



# **GUIDE TO ISA INVESTING**

**MARCH 2020**

# MEET THE LANG CAT

**The lang cat is a financial services consultancy based in Leith, Edinburgh. We're in our tenth year but, between them, our team of 18 has amassed hundreds of years of collective experience across the industry. You may have seen us (or our pricing tables at least) in the national press or online media where we appear on a fairly regular basis.**

We mainly work with financial advisers, fund managers, technology companies, product providers and the like. Our aim is to help them do things better and communicate those things in a way that works for real people (who don't work in that company's marketing department). It's a bit of an urban myth that financial services is really complicated. Some firms just do an excellent job of making it seem so.

Each year we produce two free guides about ISAs aimed at people who are, for whatever reason, thinking about investing in a stocks and shares ISA without the help of a financial adviser. The first, this one, is a general look at ISA investing. The other, which you'll also find on our website, is all about pricing. The idea is that you work through this one to get a better idea of how much help you might want or need and which type of investment platform may suit you and your ISA. That done, you can then hop on over to THE LANG CAT GUIDE TO ISA PRICING 2020 for all the detail.

If you read last year's guides (and we salute your enthusiasm in coming back for more) you may notice that a few sections are broadly unchanged. That's because the basics of ISA investing don't really change. The detail, however, does and you'll see that reflected across both our guides.

Now, when we say both the investing and pricing guides are free, we mean it. We don't charge for them and you don't have to share your details to access them. No provider has paid for the privilege of being featured. We do it because we think everyone should be able to make an informed decision about their ISA.

If you like the guides and feel someone deserves a financial reward for helping you navigate the world of ISAs, we'd be delighted if you made a [donation to our friends at Samaritans](#).

We're proud to be supporting Samaritans as our charity partner. They do an amazing job and if you ever find yourself in need of someone to listen you can call them on 116 123, any time. Money troubles are the reason for one in five calls to Samaritans and will only add to the strain of any existing mental health problems.

The Samaritans logo consists of the word "SAMARITANS" in white, uppercase, sans-serif font, centered within a solid green rectangular background.



# HELLO AND WELCOME

## .... to THE LANG CAT GUIDE TO ISA INVESTING 2020

**We'll start with a nice piece of symmetry. The ISA turns 21 this year and (based on the most recent figures) has around 21 million adult subscribers. The average account is £24,000. We know, £21,000 would have worked much better but clearly people got a bit carried away.**

Anyway, welcome to our short guide all about ISA investing. We've written it for people who are looking to put some money aside in a stocks and shares ISA – either as a one-off or on a regular basis. If you're just looking for a cash ISA or you spend your weekends rebalancing your extensive share portfolio, it probably isn't for you. People in the middle of those extremes will hopefully find it helpful.

We take time to work through the basics of ISA investing and how much help you might need to make your decisions.

Some platforms will ask you questions and use your answers to recommend an investment. Others expect you to know what you're about and leave you very much to your own devices. Being clear on how much help you need and where you can find it will get you off to a good start.

We also share our top picks of ISAs from the range we look at here. Our top picks aren't recommendations, just those we think are worth a look for various reasons.

We certainly will never advise you on anything (except perhaps that mixing stripes and spots is a bad idea). We don't know you or anything about you, so how could we possibly know what's best for you or your ISA? What you'll find on the next 10 pages are the tools to help you make those decisions for yourself.

Once you've got the basics sorted and are ready to delve into the details of how different platforms charge for their services, you can head on over to THE LANG CAT GUIDE TO ISA PRICING 2020.

Saving, like smoking, is a tough habit to break once you get started. But what a great habit to have (saving that is – smoking ain't big and it ain't clever, kids).

I hope you enjoy the Guide – let us know either way.

Cheers



Mark Polson  
Principal, the lang cat



# ISA 101: THE BASICS

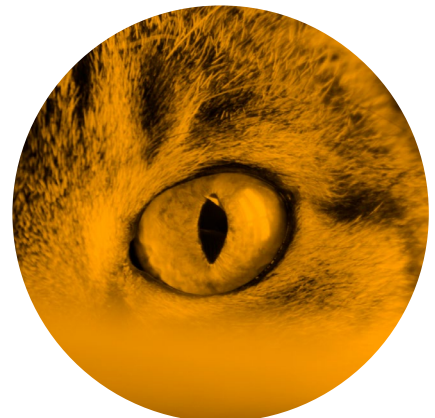
**Okay, let's start at the beginning. You may feel well versed in this stuff but there's never any harm in a quick refresher.**

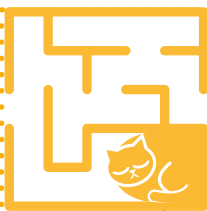
Here are the top five things you should know about stocks and shares ISAs:

1. You can invest up to £20,000 between 6 April 2019 and 5 April 2020. The new ISA limit will then kick in on 6 April 2020 so you can do it all again. ISA limits historically crept up each year, but the current max has been frozen since 2017. With a new chancellor in place looking to make an impression, we'll wait to see what Budget day brings.
2. You can split your allowance between cash and stocks and shares if you want, but you must stay within the £20,000. Any interest or growth on the portion exceeding the maximum figure will be taxed. It's ok to take money out and put it back in during the same tax year.
3. There's nothing magic about a stocks and shares ISA – you just don't have to pay any income tax or capital gains tax on any, er, income or capital gains. Unless you're wealthy enough to have a capital gains tax problem or are a higher rate taxpayer, ISAs don't do all that much for you in terms of tax benefits. But even if it's a slight advantage it's better off in your pocket than anyone else's. And while they form part of your estate for inheritance tax, ISAs can be transferred to a surviving spouse or civil partner and keep their tax-free status.
4. There are loads of things you can invest in: stocks and shares (hence the name), funds, exchange traded funds, investment trusts, gilts, bonds and crowdfunding a campaign to return Iron Man to the Marvel Cinematic Universe. One of these isn't quite true. Most money goes into funds or shares.
5. There are other sorts of ISAs. You can do ISAs for kids (Junior ISAs or JISAs). If you want to look at alternative sorts of investments and don't mind the risk you could try an Innovative Finance ISA (IFISA). And if you're irritatingly young you can have a Lifetime ISA which gives you a 25% bonus on money you put in and can help with the purchase of a first home, except no-one can agree if it actually does.

This short guide is all about the stocks and shares type. If you want to find out more about any of the other options then [Gov.uk's ISA guide](#) is a good place to start.

If you're going to invest some money, the first thing to work out is how much help you need along the way (stopping short of going to see a financial adviser). In the next section we'll get into how to do just that.





## LANG CAT LOGIC #1: WON'T GET FOOLED AGAIN

For some reason, the financial services industry seems to collectively delight in bamboozling its customers. Maybe the most toxic outcome of this is that far, far too many people fall prey to scammers. We have some key rules for you to remember:

1. If someone cold calls you about investments, it's a scam. Even if it's not, it's a scam. Never, ever, invest on the strength of a phone call.
2. If someone suggests an investment with an unusually high return ('Here's an ISA with 8% returns!') then run, don't walk, in the

opposite direction as if from an explosion of some sort. Higher returns mean higher risk. No exceptions. If you want low risk, stick to cash and accept you'll only make 1% or 1.5% if you're lucky.

3. If in doubt at all, listen to the voices in your head. Go check online – start with [moneysavingexpert.com](https://moneysavingexpert.com) and [moneyadvice.service.org.uk](https://moneyadvice.service.org.uk) and go from there. Or jump onto social media and try to connect with some advisers – many will give their opinion (in fact you might have a job getting them to stop).

## STEP ONE: ARE YOU BEING SERVED?

**Let's think about shops. You know, the things that used to be on the high street where you bought stuff.**

Some shops give you lots of help – “Oh, Madam looks quite delightful” or “Is Sir quite sure he is still a 34-inch waist?” – that sort of thing.

Others hang back but will get involved if you ask and might have some suggestions ready to go.

And others really, really don't help at all – the bored 18-year-old Snapchatting your appalling fashion choices to her mates isn't going to be getting involved, innit.

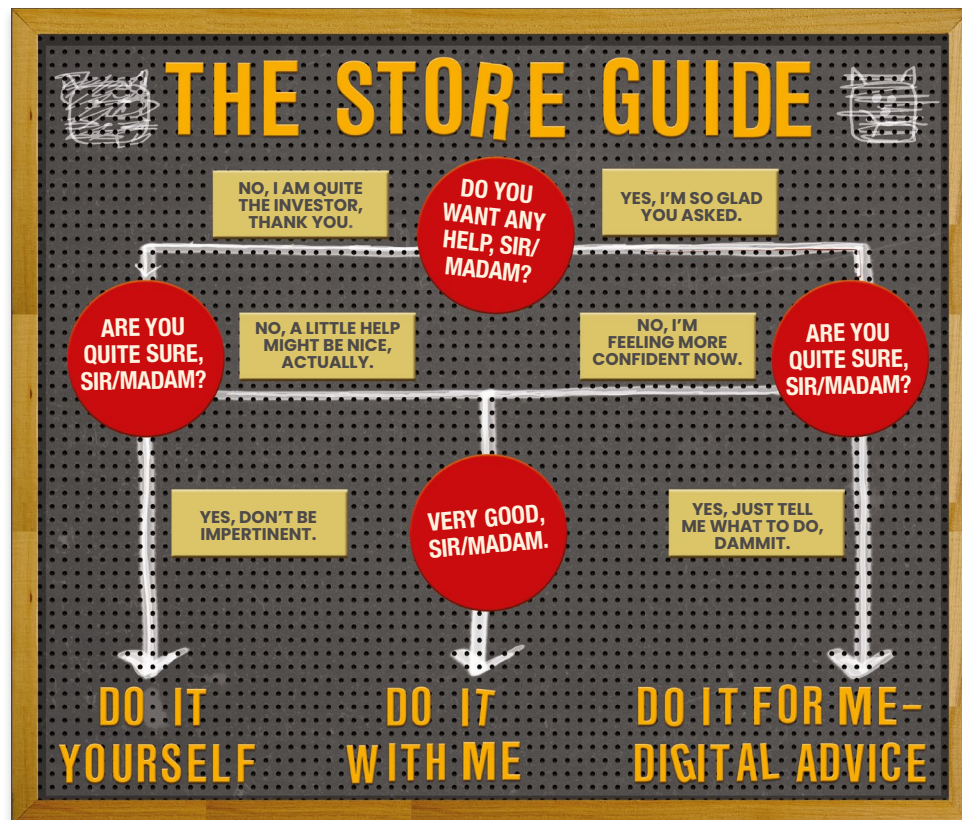
It's just like that with investing your ISA. Sort of.

- Most providers give you access to a very wide range of funds and (maybe) other investments and let you pick your own. We call this lot '**DO IT YOURSELF**' (DIY) platforms. Lots give you investment ideas or suggested fund lists, but what you choose is up to you.
- A subset of the DIY list gives you more help. These providers don't give you advice, but

they do take you through a process of helping you understand how much risk you're happy to take, and then provide ready-made investment solutions that match that risk level. We call this bunch '**DO IT WITH ME**' (DIWM) providers.

- Some ISA providers go further and will *tell* you what to do based on things you tell them about yourself. We call this group '**DO IT FOR ME**' (DIFM). These providers give you a limited set of investment options and funnel you into the one they think is right. Some give you formal financial advice – but only based on the things they have to sell. Advice is good, because if it ends up being wrong you might be able to claim against the provider.

Have a wee play with our HUMOUROUS FLOWCHART on the next page and you'll get the hang of it.



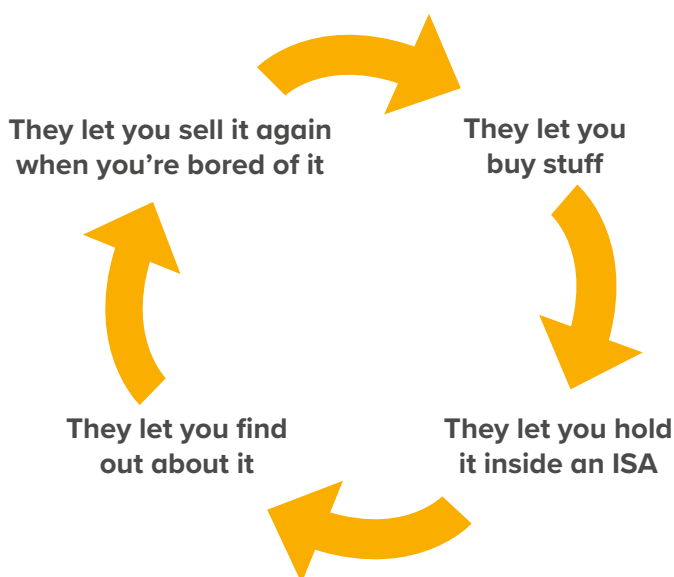
There are dozens of ISA providers. Knowing how much help you need is a great way to start narrowing down the choices.

Here's a table of how most of the providers fit in. You'll notice that some providers turn up in more than one column. This is for two reasons – either the provider has two distinct offerings (like Santander) or it offers a guided option as well as allowing you to pick your own (like Hargreaves Lansdown).

DO IT YOURSELF		DO IT WITH ME	DO IT FOR ME
AJ Bell Youinvest		AJ Bell Youinvest	ETFmatic
Aviva		Aviva	IG Smart Portfolios
Barclays Smart Investor		Barclays Smart Investor	Moneybox
Bestinvest	IDealing	Bestinvest	Moneyfarm
Cavendish Online	IG	Cavendish Online	Munnypot
Charles Stanley Direct	Interactive Investor	Charles Stanley Direct	Netwealth
Close Brothers A.M. Self-Directed Service	IWeb	Close Brothers A.M. Self-Directed Service	Nutmeg
EQi	Santander	Fidelity Personal Investing	OpenMoney
Equiniti Shareview	Standard Life Savings	Hargreaves Lansdown	Santander: Digital Investment Adviser
Fidelity Personal Investing	Strawberry	HSBC	Scalable Capital
Halifax Share Dealing	The Share Centre	Legal & General	Simply EQ: Low Cost Portfolios
Hargreaves Lansdown	Vanguard Investor	NatWest Invest	True Potential Investor
HSBC	Willis Owen	Standard Life Savings	Wealth Horizon
	X-O	The Share Centre: Ready-made ISA	Wealthify
		Willis Owen	

## THE CLASSICS NEVER GO OUT OF STYLE

It's worth saying that no matter which route you go down, the ISA itself is just the same. All these providers fulfil four basic functions:



## LANG CAT LOGIC #2: SHOULD YOU STAY OR SHOULD YOU ROBO?

Most of the 'DO IT FOR ME' providers we talk about fall under the guise of 'robo-advisers'. Now, while some do promise to deliver advice digitally, others are more about guidance – telling you what to do but (and this is the important bit) not taking responsibility if things go wrong. It's important because if it's not advice the [Financial Ombudsman Service \(FOS\)](#) may not be able to help should you wish to make a complaint.

Robos are nearly all small start-up companies. They are very tech-focused and responsive to their customers' needs but often face an uphill battle to secure the customers needed to make a profit (something very few, if any, have so far achieved). And securing those customers doesn't come cheap. Some will make it and others will not.

Their contrasting fortunes can be seen in two examples from the last year. First, Vanguard – a frankly massive American provider – was given the go-ahead to offer investment advice in the UK. It's early days but we're keen to see

how this pans out. Two things are sure: one, Vanguard knows how to disrupt the industry (in a good way), and two, it'll be cheap.

UK start-up Moola, meanwhile, proved less disruptive. Gemma Godfrey, who once advised Arnold Schwarzenegger on *Celebrity Apprentice*, sold her robo-creation to employee benefit provider JLT in 2018. In January 2020, it was announced the company was to close with clients' investments sold and returned to them as cash. As its final year's turnover was less than a grand, Moola, unlike Arnie, almost certainly won't be back.

Even if the worst happens and an investment platform does collapse (as opposed to Moola which was wound down), you could still get your money back. The platforms we list here are covered by the [Financial Services Compensation Scheme \(FSCS\)](#). This protection only applies if a company goes bust, there's no compensation for an investment simply not performing well.

If you've read enough already and are now champing at the bit, turn to page 11 to see our top picks for each of the segments.

For everyone else, it's time to go to step two and ask ourselves some deep questions.

# STEP TWO: GETTING TO KNOW YOU(RSELF)

There are a few questions to ask yourself if you want to be a good investor. The previous section dealt with the first one – the level of help you want or need – but there's more to life than that.

## IF YOU'RE A 'DO IT YOURSELF' INVESTOR

QUESTION	NOTES	CONSIDER
How much do I have available to invest?	Generally, if you have £50k or over you should consider a fixed fee platform if price is important to you. Watch for platforms that mix percentage-based charges with trading charges.	Interactive Investor does well for bigger investments. IWeb is basic but really cheap. Charles Stanley Direct's percentage-based charges are reasonable. Hargreaves Lansdown is expensive.
Should it be a name I know?	It's worth looking past the name on the box to see who's behind the service. Some familiar names don't do their own share dealing, for example, which isn't what the crowd came to see.	Brand and trust are important – but do your research.
What do I want to invest in?	Are you just up for funds? Or do you want shares, exchange traded funds (ETFs) and investment trusts (ITs) as well?	Most of our DIY cohort have a very wide variety of options available. Stockbrokers like Interactive Investor and AJ Bell are well set up for equity trading.
How often will I trade?	Are you sitting in your basement with six trading screens and a personal hygiene issue? Or are you a once a month type? Frequent traders need to be careful as costs can rack up in the wrong venue.	Check the charging tables in our sister pricing Guide for more.

## IF YOU'RE A 'DO IT WITH ME' INVESTOR

QUESTION	NOTES	CONSIDER
How much help do I need?	Some providers almost go to the water's edge of giving you advice; most stop short.	If you want lots of help consider Bestinvest, Fidelity Personal Investing or Hargreaves Lansdown.
How much do I have available to invest?	This is all about making sure you don't pay too much in charges.	Small balances: pick platforms with percentage-based charges. Big cats: look for fixed fees.
Should it be a name I know?	You get some big brands here, including global names. You'll also find some more specialist names, particularly from the wealth management sector.	It's a preference thing...



## IF YOU'RE A 'DO IT FOR ME' INVESTOR

QUESTION	NOTES	CONSIDER
<b>How much do I have available to invest?</b>	Some providers have high minimum investment levels – like Netwealth with an 'amusing' £50k. Most don't and will accept £1k or less to kick you off.	Just check the minimum investment with each one to see it fits your budget.
<b>How much do I care about investing with a big brand?</b>	Not many here have an established brand, and lots are trendy fintech start-ups. Your money is protected by the FSCS with all the providers we list.	Santander is the obvious one to look at here. Nutmeg is the next biggest.
<b>Do I need a pension as well as an ISA?</b>	Not many of the DIFM brigade have pension options.	Moneyfarm, Nutmeg, Scalable Capital and Wealthify.



## LANG CAT LOGIC #3: EXIT THROUGH THE GIFT SHOP

While exit charges probably aren't the top priority for many when setting up an ISA, they suddenly become much more interesting should you decide it's time for you and your ISA to move on. At which point all you can really do is accept them and grumble about the slice being removed from your fund.

The good news, however, is that our industry regulator, the Financial Conduct Authority (FCA) has had an eye on exit

charges for a while and has proposed to ban or cap them on investment platforms. Some firms decided to jump before being pushed, including one of the worst offenders, Hargreaves Lansdown, which scrapped its £295 exit fee. Kudos where it's due.

This is just a proposal at the moment and we don't know what the final outcome will be. Until then the best thing you can do is make sure you're clear on any exit charges before signing up.

# 2019 – WHAT WAS THAT ALL ABOUT?

**When we posed the question, ‘Best buy fund lists – should you trust them?’ in last year’s Guide to ISA Investing, we had no idea quite how prophetic it would turn out to be.**

## FROM BEST BUY TO BYE BYE

Best buy fund lists are what many investment platforms produce to help consumers narrow down what’s on offer. They are not a recommendation as such, more what funds are popular or the platform thinks have something to offer. Or the platform may have done a deal on price with the fund provider, or the fund may be run by another part of the same business that owns the platform. All good reasons to consider these lists with clear eyes and an open mind.

Anyway, platform giant Hargreaves Lansdown was on the receiving end of fierce criticism for promoting fund manager Neil Woodford’s UK

Equity Income Fund on its Wealth 50 list despite it being newly launched and so having no track record by which to judge its performance.

All was well until last summer when the fund suddenly dropped in value, investors withdrew money faster than assets could be sold to pay them and it was ultimately closed. The whole thing had a vague air of a Mary Poppins-esque run on the bank, but without elderly gentlemen floating to the ceiling or flying kites. We think. It even featured on BBC’s Panorama – rarely a ringing endorsement.

## THE ADVICE GAP: A ROBO SHAPED HOLE?

Robo-advice has long been hailed as the solution for those people who would quite like financial advice but can’t or won’t pay for it: what’s generally known as the ‘advice gap’. That, however, is not how it’s played out because where robos *do* give advice it’s usually very far removed from the traditional face-to-face offering and take-up has been lower than might have been expected.

Open Money teamed up with YouGov on research into the extent of the UK’s financial advice gap. One key finding was that the gap appears to have widened, with around 400,000 more consumers feeling priced out of the advice market than when the research was first carried out in 2015. The vast majority claimed to be confident managing their own money but, at the same time, almost half had run out of cash before their next pay at least once in the previous year.

## PRICING, DICING AND SPLICING

We’ve seen a rash of acquisitions this last year, most notably Interactive Investor hoovering up fixed fee stalwart Alliance Trust Savings and, more recently, The Share Centre. Interactive

Investor has also revamped its pricing and now has three options to choose from. You’ll find all the details in our Guide to ISA Pricing.

# THE LANG CAT'S TOP PICKS

**Use any of these and you won't go far wrong. This isn't to say there aren't other very good providers out there, but we like these ones. Oh, and for the avoidance of doubt, we don't charge providers to be on this list, and we don't make any money if you click through.**

For each pick we'll highlight some things we like, and some that we don't. We'll also show the price you'll pay for the platform if you've got £100k or £20k, or if you save £100pm, based on holding funds in an ISA and one trade a quarter. If you want more charging information then read our sister pricing Guide.

DO IT YOURSELF						
PROVIDER	GOOD THINGS	NOT SO GOOD THINGS	PRICE £100pm	PRICE £20k	PRICE £100k	VISIT
<b>Interactive Investor (Investor option)</b>	The fixed fee is really useful for larger pots, service is improving, good for share trading, nice app and no exit fees.	Not as user friendly for beginners, occasional service wobbles and the fixed fee is high for small pots.	9.99%	0.60%	0.12%	<a href="http://www.ii.co.uk">www.ii.co.uk</a>
<b>IWeb</b>	Part of the Lloyds Banking Group stable. Cheap cheap cheap. Did we mention cheap?	Service reports are mixed and the design is very very basic.	7.08%	0.23%	0.05%	<a href="http://www.iweb-sharedealing.co.uk">www.iweb-sharedealing.co.uk</a>
<b>Vanguard Investor</b>	Low cost, nice clear site and very quick to get going.	Only Vanguard funds.	0.15%	0.15%	0.15%	<a href="http://www.vanguardinvestor.co.uk">www.vanguardinvestor.co.uk</a>

*Note: prices for this category don't include any investment but do include an allowance for four trades. Interactive Investor allows £7.99 trading credit against its monthly £9.99 charge.*

DO IT WITH ME							
PROVIDER	GOOD THINGS	NOT SO GOOD THINGS	PLATFORM-ONLY PRICE	PRICE £100pm	PRICE £20k	PRICE £100k	VISIT
<b>AJ Bell Youinvest</b>	Good price, rapidly improving site, good range of investment trusts and lots of investment ideas.	Too much paper still involved in some parts, especially for Junior ISAs.	0.25%	0.60%	0.60%	0.60%	<a href="http://www.youinvest.co.uk">www.youinvest.co.uk</a>
<b>Fidelity Personal Investing</b>	Big redesign has done wonders, very easy to use, great signposting, no exit fees and good deals on some funds.	Not much.	0.35% – if you invest less than £7.5k and don't set up a regular savings plan then this is replaced by a £45 fee.	0.60%	0.60%	0.60%	<a href="http://www.fidelity.co.uk">www.fidelity.co.uk</a>
<b>Hargreaves Lansdown</b>	Does pretty much everything very well, is massive, service remains very good and there are deep discounts on some Wealth 50 funds.	Price is still high and Wealth 50 isn't to everyone's taste. The multi-manager funds are expensive.	0.45%	1.86%	1.86%	1.86%	<a href="http://www.hl.co.uk">www.hl.co.uk</a>

Note: prices for this category include the cost of the 'house' mid-risk portfolio. For clarity, these are the AJ Bell Passive Balanced Fund (0.35%), the Fidelity Multi-Asset Growth Allocator Fund (0.25%) and the Hargreaves Lansdown Balanced Growth Portfolio (1.41%). We've included the platform-only price because all these providers will also let you pick your own investments.

DO IT FOR ME						
PROVIDER	GOOD THINGS	NOT SO GOOD THINGS	PRICE £100pm	PRICE £20k	PRICE £100k	VISIT
<b>Nutmeg: fully managed service</b>	Great app, serious financial backing, good communication, has a pension, easy to use, offers ethical options and advice is available.	A bit expensive for the full service, cheaper fixed allocation portfolios aren't as attractive.	0.94%	0.94%	0.94%	<a href="http://www.nutmeg.com">www.nutmeg.com</a>
<b>OpenMoney</b>	Seriously low cost, offers proper advice, nice mix of investment and more general money kit.	Still very small.	0.51%	0.51%	0.51%	<a href="http://www.open-money.co.uk">www.open-money.co.uk</a>
<b>Wealthify</b>	Nice experience, now owned by Aviva, offers ethical portfolios and just launched a pension.	A bit expensive, but otherwise not much.	0.82%	0.82%	0.82%	<a href="http://www.wealthify.com">www.wealthify.com</a>



# THAT'S ALL FOLKS

**We've reached the end of our first ISA guide of the 2020s. We hope it helps you understand what type of investor you are and sets you on the path to making a well-informed decision about this year's ISA allowance.**

If you're ready to narrow down your options and want to get in about the pricing, our dedicated Guide to ISA Pricing is ready and waiting for you. Price isn't the be-all and end-all of deciding where to invest, but it does play its part in the process.

Finally, a word of caution. Please be wary of scammers. We shouldn't have to warn you about this but people continue to get caught out by

some very plausible cons. Stay vigilant, and remember, if something looks too good to be true then it is.

If you want to find out more about us, or read our other publications, then please head to [www.langcatfinancial.com](http://www.langcatfinancial.com).

Meanwhile, have fun investing and slàinte mhath.  
the lang cat



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