

Competitor Price Comparison

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Fair and Balanced comparison

Lightyear Financial Ltd. offers execution only (RTO) brokerage services for US equities to UK customers as an appointed representative of RiskSave Technologies Ltd. In order to explain the fee structure and the benefits of using Lightyear the firm or promotions it approves may refer to 'the cheapest platform to buy equities'. This page explains the analysis behind that claim.

Note that unlike most competitors, Lightyear Financial offers a multi-currency account. With typical competitors, when a customer sells stock A in order to buy stock B, the broker will convert the sale proceeds of stock A to GBP, charging a commission, and then convert this back to USD to fund the purchase of stock B, again charging a commission. With Lightyear Financial the sale proceeds of stock A remain in USD and are available to fund the purchase of stock B thereby incurring no costs of conversion. It was to show the benefits of this that the analysis below was conducted.

Note that these figures are illustrative, and your capital is at risk when investing. Historical performance and these figures are not a reliable indicator of future results

Methodology

To establish that Lightyear Financial Ltd offers the most cost-effective investment platform, we compared Lightyear pricing for a model user to a broad sample of competitors, and calculated how fees affected their investment outcomes over the long term by examining the following factors:

- Initial deposit
- Monthly Deposit
- #trades per month (turn-over rate)
- Average order size
- Return assumptions

And data is collected from competitors on:

- Trading-related fees
- FX fees
- Account fees
- Custody fees

Based on the monthly costs and returns assumptions the total expected funds accrued by a customer are calculated. In the model we used the user inputs starting portfolio value, new investments per month, orders per month and number of years invested. We calculate the monthly trading amount by adding the new investments per month to the 7% per month portfolio turnover (the trading amount on 7% monthly portfolio turnover is 14% of the portfolio value to account for selling+buying fees unless the provider offers multi-currency).

The yearly fees and returns over the investment period are calculated in the following way:

- **Month 1 portfolio value** = (starting portfolio value + monthly new investment)
- **Month 2 portfolio value** = (month 1 portfolio value + (10% of month 1 portfolio value / 12)) + monthly new investment) - (trading fee on the orders per month) - (FX fee on the monthly trading amount) - (monthly account fee)
- **Month 3 portfolio value** = (month 2 portfolio value + (10% of month 2 portfolio value / 12)) + monthly new investment) - (trading fee on the orders per month) - (FX fee on the monthly trading amount) - (monthly account fee)

And so on until we get to the term of the portfolio. When we get to the last month of the portfolio we don't add any growth or new investment or new trades, we simply apply the monthly fees and then "sell" everything and apply the relevant provider fees to that sale.

When looking at fee structures across providers we use the cheapest pricing / plan available based on the investment inputs / trading amounts for the portfolio in question. For Lightyear, we will add FX fees for any amount traded.

The output will be ranked by portfolio returned amount and show what the return would have been under this scenario for the highest returning provider and how much lower the return would have been for each subsequent provider in ascending order.

Competitor Sample

The firm has taken a broad approach and reviewed all relevant low-cost options available to its target market for investing in US Equities.

This sample was picked based on Google Searches (what lists on the front page of Google for "Buy shares", User Interviews (of users on the waiting list and users of the product and the other services they use) and market knowledge. A competitor is included if it flags up regularly. The following firms are included:

- FreeTrade
- Trading212
- Hargreaves Lansdown
- Interactive Investor
- AJ Bell
- Revolut
- IG

For questions or suggestions to add further parties to the comparison, please contact comparison@golightyear.com

Assumptions

In order to make a comparison the the following assumptions were made:

Assumption	Value	Source	Relevance to the analysis
Initial Deposit	\$1000	First month average deposit approximation Lightyear	Approximation of Lightyear customer behaviour
Monthly Deposit	\$100	Expected medium term behaviour for median investors	Approximation of Lightyear customer behaviour
Monthly trades	5	Average trades per user August 2022 LY	Approximation of Lightyear customer behaviour
5yr stock market return	10%/0%	<p>The S&P500 returned 60% in the 5 years preceding, which with rounding corresponds to 10% annual increase in value.</p> <p>Further sources: https://www.nerdwallet.com/article/investing/average-stock-market-return; https://www.investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp#:~:text=The%20index%20has%20returned%20through%20the%20end%20of%202021.; https://www.schwab.com/learn/story/schwabs-long-term-capital-market-expectations.</p> <p>In order not to provide a misleading impression of potential for future returns, we are including a negative scenario where there is no growth over 10 years in US equity markets.</p>	This helps illustrate the impact on returns on fees. This assumption doesn't materially affect the substance of the analysis, and doesn't affect the rankings at the top.
Monthly portfolio turnover rate	7%	Portfolio turnover rate (in line with market) (from Reuters News) – market reported 92% turnover rate divided by 12.	This assumption affects the analysis in that brokers with trading related fees come out worse than those without if turnover rate is higher.
Time period	10	Assumption based on the nature of the product	Investment services are mid-long term investment services, so longer horizon

			is appropriate
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Competitor Data

Firm	Account Fee	Trading Fee	Custody Fee	FX Fee
Lightyear	0	0	0	FX Fee 0.35% on balance conversion
FreeTrade	0 (free plan)	0	0	FX Fee 0.45% on trade
Hargreaves Lansdown	0	£11.95 (£8.95 for 10-19, £5.95 for 20+)	0	FX Fee on trade: <ul style="list-style-type: none"> • 1% up to £5000 • 0.75% next £5000 • 0.5% next £5000 • 0.25% over £20.000
Interactive Investor	£9.99	£5.99 (since September 2022)	0	FX Fee on trade: <ul style="list-style-type: none"> £0 - £24,999.99: 1.50% £25,000 - £49,999.99: 1.25% £50,000 - £99,999.99: 1.00% £100,000 - £599,999.99: 0.50% £600,000 or more: 0.25%
AJBell	0	£9.95 (or £4.95 month after 10+)	0.25% (max £3.5)	FX Fee on trade: <ul style="list-style-type: none"> 1% FX fee on first £10,000, 0.75% on next £10,000, 0.5% on next £10,000, 0.25% over £30000 (source)
Revolut	0	0.25% or 1£ (1 free)	0.12%	0%
IG		£10 US, £8 UK (or free if 3+ in last month)	£24 / quarter (waived if 3+ trades in last quarter)	0.5%
Trading212	0	0	0	0.15% on trade

The effect of interest is not included in this calculation.

Results Data

See below the results of the fee analysis at different sets of assumptions including:

- Historical market average return
- Low returns (0% average return)

	10 year balance @ 10% return	10yr balance @ 0% return
Lightyear	£22740,- (1)	£12809,- (1)
FreeTrade	£21668,- (3)	£12285,- (3)
Hargreaves Lansdown	£9322,-	£5033,-
Interactive Investor	£15024,-	£8266,-
AJ Bell	£10963,-	£6037,-
Revolut	£19907,-	£11148,-
IG	£21536,-	£12219,-
Trading 212	£22481,- (2)	£12691,- (2)

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Conclusion

Lightyear is the most cost-effective across the competitor sample, for both scenarios.