THE LANG CAT GUIDE TO ISA INVESTING 2019

the lang cat

WHO'S THE LANG CAT AND WHY ARE YOU DOING THIS?

We're a financial services consultancy based in Leith, Edinburgh. There are 16 of us, with hundreds of years of collective experience in this industry under our belts. We spend most of our time working with financial services providers, fund managers (you know, the ones with the nice suits and large wristwatches), technology companies and financial advisers. We try to help them build better things, and to communicate them in a way which people who don't have a PhD in finance can understand. We charge them for doing this, and that's how we make a living.

Once a year we produce a free guide to 'direct' investing – that is to say, for those who can't, or won't, use the services of a financial adviser. Usually our guides are a) awesome but b) about 48 pages long. Which is interesting if you're as geeky as us, but less so if you're a real person with outside interests like social interaction, sport, cooking and stuff like that.

So, we've condensed everything this year into the thing you're reading now. We're still producing the big guide, but aiming it more at the industry and experts. If you want to read it (it's still awesome, just a bit more technical) then it'll be on the lang cat website soon and will be free to download.

One of the things we decided to do in this guide is miss out comprehensive pricing detail on direct investing platforms. There's no way of doing it right without turning this into something twice as long.

But we know many of you will be keen to understand pricing in detail, so we've produced a sister guide called, imaginatively, **THE LANG CAT GUIDE TO ISA PRICING 2019**. It's on our website and is also free to download.

This Guide is completely free and you don't even need to leave your details anywhere to get your hands on it. It's our way of saying thanks to the industry that's given us a home – an industry which is built off the backs of you, the investor. This one's for you. Thanks for keeping us off the streets.

P.S. We don't make a single penny from producing this Guide. No provider pays to be in it, and no-one mentioned has had any advance warning that they're going to be. It's a labour of love; that's all.

It's nice to see you.

(Not that we can. We haven't got that kind of technology, thank goodness. I mean, can you imagine?)

Right. Sorry. Back to it. You've found your way to **THE LANG CAT GUIDE TO ISA INVESTING** for the 2019 ISA season. If you're reading this then there's a decent chance that you're thinking of putting some money into a stocks and shares ISA. If that isn't true, and you're looking for amusing cat videos, then go ahead and hit up YouTube. We hear there's a ton of them there.

No, this short read is all about investing in stocks and shares ISAs. It's designed to be useful for those who are thinking about it for the first time, and those who have some experience. If you're a ninja-level investor then this probably isn't for you, and equally if you're looking for cash ISAs then this won't help you.

If you're really interested in investment platform charges for your ISA, our companion guide, **THE LANG CAT GUIDE TO ISA PRICING 2019**, explains what's going on with them. You can download it for free from our website and it's chock-full of numbers to help you understand how much it costs to be a client of one firm rather than another.

Now, we don't know anything about you, and we can't advise you on what to do. You'll notice as we go through that there isn't much here about *what* to invest in – this Guide is about *where* to invest. We'll take you through how to make sense of the dizzying range of options available and give you the tools you need to make good decisions, or at least avoid bad ones.

We'll poke some of the 'best buy' recommended investment fund lists with a pointy stick and try to keep you away from the less scrupulous parts of the industry. We'll also give you our top picks for your ISA money this year – that's not to say that these are the best for you, but they are ones we think have a lot to offer. Feel free to use, or ignore as you see fit.

We'll do all this in the next 10 pages, with lots of cats, and in a way which we hope won't send you to sleep.

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

Cheers

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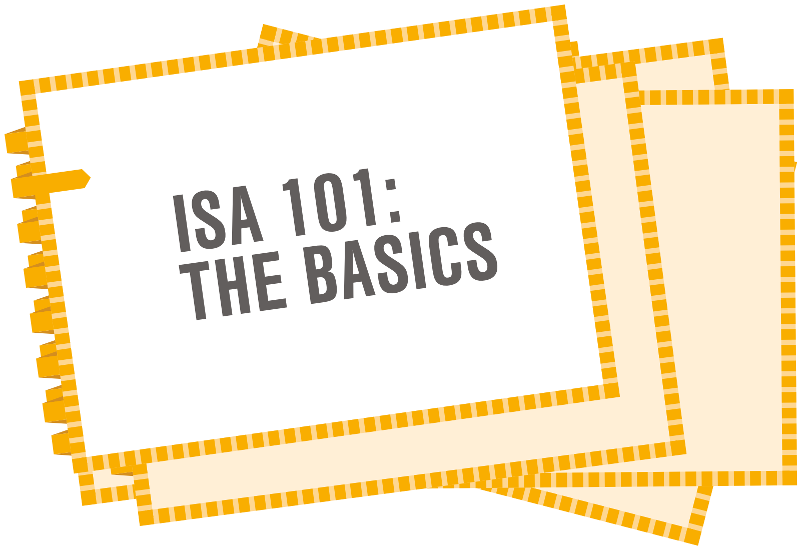


Right, if we're doing a guide to ISAs then we might as well do the basics. Some of you will know this stuff already – but we don't always know what we don't know, so have a read anyway.

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

1. You can invest up to £20,000, should you be so minted, before the end of the tax year on 5 April 2019. That allowance resets itself the next day, letting you invest a further £20,000 before the end of next tax year on 5 April 2020.

2. You can split your allowance between cash and stocks and shares if you want, but you've got to stay within the £20,000. It's OK to take money out and put it back in in 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. Oh, and ISAs form part of your estate for Inheritance Tax. Sorry about that. The good news, however, is that they can pass 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, yeah?), funds, exchange traded funds (ETFs), investment trusts (ITs), betting tickets on the 3.30pm at Haydock (this one isn't actually true), Fortnite power ups (neither is this one), gilts and bonds. 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) – the trick here is to think of Sir Humphrey Appleby saying the word 'innovative' with a raised eyebrow. And if you're irritatingly young you can do 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.

In this short Guide we're going to concentrate on your actual basic stocks and shares ISA, and no funny business.

If you're going to invest some money, the first thing you need 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 and moneyadviceservice.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).

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.

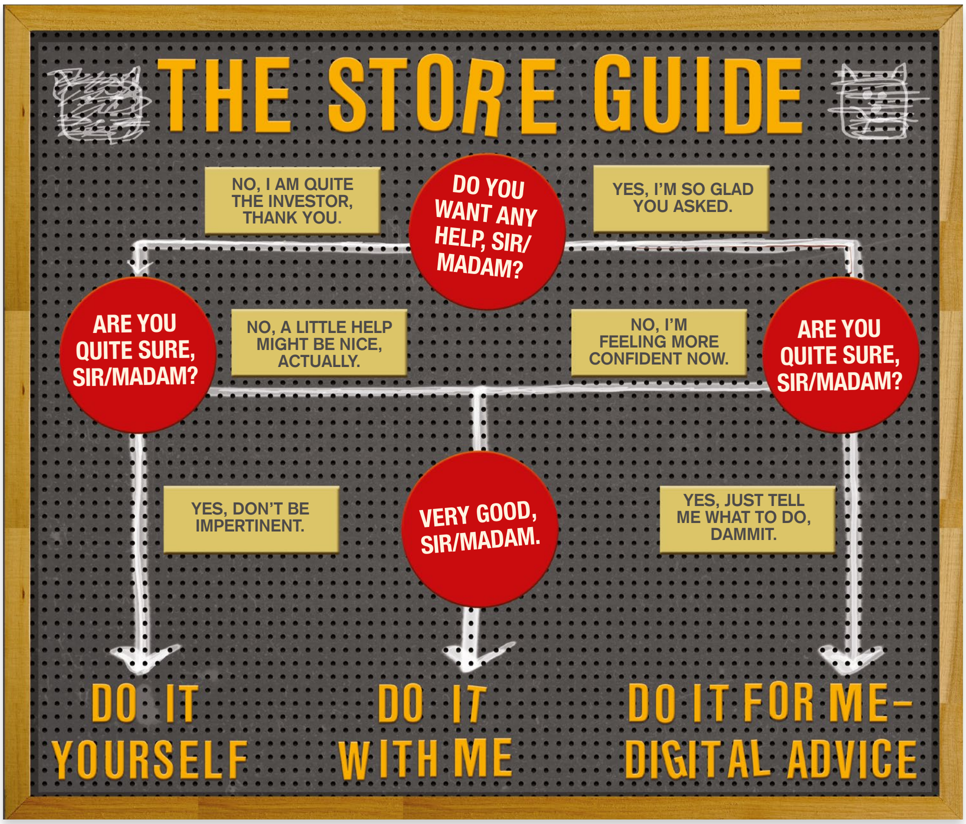
Others hang back but will get involved if you ask and might have some suggestions ready to go.

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	
AJ Bell Youinvest	HSBC
Alliance Trust Savings	iDealing
Aviva Consumer Platform	IG
Barclays Smart Investor	Interactive Investor
Bestinvest	IWeb
Cavendish Online	Santander
Charles Stanley Direct	Selftrade
Close Brothers A.M. Self-Directed Service	Standard Life
Equiniti Shareview	Strawberry
Fidelity Personal Investing	SVS XO
Halifax Share Dealing	The Share Centre
Hargreaves Lansdown	Vanguard Investor
	Willis Owen
	X-O

DO IT WITH ME
AJ Bell Youinvest
Aviva Consumer Platform
Barclays Smart Investor
Bestinvest
Cavendish Online
Charles Stanley Direct
Close Brothers A.M. Self-Directed Service
Fidelity Personal Investing
Hargreaves Lansdown
HSBC
Legal & General
NatWest Invest
Standard Life
The Share Centre
Willis Owen

DO IT FOR ME
ETFmatic
evestor
IG
Investec Click & Invest
Moneybox
Moneyfarm
Moo.la
Munnypot
Netwealth
Nutmeg
Santander
Scalable Capital
Simply EQ
True Potential Investor
Wealth Horizon
Wealthify

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: ROBO OR NO-GO?

Most of the 'DO IT FOR ME' providers we talk about fall under the guise of 'robo-advisers'. Now, we've met a lot of these guys and we can say without fear of contradiction that none of them are robots. There's not even a protocol droid. And with some of them, there isn't advice either – that is to say, they'll tell you what to do but won't take responsibility for it. This is a subtle, but very important, distinction (i.e. if you have a complaint about the company you might not have recourse to the Financial Ombudsman Service (FOS)).

Nearly all robos are new companies. They're small, agile and way cooler than stuffy old mainstream providers. How you feel about trusting them with your hard-earned is up to you, of course.

If you look at robos more closely, you might notice that most of these companies don't make a profit: their hope is either that they'll get lots of people investing and eventually make a profit, or they'll get bought out. As such, we'd have to say that you need to go into a robo provider with your eyes open.

That said, your money is protected (at least in all the ones we list) by the Financial Services Compensation Scheme (FSCS) – so if they do go bust then your money is safe. How well it has performed is a different matter; protection is about what happens if the company fails.

It's worth saying that big is no guarantee of anything. UBS SmartWealth, the robo arm of the Swiss wealth management giant (if you're not imaging a giant Swiss Guard with a Terminator arm then you have no soul) recently shut its doors; meanwhile most of the smaller, newer guys remain open for business. It's all down to how you feel.

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.

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.

Based on that split, here's what you need to ponder:

IF YOU'RE A 'DO IT YOURSELF' INVESTOR

QUESTION	NOTES	CONSIDER
How much do I have available to invest?	Watch for platforms that mix percentage-based charges with trading charges. Generally, if you have £50k or over you should consider a fixed fee platform if price is important to you.	Interactive Investor does well here. IWeb is basic but really cheap. Charles Stanley Direct's percentage 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 our charging tables in the 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
How much do I have available to invest?	Some providers have high minimums – like Netwealth with an amusing £50,000. Ho, ho. Most don't and will accept £1,000 or less to kick you off.	Just check the minimum investment with each one to see it fits your budget.
How much do I care about investing with a big brand?	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.
Do I need a pension as well as an ISA?	Not many of the DIFM brigade have pension options.	Moneyfarm, Nutmeg and Scalable Capital.

LANG CAT LOGIC #3: EXIT THROUGH THE GIFT SHOP

It's an unfortunate fact that most direct platforms have exit charges: if you decide that another provider will suit you better then you'll get a bit of a doing on the way out. The extent of said doing varies, but it's a not-nice fact of life.

That said, a few providers do the decent thing. We like Fidelity Personal Investing and Interactive Investor very much in this regard. The Financial Conduct Authority (FCA) – our regulator in this sector – has cocked a regulatory eyebrow at exit charges and so we hope to see them go away soon; but for now, you should study up on the fee sheets (you can get a summary in our much bigger guide from our website) and be like Jason Bourne: never go into a room you don't know how to get out of.

BEST BUY FUND LISTS – SHOULD YOU TRUST THEM?

Lots of platforms – especially in the DO IT WITH ME group – offer lists of 'selected' funds. The best known is Hargreaves Lansdown's Wealth 50 list (which has 60 funds in it. No, us neither).

On the face of it, these lists are a top idea. With thousands of funds out there, how do you pick the winners? Knowing that someone has done some work to narrow things down for you is great. But is that the whole story? Or is there a bit of naughtiness and devilment going on behind the scenes?

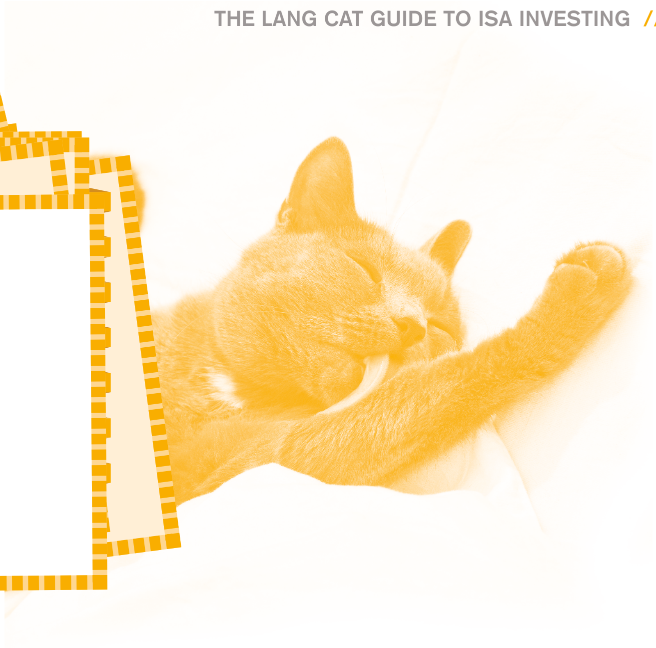
We've spent some time gazing at the various lists out there and you'll be pleased to hear that, in the main, we don't have a problem. But there are a few caveats to that:

- Some of the fund picks may be included because the manager has done an aggressive deal on price. So you may be getting a good fund at a very good price as opposed to a great fund at a higher price. How much you care about that is up to you.
- Some fund picks may reflect deals that the provider has with fund managers elsewhere in their business. It's impossible to prove or disprove this, as no-one will ever let on. But we haven't seen any platforms including rubbish funds on this basis, so probably not too big a deal.
- Some ranges only include unit trusts (UTs) – not ETFs or ITs. If you don't know whether that's a problem for you or not, then it isn't.
- Even the best curated list isn't a magic 'see the future' card (hat-tip to the Exploding Kittens card game for that). The fund experts don't know what'll happen any better than you do.

So use the lists by all means, but don't expect the impossible and, as always, keep an open, enquiring mind.

Here's a few of the better known best buy lists:

PROVIDER	RANGE	HOW MANY IN IT?	WHAT'S IN IT?
AJ Bell Youinvest	Favourite funds	88	UTs, ETFs, ITs
Bestinvest	Top-rated Funds	80	UTs only
Charles Stanley Direct	Foundation Fundlist	58	UTs and ITs
Fidelity Personal Investing	Select 50	50	UTs only
Hargreaves Lansdown	Wealth 50	60	UTs only
Interactive Investor	Super 60 investments	60	UTs, ETFs, ITs



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 £100,000 or £20,000, 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
Interactive Investor	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.	8.50%	0.45%	0.09%	www.ii.co.uk
IWeb	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.	4.08%	0.23%	0.05%	www.iweb-sharedealing.co.uk
Vanguard Investor	Low cost, nice clear site and very quick to get going.	Only Vanguard funds and still no pension yet.	0.15%	0.15%	0.15%	www.vanguardinvestor.co.uk

Note: prices for this category don't include any investment but do include an allowance for four trades. Interactive Investor allows £22.50 a quarter of trading credits against its £22.50 quarterly charge.

DO IT WITH ME							
PROVIDER	**GOOD THINGS**	**NOT SO GOOD THINGS**	**PLATFORM-ONLY PRICE**	**PRICE £100pm**	**PRICE £20k**	**PRICE £100k**	**VISIT**
AJ Bell Youinvest	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%	www.youinvest.co.uk
Fidelity Personal Investing	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%	www.fidelity.co.uk
Hargreaves Lansdown	Does pretty much everything very well, is massive, service remains very good and there are deep discounts on some of Wealth 50 funds.	Price is still high, exit fees are unacceptable, Wealth 50 isn't to everyone's taste. The multi-manager funds are expensive.	0.45%	1.89%	1.89%	1.89%	www.hl.co.uk

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 (1.44%). We've included the platform-only price because all these providers will also let you pick your own.

DO IT FOR ME						
PROVIDER	**GOOD THINGS**	**NOT SO GOOD THINGS**	**PRICE £100pm**	**PRICE £20k**	**PRICE £100k**	**VISIT**
evestor	Seriously low cost, offers proper advice, nice mix of investment and more general money kit.	Still very small.	0.48%	0.48%	0.48%	www.evestor.co.uk
Nutmeg: fully managed service	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%	www.nutmeg.com
Wealthify	Nice experience, now owned by Aviva, offers ethical portfolios.	A bit expensive, but otherwise not much.	0.92%	0.82%	0.62%	www.wealthify.com

Note: prices for this category include the cost of the investment portfolio the sites guide you to.

And so ends the lang cat's guide to where to invest your ISA allowance for 2019. We hope you've enjoyed it and that there have been one or two useful bits.

If you only remember one thing from this, we hope it's to not get fooled by scams or invest on the promise of high returns and low risk. If you only remember two things, we hope it's that and working out what kind of investor you're going to be before you make your decision.

Remember, if you're a numbers fiend and want to find out more about platform pricing, we've got a dedicated sister guide to this one that concentrates on just that.

You can find it, lots more about us and our detailed guide to direct investment platforms at www.langcatfinancial.com.

Meanwhile, have fun investing and slainte mhath.

the lang cat

do what you love

www.langcatfinancial.com