



Questions our investors asked about ETFs

If you haven't come across an ETF before, the way Bloomberg explains it appealed to us.

[In two minutes they make their point.](#)

How much does it cost to buy an ETF?

The cost of buying an ETF varies with different brokers and platforms. It will usually be the standard trading fee for shares.

In the UK dealing fees of £15-£20 per trade are typical. Jarvis charges US £19.

Do I pay a transaction tax when I buy an ETF?

No. On most UK share purchases there is Stamp Duty charged at 0.5%. However stamp duty is not payable on overseas domiciled ETFs that trade in London. ETFs from the main providers are all domiciled in Ireland, Luxembourg and France.

Stamp duty on UK-domiciled ETFs was abolished in April 2014.

How do I sell an ETF?

Via the dealing service where you bought and are holding the ETF. Consult your broker or platform's literature for specific details. They should be no different from holding shares.

Can I buy an ETF direct from the ETF provider?

Unlike with mutual funds it is not possible to buy ETFs directly from the ETF issuer. However because dealing fees are low this is a small price to pay for the flexibility and liquidity of ETFs.

Holding an investment in the Monogram model is a good way to do it, too.

Is there a bid/offer spread with ETFs?

Yes, ETFs cost slightly more when you buy them than you get for selling them, in the same way as most securities. This difference (the 'spread', is typically around 0.2% to 0.5%. (Some ETFs are relatively illiquid and may have higher spreads)

Is there a liquid market in ETFs?

Yes, ETFs from the big issuers that track the main markets are highly liquid (easily traded). Some obscure overseas or sector-based ETFs may be less liquid, however. That would be reflected in a greater spread. Check your spreads before buying – this goes for all securities of course.

Are there any additional charges I should know about?

Like other funds, ETFs charge an annual on-going fee, which is deducted from the returns of ETF (rather than being an explicit separate fee that you pay). These annual fees can be as low as 0.1-0.5%.

In addition of course your online broker or fund platform will charge a fee. It pays to shop around for the best deal.

When can I buy my ETFs?

As ETFs are shares traded on the stock market, they are bought and sold during normal market hours. In the UK these hours run from 8am to 4.30pm.

When should we buy and sell ETFs?

We align your trading times with the opening hours of the home market of the ETF's underlying holdings.

It provides better liquidity and spread. For example, we trade ETFs which hold U.S. stocks in the afternoon, here in the UK, and ETFs which hold Japanese stocks in the morning.

Can we buy via limit orders or out-of-hours orders?

Yes, provided our online broker supports such orders for share dealing.

Can we buy whatever ETF I want?

Most ETFs are freely traded. Some ETFs are deemed to be more complex investments, and therefore only suitable for more sophisticated investors or those who can confirm they've read and understood the supporting literature. MCM deals only with elected professionals who are deemed to be capable of understanding the literature provided.

Are we locked into our investments when we buy an ETF?

No, ETFs are continually traded like other shares so we can hold them for as long as you like. There is no minimum holding period.

How do I know which ETF to buy?

Data providers, such as justETF, can help individuals research and select from the wide range of ETFs that are available.

The stock market index or sector that is tracked should usually be clear from the name of the ETF, but that is just the first step in your research.

At Monogram we have used [justETF screener](#) which remains a good place to start.

Can I buy and hold my ETFs in an ISA?

Mainstream ETFs listed on the London market can be held in an ISA. ISA rules mean you can't transfer ETFs or other shares you own into an ISA, so you will need to buy them within an existing ISA.

Holdings outside ISAs will need to be sold, and the money moved into an ISA (subject to the usual annual ISA subscription limit) where the ETFs can then be repurchased.

You can do this via Monogram.

Can I buy and hold my ETFs in a SIPP?

Yes, in any SIPP that allows you to hold individual shares. Monogram is a useful vehicle for this too.

Most people not investing with a vehicle like us will buy their ETFs within their SIPP provider's platform.

You can also transfer in existing holdings, albeit at a cost and there may be tax complications.

Always consult your trading platform provider, broker and/or a financial advisor if you think you need to.