

## #4.1 Share Investing | How to get started investing in shares

---

You can see in [Guide #1.1 Wealth Creation | How to assess your financial position, make a budget, and manage your money](#) how much information is around to help you *manage your money*. I'm afraid to say there are even more helpful people around wanting to advise you and help you *spend your money*!

The value to beginner investors (investing 101/Investing for dummies!) is in making the complex world of investing simple. As The Barefoot Investor does with managing money: daily spend = direct debit and dollars; saving = 3 buckets – easy!

We look at investing in other assets, such as real estate in other Guides, but in this Guide focus on how you choose and buy shares. To keep it simple:

1. Why invest in shares?
2. What are your investment choices?
3. How do you buy shares etc.?

### 1. Why invest in shares? (see table below)

#### Investing hopes and dreams

*Mark Bouris tells the story of going to Kerry Packer for venture capital when he wanted to set up Wizard Home loans. Packer kept asking what was the business about? Bouris thought Packer misunderstood, or wasn't listening. Eventually Packer had made his point that the home loan business isn't just about lending money, but is about hopes and dreams.*

When you choose the type of investments that interest you, you'll come across master marketers doing their utmost to convince you that their product, service or strategy is the best way to achieve what you want in life. That's just marketing!

Many people can relate to investing in property because of the bricks and mortar, easy to understand nature of it. But if all you're relying on to diversify is your compulsory superannuation and you have no idea what your fund invests in and its management and returns (BiG Guide to come) – you're leaving your financial security at risk. Let alone tying yourself into having to work up until the next age the government decides to increase the retirement age!

But of course there are risks associated with stockmarket investing.

#### **Don't have your hopes and dreams shattered – the risks of investing in the stockmarket**

*If it sounds too good to be true ...*

Despite all the regulation and warnings about investment dangers and scams they'll always be around - see [Guru Cops](#) and some of our posts.

Investing products can be complex. Ask the investors who have lost their savings investing in seemingly safe products, by seemingly trustworthy companies.

Only recently in a disturbing report on [Today Tonight](#) “redeemable preference shares” issued by Angas Securities Adelaide based mortgage lender Australia’s largest “shadow bank” - were looking precarious for some mum and dad investors.

**Get financial advice, preferably from a financial planner.**

What you should get clear on is what you want to achieve by investing and your risk profile. You can revisit how to plan, set goals and strategies, the psychology of investing and how to choose financial planners in the [BiG 30 Day Challenge](#) posts.

Then you can look more closely at *what you can buy*.

2. [What are your investment choices? \(see table below\)](#)

3. [Buy shares](#)

1. [Why invest in shares](#)

Tips/Traps/Who can help?	Check out:	Resources/Tools
<b>Get financial advice, preferably from a financial planner</b>	<p>Financial planners should advise you on diversification and the best strategy and type of shares to suit your investing goals. Just relying on your home, or real estate investments, or your compulsory superannuation is not a good idea!</p> <p>Where you find financial planners:</p> <ul style="list-style-type: none"> <li>• Accounting firms often have their own wealth management teams</li> <li>• Financial institutions – banks and building societies</li> <li>• Private financial planners</li> </ul>	<p>You’ll find how to choose a planner and the many sites, especially those that rate them, in the <a href="#">BiG Directory</a> and in the 30 Day Challenge see Day 9 <a href="#">How to choose a financial adviser and advice you can trust. It’s all about the faith! Part 1 Financial planners</a></p>
<b>Who else can help?</b>		<p><a href="#">Analysts and commentators, financial planners, accountants,</a></p>

## 2. Issues and Strategies

Tips/Traps/Who can help?	Check out	Resources/Tools
<b>DIY Research</b>	<p>Some of the issues and strategies to consider:</p> <ul style="list-style-type: none"> <li>• Types of shares, funds, bonds, hybrids, warrants, instalments, options, futures or other?</li> <li>• How much analysis will you do?</li> <li>• Actively or passively invest?</li> <li>• Fundamental vs Technical analysis?</li> </ul>	<p>Index vs Managed funds (passive vs active investing) <a href="#">Index funds invest in the bad and the good</a> Roger Montgomery</p> <p>Fundamental vs Technical (charting) <a href="#">A mathematician plays the stock market</a></p>
<b>Expert help</b>	<p>Fortunately, there are many books, magazines, subscriptions, webinars and communities of investors available - often FREE. You can find many from the <a href="#">analysts and commentators</a> and gurus in BiG Books <a href="#">#1Wealth</a> and <a href="#">#4Shares</a></p>	<p>Experts who can set you onto a safe path are ...</p>
	<ul style="list-style-type: none"> <li>• <a href="#">Shares</a></li> <li>• <a href="#">Get started in shares</a></li> <li>• <a href="#">Share market basics Getting into the sharemarket</a> (You Tube)</li> <li>• <a href="#">Marcus Padley's blueprint for sharemarket beginners</a></li> <li>• <a href="#">Your investment strategy</a></li> <li>• <a href="#">ASX Investor Update podcasts</a> and <a href="#">Newsletter</a></li> <li>• <a href="#">Understanding bonds</a></li> <li>• <a href="#">Online courses</a></li> </ul>	<p>The ASX (Australian Stock Exchange) online <a href="#">Education Centre</a> a lot of material for both beginners and experienced investors</p>
	<ul style="list-style-type: none"> <li>• <a href="#">Understanding shares</a> - Before you jump in and buy your first share it is important to understand the basics - different types, pros and cons, franking credits and ASX sectors.</li> <li>• <a href="#">Mechanics of share investing</a> - gain a practical understanding of the mechanics of share investing including how to buy and sell, choosing a broker, initial public offerings and corporate actions.</li> <li>• <a href="#">Fundamental analysis</a> - learn more about fundamental analysis including fundamental investing strategies that might be right for you.</li> <li>• <a href="#">Technical analysis</a> - learn what technical analysis is and whether it might suit your investing style.</li> <li>• <a href="#">Combining fundamental &amp; technical analysis</a> - learn more about the practicalities of</li> </ul>	<p>Australian Investors Association - <a href="#">Shares</a></p>

Tips/Traps/Who can help?	Check out	Resources/Tools
	<p>combining fundamental and technical analysis in your investment strategy.</p> <ul style="list-style-type: none"> <li>• <a href="#">Getting started with shares</a> - use this section as a 'check list' to help you get started, including investment plans, paper trading and sources of information.</li> <li>• <a href="#">Exchange traded funds</a> - find out what ETFs are and how they might be used in an investment portfolio.</li> <li>• <a href="#">Listed investment companies</a> - find out how LICs are a great way to gain market exposure when you are first starting out or as part of your long term investment strategy.</li> <li>• <a href="#">Derivatives</a> - gain an understanding of how derivatives may be used as an investment on their own or as a mechanism to strategically protect your portfolio.</li> </ul>	
	<p>Passive vs active investing: Pro passive: Index funds follow a particular market and are popular – diversification, cost effective, and access to overseas markets - good place for new investors to start.</p>	<p>Ann Wilson – <a href="#">The Wealth Chef Recipes to Make Your Money Work Harder</a> (book) and <a href="#">various videos</a> on creating assets, stock market investing and more.</p>
<b>Traps</b>	<p>Passive vs active investing: Con passive: “There are plenty of reasons to avoid index investing and the ETF structures used to promote them... Three risks for index investors increase – the risk of permanent capital impairment, volatility, and the certainty of average performance.”</p>	<p>Roger Montgomery <a href="#">Index funds invest in the bad and the good</a></p>
	<p><a href="#">Investing in the U.S.</a> (webcast/video)</p>	<p>Alan Kohler <a href="#">Alan Kohler’s Eureka report Guide to personal investing</a> (book) <a href="#">Eureka Report</a></p>
		<p>Scott Pape – The Barefoot Investor <a href="#">Five Steps to Financial Freedom in your 20’s and 30’s</a> (book) <a href="#">Barefoot Podcast</a></p>

Tips/Traps/Who can help?	Check out	Resources/Tools
	"Investment bonds - an alternative/addition to superannuation that financial planners won't recommend! 10yr set and forget investment"	<a href="#">Investment Bonds</a> (video) The Barefoot Investor
	<ol style="list-style-type: none"> <li>1. Take time to research</li> <li>2. 5-12 stocks in a portfolio</li> <li>3. Never invest more than 20% in a stock</li> </ol>	Dale Gilham - Wealth Within <a href="#">Three golden rules to sharemarket success</a> <a href="#">Share trading and stock market courses</a> <a href="#">SMSF Borrowing Courses</a>
<b>Traps</b>	<ol style="list-style-type: none"> <li>1. Spend in the wrong order</li> <li>2. Don't understand compound interest</li> <li>3. Don't understand how little things add up</li> <li>4. Think property is the only investment</li> <li>5. Don't understand risk</li> <li>6. Always back last year's winner</li> </ol>	Noel Whittaker <a href="#">It's about wealth and me</a> <a href="#">Making Money Made Simple</a> and <a href="#">More Money</a> (books)
	<p>“Some <b>investment trading software programs</b> suggest you can make lots of money through active share trading. Be careful about believing such claims.</p> <p>Here are some home truths about these programs that are often sold in <a href="#">investment seminars</a>.</p> <ul style="list-style-type: none"> <li>• <a href="#">Beware of guaranteed returns</a></li> <li>• <a href="#">Watch out for churning</a></li> <li>• <a href="#">Understand investment basics</a></li> <li>• <a href="#">Consider if you've got time to trade</a></li> <li>• <a href="#">Shop around and test the program”</a></li> </ul>	<a href="#">Investment trading software</a> MoneySmart (ASIC)
<b>Using professionals to choose your shares</b>	<p>Rather than trying to master stock market research, you may decide to choose a more full service broker (see 3. below). The degree of your input into share selection is always up to you.</p>	<p>Some of the advisers above may have affiliations or partnerships with financial planners, share analysts and broking firms who can provide a combined service, such as: Eureka Report and <a href="#">brightday</a> (superannuation), <a href="#">Stocks in Value Clime Asset Management</a>, Platinum Wealth (international equities analysis)</p>

### 3. How to buy shares

Tips/Traps/Who can help?	Check out	Resources/Tools
<b>Tips</b>	<a href="#">How to buy and sell shares</a> (You Tube) <a href="#">How to buy gold, silver, platinum</a>	ASX BullionMark
	<p>“How to Buy and Sell Shares  <a href="#">Scott Pape’s investing in shares money challenge</a> (You Tube)            The most common way to buy and sell shares is on the share market using a broker or broking service.            You can also buy shares through a prospectus when they are first put on the market or indirectly through a managed fund. Another way to buy shares is through an employee share scheme.</p> <ul style="list-style-type: none"> <li>• <a href="#">Buying shares on a share exchange</a></li> <li>• <a href="#">Using a broker</a></li> <li>• <a href="#">Buying shares in a float</a></li> <li>• <a href="#">Buying shares via a managed fund</a></li> <li>• <a href="#">Buying shares via an employee share scheme”</a></li> </ul>	<a href="#">Guidelines from ASIC MoneySmart</a>
	<p>2 types of brokers:</p> <ul style="list-style-type: none"> <li>• <b>online or phone broking service</b> or ‘non advisory’ ‘discount’ ‘execution only’ broker - make your own investment decisions</li> <li>• <b>full service broker</b> – they provide advice and recommendations (higher fees)</li> </ul> <p>3 questions:</p> <ol style="list-style-type: none"> <li>1. Do you need a broker who can offer advice?</li> <li>2. What services and products are you interested in?</li> <li>3. How much are you willing to pay?</li> </ol>	Alan Kohler <a href="#">Alan Kohler’s Eureka report Guide to personal investing</a> (book)
	<a href="#">Find a broker tool</a>	The Australian Securities Exchange (ASX)
	<a href="#">Compare online share trading accounts</a> <a href="#">Find the right stockbroker for you</a>	Canstar Trading Room
<b>Trap</b>	<p>Check if the broker uses <a href="#">dark pools</a> or internalisation to execute trades, as this may have an impact on the price you pay for shares.</p> <p><a href="#">Trade parasites feeding at the heart of the ASX</a></p>	Alan Kohler 2012 – still happening?
	<a href="#">Net trading  It’s hit or myth</a>	Ed Charles Wealth Within (old article- still relevant?)

## Checklist – How to get started investing in shares

Completed	Task	Notes
1. Why invest in shares?		
<input type="checkbox"/>	Have you had financial advice on buying shares If you haven't, when will you?	
<input type="checkbox"/>	Who will you get advice from?	
2. What are your investment choices?	Are you clear on what shares/products you're interested in? Have you found the best advice available?	
3. How do you buy shares etc.?		
<input type="checkbox"/>	Have you checked out the ASX find a broker tool?	
<input type="checkbox"/>	Have you considered the Alan Kohler 3 questions?	