

Monthly Savings

Regularly investing small sums of money into investment funds can be an affordable way to make your money grow.

SUITABLE FOR PEOPLE WITH A MODEST AMOUNT TO SAVE

Investment funds, also known as unit trusts or open-ended investment companies (OEICs), offer savings plans starting from as little as £10 per month, although the minimum amount you can invest will vary from fund to fund.

Monthly savings plans can help you get into the habit of saving a small sum of money each month, and your contribution can be automatically debited from your bank or building society account.

THE POWER OF MONTHLY SAVING

Bank and building society deposit accounts can be a good way to save. However, over longer periods of time, the interest you receive on your savings is unlikely to keep up with inflation, so your money could lose value in terms of what it can buy. Investment funds can help make your savings work harder.

The longer you save, the more you can accumulate as the chart below shows.

The chart below compares the returns you could have received by investing £50 per month in shares (IMA UK All Companies Fund), bonds (IMA £ Corporate Bond fund) and cash (Building Society Account) over the past 10, 15 and 20 years.



Source: Lipper IM and Morningstar Workstation.

Figures based on a bid-bid basis with net income reinvested and initial charges are not taken into consideration when calculating total return. Building Society data is net interest reinvested. Data is to 31st October 2011.

With regular savings you avoid having to time your investment. As the price of a fund's units moves up and down so too does the number of units you will be able to buy each month - this is known as "pound cost averaging".

OTHER BENEFITS TO SAVING IN INVESTMENT FUNDS

You can increase, decrease, stop, suspend or resume payments at any time and you won't suffer any penalties. You can also keep your plan for as long as you wish. Whilst you should aim to save for the long-term, you can withdraw money when you want and you do not have to give advance notice.

Costs are transparent and there are no hidden extras. Costs and charges are shared by all of the fund's investors. Information about charges is supplied to you before you buy so that you can see how much you will have to pay and what you are paying for. You should not have to pay extra for a monthly savings facility.

An expert will manage your savings for you and you will receive the same level of service regardless of the amount you choose to invest.

Saving in funds can have tax benefits. Any profits made when you sell your investment are free of Capital Gains Tax (CGT) up to the annual limit of £10,600 for the 2011-2012 tax year. If you choose to invest through an ISA (Individual Savings Account), you will not pay any tax on profit or income gained from your savings. Read the IMA's factsheet ['Investing in ISAs'](#) for more information.

There is a wide choice of investment fund monthly savings plans to suit your needs. You can choose from those investing in cash, bonds and gilts to ones which invest in shares. For more detail on funds with a monthly savings plan you can search IMA's ['Find a fund'](#) service.

CHOOSING AN APPROPRIATE FUND

Before putting money in funds that invest in the stock market, you must be sure that they are appropriate for your needs. Take a look at our [investor's checklist](#) to check that you are financially well positioned to invest.

The literature you receive before you buy will help you to understand the nature of the fund and will outline particulars such as the fund's investment objectives, details about the manager and past performance.

If you are in any doubt about whether an investment is suitable for you, you should seek help from a qualified financial adviser. IMA's [Find a Financial Adviser](#) area of the website can help you find one. You can also find out more on the [Introducing Investment](#) pages of our website.

WHERE TO BUY AN INVESTMENT FUND

Investment fund savings plans can be bought through an authorised [financial adviser](#), direct from the fund management company, via a fund supermarket, or from a bank or building society.

WHAT HAPPENS AFTER YOU START YOUR MONTHLY SAVINGS PLAN

Once the fund manager has received the instruction to set up your monthly savings plan, the manager will take the amount you have specified directly from your bank account on a monthly basis. The manager will also send you statements at regular intervals. These will detail the number and price of the units or shares your monthly contributions have bought, together with the current value of your investment. You can track the value of your investment between the regular statements if you wish. Simply multiply the number of units or shares you hold by their price. You will also receive either a copy of the report and accounts or a short report produced for your fund, twice a year.

You should regularly check the performance of your investment to make sure you are happy with the progress it is making. If at any time you are unhappy, you can contact the fund manager for further information or seek assistance from a qualified financial adviser.

FURTHER INFORMATION

This information is provided by the Investment Management Association. We publish a number of other guides on investing, which are all available free of charge. For further details about specific funds, contact either the relevant fund management company or talk to a qualified financial adviser.

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