

Index Fund Starter Guide

From saver to investor. Four steps. One checklist.

01 Choose the right account first

02 Fund the account - actually

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The starting amount doesn't matter. The habit of starting does.

01

Choose the Right Account First

Before you pick a fund, decide where it lives. The account type determines tax treatment and that matters significantly over the long term.

The Retirement Account

UK: Stocks and Shares ISA or pension (SIPP). US: Roth IRA or 401k. Best for long-term growth - money you won't need for 10+ years.

START HERE IF YOUR GOAL IS RETIREMENT

The Flexible Account

A general investment account with no contribution limits and no restrictions on withdrawal. More flexibility, less tax efficiency. Use for goals that are 3–10 years away.

The FemWealth Rule:

Match the account to the goal timeline. Short-term goals (under 3 years) don't belong in any investment account - they belong in cash. The investment account is for goals far enough away to survive market volatility.

The goal determines the account. Not the market. Not the news.

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02

Fund the Account - Actually

Opening the account is not investing. The most common mistake is opening an account, transferring money, and leaving it sitting in cash inside the account.

The four actions - in order

1. Link your bank account. 2. Transfer your first contribution. 3. Select the fund. 4. Confirm the purchase. The money must be actively invested in a fund - not just sitting in the account.

The starting amount

\$50, £50 or €50 per month is a real start. The habit of investing consistently matters far more than the amount in year one. The amount grows. The habit compounds.

Important:

Never invest your emergency fund. It belongs in a high-yield savings account - accessible, stable, never at risk. Set up automatic monthly contributions on payday, before you can spend it. The automation removes the decision and the decision is where most people stop.

The decision to automate is made once. The investment happens every month.

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03

Pick Your Index Fund

You are looking for one thing: a low-cost fund that tracks a broad market index. You are not trying to beat the market. You are trying to own it.

Global Total Market Index Fund

Gives you exposure to thousands of companies across the world in a single fund. One fund. Maximum diversification. This is often all a beginner needs for the first 5 years.

BEST STARTING POINT FOR MOST INVESTORS

S&P 500 / Large Cap Index Fund

Tracks the largest companies in the US market. Strong historical performance, less geographic diversification than a global fund.

International Index Fund

Adds exposure to markets outside the US. Useful for adding geographic diversification alongside a US-heavy fund.

Check before buying:

Expense ratio - the annual fee. For index funds: 0.05% to 0.5%. A 1% difference costs approximately \$200,000 over 30 years on a \$100,000 portfolio.

One fund. Low cost. Leave it alone. That is the complete strategy.

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03

Set It to Autopilot and Leave It Alone

The secret to long-term investment growth is not picking the right fund. It is consistency contributing every month regardless of what the market is doing.

Automatic monthly contributions

Set a specific date - ideally the day after payday - for a recurring purchase. The money moves before you can redirect it elsewhere.

DO THIS ON DAY ONE

Dividend Reinvestment (DRIP)

If your fund pays dividends, enable automatic reinvestment. Your dividends buy more shares. Those shares pay more dividends. This accelerates compounding significantly over time.

When markets drop - read this

Ask one question: has my goal changed? If the goal is still a house deposit in 2029 or retirement at 62 - the strategy should not change. Every broad market downturn has recovered. Stay in.

The investors who stayed invested through downturns recovered with the market. The ones who sold locked in the loss and missed the rebound.

The goal is the reference point. Not the market. Not the news.

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Your Quick Action Checklist

Six steps to complete before you consider yourself invested.

Open your investment account
Matched to your goal timeline and country

Link your bank account and make your first transfer
Even \$50 is a real start

Choose one index fund
Start with a global total market fund

Set up automatic monthly contributions
On payday, before you can spend it

Enable dividend reinvestment (DRIP)
If available on your platform

Verify your emergency fund is separate
3–6 months of expenses in cash, not invested

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