HOW MUTUAL FUNDS HELP ACHIEVE GOALS

Mutual Funds have many virtues. One of its key benefits is that it can help achieve different kinds of goals. Here's how MFs help achieve different goals:

1 **LONG-TERM WEALTH CREATION:** There are many who invest to make money. They are ambitious, patient and willing to take higher risks. Their goals have a longer deadline - years, not just months. If you fall in this category, then equity mutual funds may be your best bet.

2 **SHORT-TERM GOALS:** Not all investments are for the long-term. Suppose you want money in a year or two's time - say ₹ 50,000 for a trip; you do not have much scope to take risks because of the short time frame. In such cases, debt funds with maturity of 1-3 years can be a good option.

3 **SAFETY FIRST:** For many, the financial goal is simply to preserve their money from inflation. This could be for varying time-frames - three years, seven years or even 20. There are different kinds of debt funds for exactly this purpose. These offer the safety of capital preservation.

4 **EARN, BUT WITH LESS RISK:** So you want to make money by earning a higher interest rate, but don't want to take much risk? Funds that have majority debt market exposure and 25-35% equity exposure are the answer for you. These funds invest in equity as well as debt.

5 **EMERGENCY USE:** MFs can also help park money for emergencies, when you need to have cash handy on a very short notice. Through liquid and ultra-short term debt funds, you can earn a higher return than bank accounts, and still have the money available easily.

6 **TAX-SAVING:** You can easily reduce your tax payments by investing ₹ 1.5 lakh every year. One of the tax-friendly options is an ELSS fund. The Equity Linked Savings Schemes are Mutual Funds that invest in equity and have a three-year lock-in period.

Swatantra Kumar Explains : WHAT IS TIME VALUE OF MONEY

Time plays a big role in your investments. The value of money today will not be the same in the future.

1 When you get your money, and how frequently your interest will be paid, are two very important considerations.

2 An amount in hand today has more value than the same amount at a later date because it can earn an interest.

3 Longer the time period, greater is your profit because you earn interest on the interest payments. This is called power of compounding.

4 So, you would prefer to get money in lump sum today (and then invest it) than earn the same amount in the future.