How to buy shares in the UK – a quick guide to investing

A company's share price is a reflection of the value of a company and they can go up and down depending on the performance of the company.

The nature of a share means buying at a lower price and selling at a higher price will mean it is possible to profit from share dealing – but it also means it is possible to lose money if the share price drops below the value you bought it for.

Investing in shares is usually a longer-term prospect and if you have the money available and can afford to lose it if things go wrong, investing in shares is possible to set up in minutes.

The quickest way to buy shares is to invest invest directly via an investment platform that can be found online. These are known as brokers.

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Examples of UK brokers include Hargreaves Lansdown, IG, Interactive Investor, Freetrade and the Share Centre.

These platforms allow you to open an account, search for details of shares you would like to buy and then make the transaction.

Stock brokers charge a fee for carrying out a transaction and this will often be reduced as you make more transactions. They may also charge to hold your shares for you – known as a platform fee.

Hargreaves Lansdown says: "You can open an account in under 5 minutes and start dealing shares at £11.95 per deal online, which can reduce to just £5.95 per deal dependent on the number of deals placed."

You can do that here.

Alternatively you can buy through a financial adviser, who can guide you on where you could put your money based on your appetite for risk. You can typically start investing from £50 a month.

Laith Khalaf, senior analyst at broker Hargreaves Lansdown, for his top 5 tips to making money on shares.

This is what he told the Mirror.

Don't put all your eggs in one basket

If you invest all your savings in one company, then your nest-egg is entirely reliant on its performance, and if it hits the buffers, so will your wealth. By investing in a number of different companies you reduce the impact of one poor performer on your overall portfolio, because hopefully the others should pick up the slack.

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One way to achieve simple diversification is to invest in a fund, which itself places money into a number of different companies. For instance the Legal & General UK Index fund is a low cost option which tracks the performance of the whole UK stock market, or more specifically the index known as the FTSE All Share, and so the fund invests in around 650 different companies to achieve this.

If you hold a fund like this as the core of your portfolio, you can them supplement it with individual companies of your choosing, while having your eggs spread across a large number of different baskets.

Think long term

In the short term the stock market can go in either direction, and so you should only be investing money that is to be tucked away for at least 5 to 10 years.

In the longer term the stock market is more reliable though, and a longstanding Barclays study dating back to 1899 shows that over 10 years the stock market has beaten cash 91% of the time, while over 18 years it has beaten cash 99% of the time.

It’s important to have a cash buffer as an emergency fund and for short term spending needs, but for longer term savings you should seriously consider investing in the stock market to build your wealth.

Accept the troughs and the peaks

Markets don’t go up in a straight line, and somewhere along the line there will be price falls, potentially dramatic ones.

It’s important to be braced for these if you are investing in the stock market, and not to panic and sell out when these happen, they are simply part and parcel of investing in the same way there are times when market prices increase very rapidly.

Indeed when stock markets have fallen its usually a good time to top up your investments- in most markets buyers flock in when prices fall to pick up a bargain.

Invest regularly

By investing regularly you can smooth out the ups and downs of the stock market because your money buys in at different price levels.

You can set up a regular investment plan by saving as little as £25 a month, and because this goes out of your bank account like clockwork, you don’t have to worry about market timing or overspending money that you intend to save for the future.

Don’t pay tax you don’t need to

As ever the more you can keep the taxman off your savings and investments, the better.

You can invest in the stock market through an ISA or a SIPP (Self Invested Personal Pension), both of which protect you from capital gains tax and income tax on profits and dividends, and are legitimate tax shelters which are recognised by HMRC.

This simply means more of your money is working hard for you, instead of falling into the taxman’s coffers.

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