Q- Mutual Fund Vs. Other Investment Avenues

Mutual Funds [Debt] Vs Fixed Deposits
Debt mutual funds and fixed deposits both provide reasonable income but have the following differences.

Parameters	Mutual Funds [Debt]	Fixed Deposits
Returns	Returns are linked to the underlying portfolio of debt instruments which may help beat inflation in the long run'.	Fixed returns.
Liquidity	High*	Premature withdrawal comes with a penalty. Tax saving FDs cannot be prematurely withdrawn.
Taxation	They offer tax-efficient returns, as investors can claim indexation benefit for investments of more than 36 months as per current tax laws. For units held for less than or equal to 36 months, short-term capital gains (STCG) would be applicable. STCG in debt mutual funds are taxed as per applicable tax slab of the investor. For investments of more than 36 months, long-term capital gains (LTCG) would be applicable, LTCG of debt fund are taxed at 20% with indexation benefit. Indexation benefits reduce the tax obligation of debt fund investor.	Interest income from fixed deposits is added to investor's taxable income and they have to pay income tax according to that income.
Mode of Investment	Allows both SIP and lumpsum (one-time)	Allows only lumpsum (one-time)

*A few debt mutual funds in the industry carry exit loads. Investors can redeem their investment at any point in time after paying the applicable exit load if any. Few debt funds also have lock in period.

(A) The returns calculated are indicative and only based on assumptions which may not hold good in future. The above table is only intended to be a hypothetical example for explaining the calculations. Before investing kindly consult your advisor and satisfy yourself about the appropriateness of the investment for you.

(B) Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Mutual Funds [ELSS] Vs PPF

Both ELSS funds and PPF offer tax-saving benefits under Section 80C of the Income Tax Act, 1961. But they differ in the following –

Parameters	Mutual Funds [ELSS]	PPF
Lock-in period	Three years. (three years from date of allotment of units)	Minimum of 15 years.
Returns	Potential to earn better returns in the long run.	Fixed returns as specified from time to time
Investment amount limitation	None. (maximum investment upto Rs.1.5 lakh for FY including other eligible investments under section 80 C of income tax Act is eligible for tax benefit)	Maximum Rs. 1.5 Lakhs every financial year.

Mutual Funds [Gold ETFs] Vs Gold

Gold can be purchased in its metal form but Gold ETFs offers a better alternative to physical gold. Here's how -

Parameters	Mutual Funds [Gold ETFs]	Physical Gold
Pricing	Standard and transparency in transactions	Changes daily and varies from one buyer to another.
Expense ratio	Low.	High due to the making charges involved.
Safety and security	Higher safety in terms of reduced risk of theft.	Higher risk of theft than other forms of investment in gold
Storage cost	Low (as it is held in Demat form).	High if kept in locker (locker cost).
Liquidity	Can be sold on the exchange.	Can be sold in the market.-

Mutual Funds Vs Other Investment

Here's how you can stack Mutual Funds versus other investment avenues such as Real Estate and Direct Equity. We compare these investment options on various parameters as follows -

Parameters	Mutual Funds	Real Estate	Direct Equity
Ease of Investment	Fast and easy, complete the one-time KYC process to invest in a variety of Mutual Funds.	Time consuming and involves numerous legal details to be considered before investing.	Relatively more documentation requires a Demat and Trading Account to be opened in addition to the services of a stockbroker.
Liquidity	High.	Mainly a non-liquid asset.	High.
Risks	Market risks* with returns depending on the asset class and category of the fund and market performance.	Depends upon builder's veracity and compliance to regulations and the delivery timeline. Incase of non-compliance could entail legal trouble in the future.	High.
Returns	Market linked returns (depending on asset class) may help achieve various financial goals and create wealth over the longer term.	Real estate market cycles are relatively longer compared to debt/equity market cycles. Returns over the longer run are typically based on multitude of factors like location of the property, infrastructure and amenities in the vicinity, etc. Has the potential to offer good returns in the long term if invested in a good property with numerous amenities.	Market linked returns. Requires in-depth research and analysis to obtain good returns from a portfolio of stocks.

*Market risks while investing in Mutual Funds may be managed with the help of diversification.