular Stockbrokers
A J Bell https://www.youinvest.co.uk Fidelity https://www.fidelity.co.uk
Hargreaves Lansdown https://www.hl.co.uk IG https://www.ig.com/uk
Trading 212 https://www.trading212.com

Which Type of Account?

Deciding whether a GIA (General Investment Account), ISA (Individiual Savings Account) or SIPP (Self-Invested Personal Pention) is best for you will depend on your personal situation and goal. There are way too many variables for me to give you a definitive answer, but I'll give some examples of suitability.

One important thing to know is that you're not restricted to having just one account. There is nothing to stop you having all of them if you want. There are also variations to consider, Lifetime ISA, Junior ISA and Junior SIPP.

Age is a big contributor to the decision, if you're 18 years old it probably wouldn't make sense to put everything into your SIPP because you'll probably have other big financial milestones before retirement like buying a house for example. That doesn't mean you shouldn't have a SIPP; it just means that you might split your investments between a SIPP and an ISA for example.

GIA
In a GIA you are liable for tax on any income and capital gains. This account only makes sense if you're lucky enough to have spare cash after you've filled your ISA or SIPP limits for the year.

ISA
Any income or capital gains within an ISA are totally tax free. ISA is the all round general purpose investment account.

Junior ISA
Suitable for investing for someone under 18 years of age.

SIPP
Suitable for creating a retirement income. Please note that once invested, you cannot access your money until age 56, changing to 57 in 2028.

The following two variations are not covered separately in this quick guide, but the same general principles apply. All of them require further research before you could decide if they are right for you.

Lifetime ISA
Only available for ages 18 to 39 and suitable for building a deposit to buy your first property or for retirement. Invest up to £4,000 per year and get 25% added by the government, up to £1,000 per year (Figures based on 2026/2027 tax year rules).

Junior SIPP
Suitable for creating a retirement pot for a child under 18. Invest up to £2,880 per year and the government will add 20% tax relief, up to £720 (Figures based on 2026/2027 tax year rules).

General Investment Account

This is the most basic type of account and may be an option if you only have a small amount to invest. You can achieve up to £3,000 capital gains and up to £500 in dividends before you have to pay any UK tax if you are a basic rate taxpayer (Figures based on 2026/2027 tax year rules). However, an ISA is a better option, because all income and capital gains are tax free in an ISA.

Interactive Investor Charges

Mutual Fund		ETF	
Fee for one off purchase	£3.99	Fee for one off purchase	£3.99
Fee for regular monthly purchase (minimum £25 purchase)	£0	Fee for regular monthly purchase (minimum £25 purchase)	£0
Platform fee per month	£5.99	Platform fee per month	£5.99

As you can see from the above fees, it's not really viable to make small one off purchases because of the £3.99 purchase fee. If you made a £25 purchase, the £3.99 fee would be approximately 16%. You would really need to buy at least £800 at a time, to keep the £3.99 dealing commission down to 0.5%.

With regular monthly purchase by direct debit, you can invest as little as £25 per month in a mutual fund or ETF and there's no dealing commission. With the mutual fund you'd get exactly £25 invested because you can buy fractions of the fund. With the ETF you have to buy whole shares, so if the shares were £15 each, you would only get one share and £10 would sit as uninvested cash.

Please note that the £5.99 per month platform fee includes all three accounts GIA, ISA and SIPP up to £100,000 total value, it is not £5.99 per account type.

Stocks & Shares ISA

ISA stands for Individual Savings Account and it's basically a tax-free wrapper. If you open a stocks & shares ISA, your gains will be totally tax-free. The government allows you to deposit a certain amount of cash into your stocks & shares ISA each year, currently £20,000 for the 2026/2027 tax year. You can pay in lump sums or monthly amounts at any time across the tax year and any gains you make are free from tax.

There is no limit to the size your stocks & shares ISA can grow to and you can keep adding the new allowance every year. If you added £20,000 in the 2026/2027 tax year and made £3,000 profit for example, you can still add the full allowance of £20,000 in the 2027/2028 tax year and every year after. The only restriction is how much new cash you can introduce into the ISA each year.

Interactive Investor Charges

Mutual Fund		ETF	
Fee for one off purchase	£3.99	Fee for one off purchase	£3.99
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With regular monthly purchase by direct debit, you can invest as little as £25 per month in a mutual fund or ETF and there's no dealing commission. With the mutual fund you'd get exactly £25 invested because you can buy fractions of the fund. With the ETF you have to buy whole shares, so if the shares were £15 each, you would only get one share and £10 would sit as uninvested cash.

Please note that the £5.99 per month platform fee includes all three accounts GIA, ISA and SIPP up to £100,000 total value, it is not £5.99 per account type.

SIPP

SIPP stands for Self Invested Personal Pension. If you open a SIPP, your profits will be tax-free, but the income is taxable when you withdraw it. The government allows you to deposit a certain amount into your SIPP each year. For the 2026/2027 tax year it is your entire income or £60,000, whichever is lower. However, the £60,000 maximum includes tax relief so you can only contribute £48,000 yourself and the government adds the other £12,000 for you. Basically, the government refunds the income tax you have paid on the money you contribute. If you are a higher-rate or top-rate taxpayer, you can also claim back the additional tax you've paid through a tax return. This makes a SIPP an extremely good idea, if you have a salary of £100,000 per annum, and you contribute £48,000, the government adds £12,000 and you can claim back a further £12,000 through a tax return. You would therefore have £60,000 in your SIPP for an effective cost to you of £36,000. You can pay in lump sums or monthly amounts at any time across the tax year and any profits you make are free from tax.

Please note that the £60,000 annual limit applies to all pension contributions so if you have another pension, including a workplace pension, you can only contribute a total of £60,000 per year between all of them, including employer contributions and tax relief.

You cannot withdraw cash from your SIPP until you reach a certain age, currently 55 and changing to 57 from 2028. There is a lifetime allowance on pension pots (currently £1 million), which is a limit on the size your pension pot can become without triggering additional tax.

Most people don't spend anywhere near enough time or effort planning for retirement and have no idea of how much they will need in a retirement pot. Many think that they don't need to do anything because there is a state pension. The full state pension is approximately half the living wage. This is why we hear so many stories of pensioners struggling. You cannot rely upon the state pension alone, if you want a comfortable standard of living in retirement. It's well worth spending some time researching pensions on the internet. It is extremely important to start a pension as early in life as possible.

Interactive Investor Charges

Mutual Fund		ETF	
Fee for one off purchase	£3.99	Fee for one off purchase	£3.99
Fee for regular monthly purchase (minimum £25 purchase)	£0	Fee for regular monthly purchase (minimum £25 purchase)	£0
Platform fee per month	£5.99	Platform fee per year	£5.99

As you can see from the above fees, it's not really viable to make small one off purchases because of the £3.99 purchase fee. If you made a £25 purchase, the £3.99 fee would be approximately 16%. You would really need to buy at least £800 at a time, to keep the £3.99 dealing commission down to 0.5%.

With regular monthly purchase by direct debit, you can invest as little as £25 per month in a mutual fund or ETF and there's no dealing commission. With the mutual fund you'd get exactly £25 invested because you can buy fractions of the fund. With the ETF you have to buy whole shares, so if the shares were £15 each, you would only get one share and £10 would sit as uninvested cash.

Please note that the £5.99 per month platform fee includes all three accounts GIA, ISA and SIPP up to £100,000 total value, it is not £5.99 per account type.

Junior Stocks & Shares ISA

ISA stands for Individual Savings Account and it's basically a tax-free wrapper. If you open a junior stocks & shares ISA for a child, the gains will be totally tax- free. The government allows you to deposit a certain amount of cash into the junior ISA each year, currently £9,000 for the 2026/2027 tax year. You can pay in lump sums or monthly amounts at any time across the tax year and any gains made are free from tax. You cannot withdraw cash from the junior ISA until the child turns 18 years old. At that point it will convert to an adult ISA and they will have control over it.

There is no limit to the size the junior ISA can grow to and you can keep adding the new allowance every year. If you added £9,000 in the 2026/2027 tax year and made £3,000 profit for example, you can still add the full allowance of £9,000 in the 2027/2028 tax year and every year after. The only restriction is how much new cash you can introduce into the ISA each year.

Hargreaves Lansdown Charges

Mutual Fund		ETF	
Fee for one off purchase	£0	Fee for one off purchase	£0
Fee for regular monthly purchase (minimum £25 purchase)	£0	Fee for regular monthly purchase (minimum £25 purchase)	£0
Platform fee per month	£0	Platform fee per month	£0

For a Junior ISA, Hargreaves Lansdown has a better offer than Interactive Investor, because there are no fees at all as above.

If your Interactive Investor account grows to over £100,000 in total you would move on to their Plus package and the Plus package includes a free Junior ISA for all your children.

Actual Funds

Where most guides fall short is in suggesting some actual funds. I've done the research for you and I can suggest what I consider to be the best Mutual Fund and best ETF. I hold both of these funds for either me or my grandson. However, it's always best to do your own research and the best deals do change over time.

A good website to research funds is https://www.morningstar.co.uk

Mutual Fund
GB00BJS8SJ34 - Fidelity Index World Class P Accumulation
Fund charges 0.12% per year (deducted from fund value)

ETF
VHVG - Vanguard FTSE Developed World ETF
Fund charges 0.12% per year (deducted from fund value)
One whole share is approximately £100 at the time of writing.

Above data accurate as of 22/05/2026

Free ISA Option

If you're not convinced yet or simply don't want to invest at the levels suggested, there is one option everyone can try.

Trading 212 offer a free ISA, no platform fees and no transaction fees.

BE CAREFUL NOT TO OPEN A CFD ACCOUNT WHICH IS THE DEFAULT
YOU MUST MAKE SURE YOU SELECT TRADING 212 ISA

You might be wondering why I didn't focus the whole guide on Trading 212 instead of Interactive Investor and Hargreaves Lansdown.

1) Trading 212 don't offer a Lifetime ISA.
2) Trading 212 don't offer a Junior ISA.
3) Trading 212 don't offer mutual funds.

VHVG - Vanguard FTSE Developed World ETF
Fund charges 0.12% per year (deducted from fund value)
One whole share is approximately £100 at the time of writing but you can buy fractions of a share on Trading 212. That means you could literally invest as little as a few pounds.

Above data accurate as of 22/05/2026

Summary

It’s easy to invest in the stock market through a world index tracker.

You can start with as little as £25 per month (even less with Trading 212).

It takes approximately 5 minutes to open an account with a stockbroker.

In a standard general investment account, you can receive up to £3,000 in capital gain every tax year without paying any tax if you are a basic rate taxpayer. (you have to sell your holding and realise the gain; you can’t just let it accumulate)

In a standard general investment account, you can receive up to £500 in dividends every year without paying any UK tax.

In an ISA or SIPP, you won’t pay any tax whatsoever on capital gains or dividends. (you may have to pay income tax on SIPP withdrawals)

The maximum you can contribute to an ISA is currently £20,000 per year.

In a SIPP you will also receive tax relief.

The maximum that can be contributed per year across all of your pensions is £60,000 including tax relief and employer contributions.

Mutual Funds usually make more sense than ETF if you are investing small amounts.

It is strongly recommended that you do your own research on all aspects of investing.

Hopefully you’ve found this guide very concise and a simple overview that inspires you to do some more research and start index investing in a world index tracker.

Feel free to share the guide with friends and family to help them as well.

Contact Me

I’m always happy to receive feedback or answer any questions if I can. Negative feedback is particularly welcome as this can help me improve the guide to make it more useful for others.

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