

Benefits of Mutual Fund investing

Mutual Fund (MF) is a type of collective investment instrument/product, which pools money from investors and allocates the pooled funds in a single asset class or a combination of asset classes (equity, debt, gold etc) to deliver returns in line with the scheme's objective. Though they have been in existence for over five decades, MF continues to be a relatively risky and unknown investment avenue to the Indian masses. Many types of MF schemes are available in the market today. Depending on your personal financial goals, MF schemes can be picked to grow long-term wealth based on your risk profile, investible surplus and the time horizon to attain these goals.

MFs score over other investment avenues by offering the following benefits:

- 1) **Professional fund management:** MFs are managed by highly qualified professional fund managers with expertise in investment management.
- 2) **Diversification:** MFs spread risk across companies, sectors and asset classes.
- 3) **Rupee cost averaging:** Systematic Investment Plan (SIP) facility offered by MFs helps investors to take advantage of market fluctuations. By investing small amounts regularly (SIP), investors can overcome market volatility across cycles. More MF units are allotted under SIP when market is down, leading to a lower average cost per unit over a long period of time.
- 4) **Affordability:** Investors can plan and achieve their goals by investing as small an amount as Rs500. This makes MFs affordable to all class of investors.
- 5) **Liquidity:** Investors often require an easy and quick exit route (or liquidity), which is offered by MF. A uniform redemption process gives investors their money back, on redemption, within 3-4 working days.
- 6) **Easy to invest:** Investing in MF has become quite easy these days because of the various investing options offered to investors. You can invest in MF in any of the of the following ways: through intermediaries, IFAs, directly via AMCs, online financial portals, banks, demat & trading accounts, electronic money transfers (NEFT, ECS, IMPS & RTGS).
- 7) **Tax benefits:** Investments in Equity Linked Savings Schemes or tax-saving MF schemes qualify for tax deduction u/s 80C.
- 8) **Better post tax returns:** MFs offer better post tax returns on long-term capital gains. Units of equity MF schemes, if redeemed after one year, are tax-free. The debt MF units benefit from the indexation option after three years, making the redemption tax efficient.

The above benefits make MF an attractive investment avenue for achieving your life's long-term financial goals and wealth creation.