



Section 2

Getting started

You could, of course, go ahead and invest in shares right now – you may well own some already, maybe from some of the privatisations or demutualisations of the 90s. But we believe that, to be successful, investing needs to follow a plan. And a good way to plan the plan might be to ask yourself three questions:

1. Where are you now?

Are you just starting out on a glittering career? Are you approaching middle age, and – sorry, but it's usually true – your peak earning years? Are you struggling to meet living expenses?

Many people think they just don't have the time or the means to start investing – but you'll be surprised at how little you need.

To make money available for investing, a good first step is to set out what you earn, what you own and what you owe – a kind of personal 'balance sheet'. It's often a useful housekeeping exercise: where does it all go? Then, do some tidying up:

Attack debts: they cost money. Not necessarily mortgage debt – it's generally among the cheapest there is. But if you've high interest debt, you should pay it off or transfer it – few investments we know of can bring in the 27% APR (Annual Percentage Rate) that some credit cards charge! Investing to beat that would be like trying to climb up a 'down' escalator.

Check you've the right insurance protection. For example, life assurance will protect your family if you die. And if you've not got a family yet but plan to have one, consider buying life assurance now, because the older you get the more expensive it becomes.

Stash some cash. Because investments are designed to bear fruit in the longer term, using them for emergencies or short term spending will spoil their chances; it'd be like plucking fruit before it's ripe. So most advisers reckon you should keep around three months' earnings in a savings account for such emergencies.

2. Where do you want to be?

So you've worked out your personal balance sheet and maybe found that you can make money available to invest (and remember mighty oaks from little acorns grow – it's often better to get started with a small amount than not to start at all).

Who was it who said, 'the future isn't something we live through, it's something we create'? In terms of investing, it makes sense to have some goals. Long-term goals could be things like:

- a 'one-off' celebration
- an earlier retirement
- paying for your children's further education
- building a capital lump sum for your second career.

Look at the time frame you're planning for – you'll need to take a different approach to short-term plans than you will for long-term ones. And try to put a figure on how much you'll need – remember to allow for inflation or you

could find your buying power severely restricted when the time comes.

3. How do you get there?

Once you've established your long term objectives, it's time to work out what you need to do to meet them. How much you're going to need to invest; what to invest in; and how much investment risk you should take.

In terms of investment risk, there's an old adage, be generous with time and time will be generous with you. If 'where you want to be' is only a year away, and your investment doesn't produce the expected return, you haven't much time to make alternative arrangements – so taking investment risk is not sensible. If, however, you're aiming at a retirement that is 20–30 years away, you'll be able to take more risk with confidence, because you'll be spreading that risk over more time. In addition, the phenomenon of 'compounding', by which the income from your investments is re-invested,

Be generous with time and time will be generous with you.



can produce positive results – but only over time.

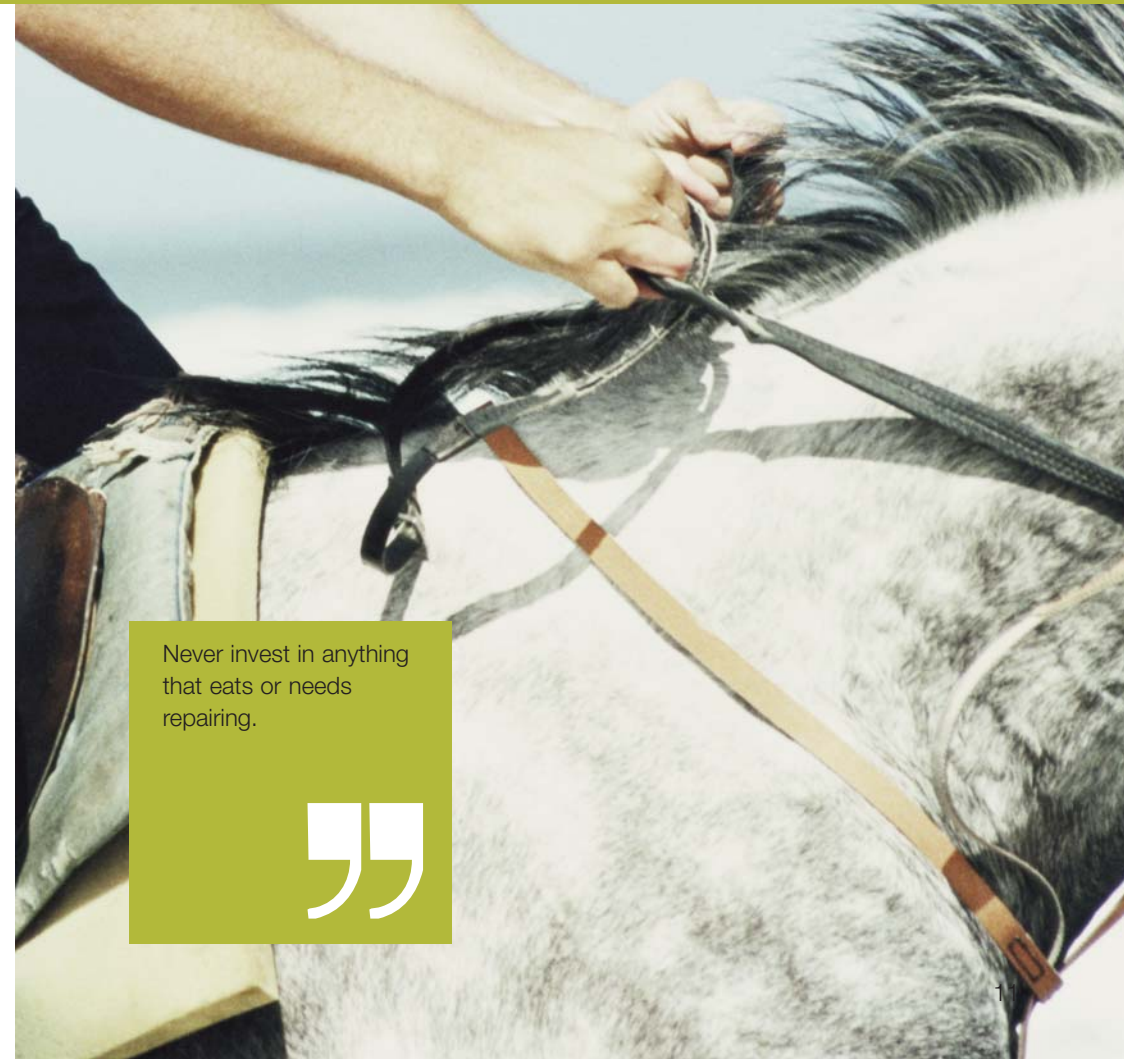
As we said, you'll need to take inflation into account too, as it can eat away at the buying power of your money. Use the handy calculators on our website, www.share.com to answer these questions. They'll help you to work out the impact of inflation, and show you how your money could grow towards meeting your goals.

So – what to invest in?

There are almost as many different types of investment 'asset' as there are people prepared to buy them, believing they'll increase in value – from art to wine. Some of these are highly speculative – which is to say whether or not they'll gain in value is a matter of speculation! Different types of asset, like different types of car (or horse), behave in particular ways and have particular uses. In the case of a house, for example, it may not be particularly easy to buy and sell, but you can live in it! Paintings may

be valuable, but can be expensive to insure. In fact, any of these physical assets have certain practical drawbacks. (And as for horses, as a rueful investor once said, 'Never invest in anything that eats or needs repairing.')

At The Share Centre, unsurprisingly, the principal assets we focus on are stock market investments. Besides their ability to increase in value, they're extremely practical: flexible, easy to buy and sell, and (particularly in today's paperless form) easy to store. In short, they're easy to look after. Although they are financial instruments and may sound more abstract and complicated to put a value on than assets you can actually see, their benefits are in fact often a lot more tangible, their behaviour more predictable, and their rewards potentially more significant than many others. Some of the advantages of shares and other stock market investments are, of course, a matter of opinion – as The Share Centre, you'd expect us to be biased in their favour – but one of the main advantages is an historical fact.



Never invest in anything that eats or needs repairing.

