

Allow us to bust MF MYTHS instead of Firecrackers

This Diwali, it's time to bust some common myths investors have about Mutual Funds.

1

IT'S COMPLICATED

It's quite simple really. It's like you give your money to a professional to invest it on your behalf. You just sit back and enjoy the returns. That's all Mutual Funds are – an investment vehicle!

2

THE INVESTING PROCEDURE IS DIFFICULT

It's one of the simplest procedures. Approach your Bank, a Fund House, a Financial Advisor, a Broker or an MF distributor. Fill one form. Give the money. That's it. You are done.

3

MFs ARE RISKY

Every single investment comes with a risk. Even your Fixed Deposits. Same goes for MFs too. In fact, by investing across hundreds of assets, MFs manage to lower their risk exposure. Funds like Arbitrage Funds or Liquid Funds have really low risk.

4

YOU NEED A DEMAT ACCOUNT

Or even a trading account, for that matter. You can simply buy Mutual Funds by giving a cheque. Alternatively, you can use your banking account to buy a Mutual Fund.

7

MFs ARE ONLY FOR LONG-TERM INVESTING

Not really. You can easily invest in Debt-based Funds for the short term. In fact, there are special MF schemes – Liquid Funds and Short-Term Debt Funds – for creating your Emergency corpus.

5

IT IS DIFFICULT TO SELL MFs

You can sell your MF holdings in two ways – back to the Fund or to another investor. In the first case, you just inform the Fund House. They have to buy it back. Or, you trade through an Exchange.

6

MFs ONLY INVEST IN EQUITY

MFs invest across asset classes like Gold, Government Bonds, Corporate Debt, etc. And MFs have to be very clear about informing their investors about these assets. So you're never in the dark.

8

YOU NEED TO INVEST A LARGE AMOUNT

Of course not! You can invest even ₹ 500 if you opt for a Systematic Investment Plan (SIP). Through this, you invest every month. In the case of a lump-sum investment, you have to invest at least ₹ 5,000.

9

IT'S BETTER TO OPT FOR LOWER NAV FUNDS

The Net Asset Value (NAV) represents the value of the assets that the Fund has invested in. It has nothing to do with whether a Fund is available cheaply.

10

NEW FUNDS HAVE GREATER CHANCE FOR GROWTH

The only reason a new Fund has a lower NAV is because it has invested a smaller amount in Stocks and Bonds. This does not mean it has a greater scope for growth. You need to look at the Assets and Fund Manager for potential.

*This content was created exclusively for UTI Swatantra

SIP CORNER

- It's a myth that you can only invest in one Systematic Investment Plan at a time.
- In fact, experts suggest, such a single-MF strategy should be actively avoided.
- Even if you have a small budget of say ₹ 3,000 per month, diversify your SIPs.
- For example, ₹ 1,000 can go in an Equity Fund for Long-Term plans.
- Another ₹ 1,000 can go into a Long-Term Debt Fund or a Monthly Income Plan for security.

- The last ₹ 1,000 can go into a Liquid Fund to build your emergency corpus.
- This way, you are diversifying your risks by investing across Equity and Debt.
- And you are also catering to three goals – Long-Term Wealth Creation, Security, and Short-Term Emergency Protection.



Diwali is known for two things – firecrackers and gifts. Now that we have burst some firecracker myths, it's time to move on to gifting.



Swatantra Kumar Explains GIFT AN SIP

- Sweets last a few hours or days at the most. Clothes survive for a few weeks or months.
- Tech gadgets too last only a few months or maybe a year at the most.
- One kind of gift can last a life time – Investments.
- After all, only investments increase in value over their lifetime. Every other gift falls in value.
- Equity Funds can make your child

wealthy – and ready to meet a promising future.

- Debt Funds can add a layer of security to your friends' money.
- Liquid Funds can ensure your parents have enough money lying ready in case of emergencies.
- Gold Funds can satisfy your crave for the precious metal too while also delivering higher returns.
- You can buy directly in your child or grand-child's name.

- But when it comes to gifting MFs to your other loved ones, the process becomes longer.
- You can fund the investment through a cheque or bank transfer.
- However, you will need your friend's signature on the application form.
- But one step is nothing when it comes to gifting your loved ones a lifetime of happiness.

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KEY TAKEAWAYS

- Mutual Funds are not difficult. They are one of the simplest investment options available.
- All kinds of investors – Short-Term, Long-Term, Low-Risk, High-Risk investors can rely on MFs.
- The NAV has nothing to do with growth. It is just used to 'measure' growth.

So far we have spoken about investing in Mutual Funds and building a diversified portfolio. In the next edition, we will talk about a must-have Fund in your portfolio – Large-Cap Funds.