



How to Open an Online Trading Account - UK

With the advent of online 'trading accounts', it is now possible to trade shares from any location, cheaply and efficiently. You only need a minimum of around £500 to make your first share purchase. However many people are confused and get put off applying due to the jargon used in association with these accounts. This guide will help you understand some of that jargon and assist to simplify and clarify the process.

Within these application most of the jargon, you will come across, refers to systems used by the brokers, markets and banks.

For the purpose of this guide we are using Barclays Stockbrokers for our UK members as the example. Their MarketMaster® account gives you access to an extensive range of UK shares, funds, ETFs, structured products, gilts and bonds. International shares can be traded over the telephone through the MarketMaster foreign dealing account. You get fast, easy access and control from anywhere in the world, online, by phone or post. You can manage your cash, place trades, view your portfolio and get up-to-date valuations online at any time.

You may want to refer to this guide as you are filling out your application form, so before you start the process print out this guide, then go to www.stockbrokers.barclays.co.uk/trade for step by step instructions or if you prefer to talk it through you can call: 0845 6017788*

It will take you 5- 10 minutes to complete the online application form. If you are a UK resident individual, aged 18 years or over you can open an account online in minutes. But allow a week for your application to be processed, if you opt for the download and print application.

Check list of required information you will need to complete the application

A valid email address

Your National Insurance number

Your address details for the last three years

Your bank account number and sort code

If you're opening a company or Trust account, the relevant details.

Opening a trading account

Often stock brokers will insist that you have a linked account in order to trade with them. This is usually an account that is linked to your '**trading account**'. This account must have sufficient funds in it for you to conduct and pay for trades. One of the reasons you must have one of these accounts is to allow the broker in this case Barclays, to automatically deduct the payment for your trades directly from that nominated account. Just remember that your trade has to be settled (paid for) within three days. Failure to do so may result in a high penalty fee and ultimately the cancellation of your trade.

Barclays in fact allows you a number of ways to fund your account-Direct Debit, Debit card or cheque .

When you buy shares, the cost of the shares plus your **transaction (brokerage)** fee of £12.95 and any stamp duty will be deducted automatically. Also when you sell shares the sale proceeds will be credited to your nominated account after three days, minus the brokerage fee.

Barclay's MarketMaster® account holds assets listed on the London Stock Exchange (LSE) in the form of a nominee account, which means you nominate them to do the administration and look after your investments for you. This can save you time, effort and money and you don't need to hold paper certificates. Of course, you remain the beneficial owner of the underlying assets.

Types of trade or ways of buying shares

There are a range of order types in the market; Quote & Deal, Limit, At Best, Stop Orders and Trailing Stop Orders. You can also combine order types which can be used as part of a flexible dealing strategy helping you to protect your holding whichever way the market moves. See the Pink Investments learning centre for all the details. Here are a few to get you started:

Quote & Deal Quote & Deal gives you the real time price from the market before you deal. Quote & Deal is only available during market hours.

At Best If you want to secure execution at any price, you can choose to deal At Best. This option is ideal when the market is closed or when the number of shares in your order exceeds the maximum quantity allowed using Quote & Deal. At Best ensures that your order is dealt at the next available opportunity.

Limit Order This guarantees price but not execution. Use a limit order when you want to achieve a price better than the current share price - Limit Orders are only dealt at a limit price set by you or better. These orders can be placed at any time.

NOTE: Brokers talk in numbers of shares, **not pounds**. If you only want to spend £1,000 work out the approximate number of shares otherwise you might find yourself buying 1,000 shares. That could cost you a lot more than you bargained for!

Tracking your investments

While many people talk about buying shares and putting them in the bottom drawer, it is a better strategy to regularly monitor them to keep track of how your assets are performing.

Investing for the long term should not mean clinging on to shares that are never going to recover the value you paid for them. If your shares are under-performing, you may need to make some hard decisions about what to do with them. Use Pink Investment's resources to help track your investment performance and go to our learning centre for more information on buying & selling shares, along with tax implications.

Building a share portfolio

Because a large number of investors received shares through being members of companies that privatised, such as BT and Abbey National, in many cases this means investors aren't diversified enough. Most market watchers believe a portfolio of 10 companies is enough to give you adequate diversification. For more information on this subject see our online learning centre and ebook.

When to Buy and Sell

Knowing when to buy and sell shares is the million dollar question. If you are investing for the long-term the right time to buy is now. Of course if the shares were to drop 20% tomorrow, you would be sorry you had not waited a day, but many an investor has missed out on good opportunities by trying to time the market.

Dummy portfolios (watch lists)

If you're a beginner or hesitant about which shares should make up your portfolio, why don't you monitor a dummy portfolio for 3- 6 months and see how you go? Meanwhile you can be accumulating funds to invest as well as learning about how to invest. Create a shares watch list and monitor the performance of the shares you're interested in over a set period. Yahoo finance has a good free tool you can use for this.