

## Importance of Mutual funds in Financial Planning

Few years ago, manufacturers of ready-to-eat Indian food were baffled with the poor response to their range of convenience foods. Beyond young single people, the market refused to expand to families. Their research showed that families were looking at saving time spent in the kitchen. What was going wrong? Another research was commissioned, which showed that the woman of the household preferred to add her 'touch' however little it may be, before serving the meal. The market for gravies and mixes thus took off. In managing our finances, several households tend to choose the do-it-yourself path, to their disadvantage. There may be a high in whipping up an exotic investment recipe for our households. But it suffers the same risks that an amateur cook will bring, simply because the off-the-shelf solution did not appeal to the ego.

We can take a better approach. We know our nutrition needs and design meals that cater to the specific needs of the family. We can exercise our choices in bringing the meal to the table. We could similarly take hold of the planning of our finances and our specific needs and use pre-designed portfolios to meet those needs. Mutual funds offer their portfolio management skills to help households build their portfolios, so that the family's financial well-being can be taken care of. The job of choosing the product and deciding what works for us is still ours on which we could focus.

Financial planning is about taking charge of the long term well-being of the family. If we think our child needs a glass of milk a day, we do not indulge in nurturing a cowshed but buy packed milk off the shelves. If the child needs funding for education and we know this means a large sum of money sometime into the future, we can choose to buy an equity fund that gives us long term growth. If we think our nutritional needs change as we age, we can buy oats off the shelf. We make that decision to switch to the oats instead of the craving for the parantha. But we still pick that oats pack off the super market's shelves.

Mutual funds represent that range of pre-packed products that enable us to implement our financial plans. What they are made of and how they would contribute to our financial health is pre-defined. An equity fund will focus on growth and carry long term benefits and short term risk. Our decision should be about how much of equity we need to have, given our need. Just as we decide how many rotis the teenage son will eat, compared to his grandpa. Having made that decision, we buy a well managed equity fund, rather than wasting our energies in creating an equity portfolio, share by share, on our own. Mutual funds enable us to focus on our core planning needs, without frittering away our time doing elaborate chores that can be efficiently outsourced.

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