UTI Mutual Fund

Haq, ek behtar zindagi ka.

10 YEARS

UTI SWATANTRA

An investor education initiative

SWATANTRA KUMAR EXPLAINS PROSPECT THEORY

A bird in hand is worth two in the bush. You have often heard someone wise in the family say that.

Prospect theory shows that as long as prospects are in the positive domain, investors choose certainty over the chances of a larger gain. On the other hand, when prospects turn negative, investors prefer the probability of larger losses over the certainty of smaller ones. This is because the emotional impact of a perceived loss is greater than the happiness of an equivalent future gain.

This explains why most people in India prefer the certainty of physical Gold over future returns on financial assets.

Diversify your risk by investing across asset classes. Rather than concentrating your portfolio on assets like real estate and gold, you could look at financial assets. If your goal is to achieve an annual return on your investment above the inflation rate, construct your portfolio in a manner that you maintain an adequate balance across asset classes.