Before you start investing: five useful checks

Understand the difference between saving and investing, what a diversified fund does, and how fees and an ISA affect your plan.

UK adults. ISA rules for 6 April 2026 to 5 April 2027. General education only. | Checked 3 November 2026

Three things to know

01 Keep emergency and near term spending money accessible; investing is for a longer horizon.

02 Diversification spreads exposure, but funds and markets can still lose value.

03 An ISA changes the tax treatment of eligible investments; it does not make them safe.

1. Match the money to a date

Cash savings suit emergencies and spending you cannot postpone. Before investing, put everyday bills, expensive borrowing and an accessible emergency cushion in order.

Think in terms of at least five years, often longer. More time to ride out market movements does not guarantee a profit. Ask: if this pot fell sharply next month, could I still pay my bills and leave it invested? If not, revisit the amount or timing.

2. Know what you would actually own

A share is a stake in a business. A fund pools investors' money to buy a collection of assets. Diversification spreads exposure across holdings, sectors, countries or asset types, reducing dependence on a single winner.

A fund can still concentrate on one sector or country. Several funds can own the same companies. Read their holdings and risk information rather than counting funds. Diversification manages some risks; it cannot prevent market losses or guarantee your money back.

3. Add up the whole cost

Add the platform charge, the fund's ongoing charges figure, dealing fees and any advice charges. Ask which costs the headline figure excludes. Compare pounds as well as percentages.

Lower charges leave more of any return with you, but price alone does not establish suitability. Check the service, holdings and withdrawal terms too.

4. Separate the tax wrapper from the investment

A stocks and shares ISA is an account with tax advantages. Eligible income and capital gains inside it are free of UK tax. The overall adult ISA allowance is £20,000 in 2026-27, shared with cash and other adult ISAs. Putting £8,000 into a cash ISA leaves £12,000, assuming no other subscriptions. The investments inside still carry risks and charges.

5. Check the firm before transferring money

Check the FCA Register independently, including permission for the service and contact details. Scammers can copy familiar names. Authorisation does not promise returns. FSCS protection has eligibility conditions and does not reimburse normal market losses. Pause if someone pressures you to act quickly or promises unusually high, safe returns.

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Your example and next steps

Worked example: make a percentage fee visible

On a constant £10,000 balance, an annual fee of 0.30% is £30; 1.00% is £100. The difference is £70 for one year. This simplified comparison assumes the balance does not change and excludes every other charge.

Actual fees can depend on daily values, trading and minimum charges. Ask for the total estimated annual cost in pounds. This is a cost illustration, not a forecast of returns or a recommendation between products.

Illustrative balance	**£10,000**
£10,000 × 0.30%	**£30 a year**
£10,000 × 1.00%	**£100 a year**
Illustrative annual difference	**£70**

Your action checklist

[ ] Write down the goal, earliest withdrawal date and money you must keep in cash.

[ ] Explain the investment's holdings, main risks and access rules in your own words.

[ ] Request total costs in pounds and check your remaining ISA allowance.

[ ] Verify the firm independently; seek regulated advice if suitability is unclear.

Investments can fall in value and you may receive less than you put in, even after five years. This sheet does not recommend an investment, portfolio or provider. Tax treatment depends on your circumstances.

Explore the growing Money Toolkit

Use these checks before making a decision. You can also see the current member tools and how subscriber access works as the toolkit grows.

See how membership works at financewithafshin.co.uk

Sources and further reading

FCA: the golden rules of investing (fca.org.uk)

FCA: diversification (fca.org.uk)

MoneyHelper: a beginner's guide to investing and fees (moneyhelper.org.uk)

GOV.UK: how ISAs work (gov.uk)

FCA: five smart investment checks (fca.org.uk)

FSCS: investment protection and its limits (fscs.org.uk)

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