



MUTUAL FUNDS: BEGINNERS

OVERCOMING COMMON MONEY MISTAKES



WHY YOU SHOULD INVEST YOUR MONEY?



Inflation



Taxes

SOME SMART INVESTING TIPS

- **Do asset allocation**
- **Diversify your investments across financial products**

BASICS OF FINANCIAL INVESTMENTS

- **Equity**
- **Debt**

You own this	You owe this	Protection
Equity	Debt or fixed income	Life insurance
Real estate	Government bonds	Health insurance
Gold	Small savings schemes like PPF, Senior Citizen Savings Schemes	Motor insurance
Equity oriented mutual funds	Debt oriented mutual funds	Other insurance

WHY LOOK AT MUTUAL FUNDS

Invest across asset classes

Professionals and experts manage your money

Transparent

Convenient and flexible

Low cost

Liquidity

MORE ABOUT MUTUAL FUNDS



TYPE BASED ON ASSETS

- **Equity funds**
- **Debt funds**

TYPE BASED ON STRUCTURE

- **Open end**
- **Close end**

TYPE BASED ON FUND MANAGEMENT STYLE

ACTIVE FUNDS

- Fund manager has a flexibility to choose where to invest
- Fund manager can alter the composition of portfolio as and when necessary
- Actively managed funds constantly seek investments opportunities to try to achieve better-than-average returns

PASSIVE FUNDS

- Passively managed funds buy into the shares that comprise a specific index
- The weightage of each asset in the portfolio is the same as the weightage assigned to it in that index
- The performance of such a fund is largely determined by the markets
- Two kinds of passive funds – index funds and ETFs

HOW DO MUTUAL FUNDS WORK?

- Concept of NFO
- Interests of mutual funds to make money for you
- Who can run a mutual fund business?

ARE MUTUAL FUNDS SAFE?

- **Can a mutual fund run away with your money?**
- **Will you get guaranteed returns?**
- **What are market risks?**

DIRECT OR REGULAR PLAN



DIRECT PLAN

PROS

- Offer higher returns compared to regular plans

CONS

- No access to expert advice
- No help in completing investment formalities
- You will have to monitor it

REGULAR PLAN

PROS

- Handholding by distributors
- One touch point for all mutual fund investments
- Regular monitoring and review of mutual fund portfolio

CONS

- Lower returns as compared to direct plans

SIPs or LUMPSUM

SIPs

BENEFITS

- Convenient for salaried individual
- Start with small amount
- Offer flexibility
- No need to worry about timing
- Rupee cost averaging

DRAWBACK

- Penalty if SIP fails

LUMP SUM

BENEFITS

- Convenient for investors with irregular income flow
- Flexibility in investment

DRAWBACK

- Exposed to risk of buying at a single go

TO SUM UP

- Beware of making common mistakes like not evaluating your risk taking ability or not identifying your goals
- You should invest in an instrument which can deliver better inflation and tax adjusted returns
- Don't forget to do asset allocation and diversification
- Mutual funds invest across asset classes with benefits like professional fund management and transparency
- Direct plans are good for investors who have knowledge and time
- Regular plans are ideal for people who need hand holding
- SIPs allow you to invest in mutual funds periodically

THANK YOU

