6 ways to check any investment before you jump into it

This checklist will help you review any investment you're considering, or those you already hold. Watch our two-part video, *'Six ways to check any investment'*, to explore these points further.

Check 1: What are the limits on your input?

Does your age, tax residency, or other factor prevent you from investing?

If not, how much can you put into this investment, taking into account any amounts you've already invested?

Also, how much money do you need to get started? For example, Property investment requires a large starting fund, but you can invest into tax-advantaged ISAs and Pensions with much smaller amounts.

Check 2: Does it come with FREE money?

- Is there any free money available with this investment? Examples include:
- Employer contributions to your Pension.
- The 25% government bonus paid on Lifetime ISAs.
- The 50% bonus on Help to Save Plans.
- Free shares, or price-discounted shares, in your employer.

Check 3: Will it save you any tax?

- What, if any, are the tax benefits of the investment you're considering:
- Will you get tax relief when you put your money into this investment?
- How is your money taxed while it's invested?
- Is any of your money tax-free when you take it out of your investment?
- What tax might be payable on your investment, on your death?

Check 4: Will your money be accessible?

Provided you've built an adequate emergency fund, you won't need short-term access to your long-term investments, but you should know what access you'll have, and this check is in two parts:

First, does the investment wrapper (e.g. Pension) restrict access to your money?

Second, liquidity. How easy will it be to sell the investment, or underlying assets in your plan when you need to? For example, directly owned property (and property-based Investment funds) can be difficult to sell for the price you expect during economic downturns.

Check 5: Does it have the Investments you need?

Does the investment you're considering offer the right (risk/reward grade) of potential returns – to help you achieve your life goals?

For example, on a long-term pension saving goal, you may want Stockmarket based funds for their high, real long-term growth potential.

While on shorter-term goals – like building a deposit to buy a home – a cash deposit-based ISA (ideally with those free bonuses) might be fine for you.

Also, if you're considering mortgage-backed property investing, do you understand the *gearing risk* and how it could wipe out your investment, or even leave you in debt if property prices fall heavily?

Check 6: Are the charges clear and fair?

There's no point putting money into an investment to beat the return on bank savings accounts, if some or all of that extra return disappears in charges.

So, check the total effect of all (upfront and ongoing) charges on the investment you're considering.

Important notes:

This information is provided for educational purposes only. If you need help with these or any other financial planning question, contact one of our financial coaches via the Portal.