Title:
Mutual Funds as a Long Term Investment

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Summary:
Mutual Funds are a long term investment. Period. Nothing short-term about them, no day trading. They are meant for the serious investor that is willing to take the time needed to grow their wealth over a long period of time.

Keywords:
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Article Body:
Mutual Funds are a long term investment. Period. Nothing short-term about them, no day trading. They are meant for the serious investor that is willing to take the time needed to grow their wealth over a long period of time. Why are mutual funds like that?

Well, a mutual fund is a collection of stocks, bonds or money market securities, which have been bundled together in one offering based on not only the goal, but the past performance of the individual components. They are taken as a whole, and as such, when some of the holdings in a fund rise, others may be falling, so the growth potential is not as extreme as, say, just one stock or bond. Over time though, mutual funds, can grow up to 8-9% a year, while the stock markets can gain anywhere from 10-11%.

There are a variety of mutual funds that an investor can hold. Some examples are Bond Mutual Funds, which are mutual funds that are comprised of bonds that are offered by a company, State or Federal Government, or Mortgage and Asset-backed bonds.

Another type of mutual fund is the Stock Mutual Fund, or Equity Fund, as some have coined it. These funds are comprised of holdings in various stock companies, and as such, can be a bit riskier due to the volatility of the stock market.

You can even invest in a Precious Metals Funds that invest in Gold, Silver, Platinum, Palladium, and even Rhodium. When an investor contributes to a Precious Metal Funds, they will receive a certificate that represents the holding.

There are some terms associated with Mutual Funds that the investor should be aware of. The first is the Net Asset Value, or NAV, for short. The NAV is a calculation that takes the Funds total assets and minuses the total liabilities. This calculation is done daily, at the end of trading, to reflect the true value of the Fund.

Another term is liquidity, which is used to describe the amount of time it takes to convert the investment to its cash equivalent with the minimal amount of fees or price discount. Mutual Funds are not known for being liquid, that’s why we started out saying that they are a long term investment.

One of the most important factors in dealing with Mutual Funds is the Prospectus. The prospectus is a legal document that contains information about the Mutual Fund, such as what holdings are invested in, what the goal of the fund is, what the past performance of the fund, listing of fees, the manager of the fund, the risks of the fund, and the strategy to achieve the optimal investing balance. Anytime you have a question about a Mutual Fund, you can always refer to the Prospectus, and you can always have one mailed to you, or made available to you through download, when searching for a Mutual Fund to invest in.