

Financial planning with mutual funds

How often have we wished that there were 48 hours in a day? With earning money and fulfilling family responsibilities topping our priority list, our investments usually take a backseat. Complex investment options further delay our investment decisions for the lack of time to understand these avenues. Here is where mutual funds play an important role.

Why invest in a mutual fund:

Various investment options to choose from

Mutual funds offer a plethora of products to choose from, which makes it easier for investors to align their investment objectives with investment avenues.

Consider equity schemes; One can choose from index funds, equity diversified funds, large cap funds, mid cap funds, flexi cap funds, sector funds, and the list goes on. Similarly, in case of debt schemes there are balanced funds, monthly income plans (MIPs), gilt funds, fixed maturity plans (FMPs) and many more. If one's investment horizon is very short, then he/she can invest in liquid funds.

Professional investment management

Another major advantage of investing in a mutual fund scheme is that it is professionally managed. With inputs from research analysts, the fund managers take investment decisions in tune with the objective of the scheme.

In short, you can rest assured that your money is in safe hands.

Affordable Investment

Mutual funds offer a very affordable investment avenue with initial investment as low as Rs 500. Direct equity or debt investments on the other hand would require a much higher outlay. Moreover, a very moderate fee is charged for your hassle-free investment experience.

Convenience of investing

Options like Systematic Investment Plans (SIP), Systematic Transfer Plans (STP) and Systematic Withdrawal Plans (SWP), enable you to manage your investments and withdrawals in an automatic and efficient manner. On the whole, mutual fund investing is quite simple and easy.

Easy Liquidity

Mutual funds are highly liquid investments. One can redeem units of a mutual fund at NAV based prices and receive the redemption proceeds within a period of 3-5 days.

Diversification with a small amount of investment

With a small investment, not many options are available while investing directly in the capital market. However, mutual funds allow you to spread your investments across a wide range of securities, lowering your risks considerably.

Disciplined investing

Facilities like 'Systematic Investment Plan' (SIP) inculcate a habit of regular saving and investing by making you invest a fixed amount periodically for a pre determined period of time in a mutual fund scheme.

Transparent and well-regulated industry

The mutual fund industry is regulated by Securities and Exchange Board of India (SEBI) and is governed by SEBI Mutual fund regulations. These regulations ensure transparency in the functioning of mutual fund.

An investor to achieve his financial goals requires various investment avenues with varied risk-return characteristics. Mutual funds with various investment options of differing risk return profile should form part of financial planning of every individual.

Advantages of investing in mutual funds:

- Various investment options to choose from
- Professional Investment Management.
- Affordable investment.
- Convenience of investing..
- Easy liquidity.
- Diversification with a small amount of investment.
- Disciplined Investing. .
- Transparent and well-regulated industry.

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Mutual fund investments are subject to market risks. Please read the scheme information document carefully before investing.