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Ten tips for getting started in online share dealing

More and more of us want to take control of our finances. We want to know what our money is invested in, what our investments are earning and, if we want a change, we want to shop around for alternatives before we switch or make new investments. One of the easiest and most convenient ways to do this is by going online. Online financial services allow us to do lots of research, make changes to our portfolio at a time that suits us and usually they let you do these at a reasonable cost. Most of us have a computer and a link to the internet. That is really all you need if you want to try share dealing online. So to help you enjoy managing your financial affairs online, we've put together ten tips for getting started.

1 Make sure the price is right for you



At first glance, prices for share dealing can be confusing. While the range of price packages you will find will not be quite as complex and multi-layered as those offered by mobile phone companies you may be surprised at the array that a single company might offer. Many companies will give you a better deal if you commit to trading over a certain number of times per year. So the first question you should ask yourself, is, how often do I think I will trade? Once you've decided whether it is ten, 20 or 100 times or more a year, it will be easier to get a clear idea what a company will charge you. If you compare different providers' charges using the same assumption eg. 20 trades a year, you will get a fairer comparison. Remember that prices will also be different depending on what currency or type of instrument you are trading so if you want to trade in dollars or in a more specialist investment product factor this into your comparison. There are often

special offers too and these are worth considering, particularly if you are looking to dip your toe in share dealing, but look at the normal dealing terms as well.

2 Look at the whole picture.



Don't just compare the cost of buying or selling shares as these don't give you the full cost picture.

There are often add-on costs for the service you are getting. You may be asked to pay an initial joining fee and an annual administration fee for the service on top of share dealing charges. This might be a fixed fee or it could even be a percentage fee based on the value of your portfolio. Some providers charge an inactivity fee (if you don't trade at all or trade less than a minimum times a year). Calculate how much this would add on to your costs. Again there is no right answer that fits everyone – look at what is right for you.

To find out more about Online Dealing at Alliance Trust, please visit www.alliancetrust.co.uk/online

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Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and are not guaranteed and you may not get back the amount you invested.

3 Check that your provider can offer the investment choice you are looking for



Make sure the provider offers you as wide a choice of investments as you need. The range of choice varies and if you want access to specialist or exotic investment products you will probably end up paying more for this option. However, if you're mainly interested in mainstream UK stocks, then you'll find you have a wider choice of providers open to you at more competitive prices. Your investment taste may change over time so even if you favour one investment type at the moment, having access to a wider choice will keep your options open.

4 Do the online features suit your needs?



Most online dealing systems will offer you a plethora of tools and functions to make your online dealing experience 'easier'. This is all well and good, but let's face it – you only came to make a trade. It's a bit like your mobile phone – it can probably give you directions to the nearest station, take better pictures than a Hasselblad and store Tina Turner's back catalogue – but how easy is it to make a telephone call? Further on in this article, I'll explain how you can use other freely available tools to track your portfolio safely. For now when evaluating the features a provider offers, just concentrate on the ease of making a trade first, everything else is secondary. Specific pointers would be:

- Is the buying and selling process plain and straightforward (it doesn't need to be complicated)
- Do they allow you to place market orders even when the market is closed?
- Do they give you the flexibility to invest a sum of money rather than buy a quantity of shares (eg buy as many shares as possible for £5,000 rather than getting out the

calculator and working out what you can afford)

- If you intend opening multiple accounts with your provider, holding the same stock in each account, can you trade across all plans at the same time or do multiple accounts mean multiple trades at different prices each time.
- How do you fund your account? Ideally you want them to accept debit cards and most will accept electronic transfers and cheques – but do read the small print, some providers won't accept cheques for an online account which could cause you some problems.

5 Don't forget you might need support offline



Everything is going to plan, you've selected a provider who is right for you, you've opened an account, done your research and you're about to place your first trade – then you hit a glitch and something unfamiliar comes up onscreen. Time is of the essence so what do you do? This is where it matters what your provider's offline support is like. First of all, can you place your trade instantly over the phone? Is there an extra charge for this facility? If your computer still works and you just need some gentle coaxing to get you through your first trade, is there a customer adviser who can talk you through it clearly over the phone? Finally check the price of a phone call.

6 Know the basics of internet security



You've probably heard some pretty scary things about the internet and how it can trick you by stealing your identity or your bank balance. If you follow some basic, commonsense steps you should be no more at risk than in the physical world:

- Ensure your virus and spyware software is up to date. If you don't have one or either of these, then you should install some quick!

- Never follow a link to your provider's log on screen from an email or untrusted website. Hand type and then bookmark your login screen. This way you can be sure that you are going to the real website and not a phoney one.
- As with all passwords and PIN numbers, commit them to memory and destroy any paper copies of them. If you have to choose your own password, make sure it's not a name or a word you could find in the dictionary – i.e. make something up!
- Always log off when you are done. Rather than just closing the browser – click on the log off button.
- Think twice before you use someone else's computer to access your account. If you have to use someone else's computer to access your account – check the computer is running some sort of anti-virus and spyware software. When the browser asks you if you want to 'remember this password' always say no!

7 Use free online portfolio tools to track your performance



There are some good reasons for using free portfolio tracking tools available on the internet.

The main one is security. If you want to check how your stocks are doing you can use these tools from anywhere in the world that has internet access without having to log into your account. There are some really good free portfolio tools out there! Most of them will give you various views on your portfolio, allowing you to track overall return, daily gain/loss and your results. You'll even get some services that will send you email or SMS alerts when there is news or a price hits a pre-determined threshold. Free portfolio providers make their money from advertising so you don't have to pay them and you can use them side-by-side with your chosen provider and their own research tools.

8 Use the internet to do your research too



In the days before the internet, research was definitely a chore. The amateur investor had fewer resources. You could read financial newspapers, a company report, or maybe make a quick call to a company's investor relations department. The internet has opened up far more options. Whatever you do there's no excuse not to do some thorough research. Start by using one of the numerous free research sites out there. Check out the fundamentals and the analysts' targets and forecasts. Read the online news articles relating to the company and look at the company's website. It's also worthwhile checking what some of the newsgroups are saying and, if you want to, post your own questions. If you already have your own method for researching a company, then you shouldn't change that, but hopefully the internet will make your process easier. At the end of the day, the decision to buy, sell or do nothing remains with you, but at least you have done your groundwork.

9 Share the fun!



Online trading doesn't have to be a lonely occupation! The internet is a community and you can join in online discussion groups and forums or read what bloggers are saying about your favourite companies. You don't have to stick to the internet though. You can join an investment club and pool your resources, as well as your research.

10 Don't forget the tax breaks



You can increase the benefits of investing in shares if you consider some of the allowances that you are allowed in tax efficient wrappers such as ISAs and SIPPs. You can deal in shares from within these wrappers. Look around for a provider that allows you to 'wrap' as much money as the HM Revenue & Customs allows within your account. If you want to ease the management of your portfolio and consolidate your investments in one, easy-to-access, site you should consider providers who offer a full range of wrapper accounts. Some providers even allow you to trade in stock across all your accounts whether they are wrappers or not.