Investing in mutual funds

Mutual Fund Investment The current global economic recession has created lot of concerns among investors about the safety of their investments. Some of the trusted traditional financial institutions like banks have collapsed and hence the investor's belief in banks has been reduced considerably. On the other hand the share market and mutual funds were also adversely affected by the current recession. Many people have lost huge amounts of money because of the problems mutual fund and share market investments. This paper focuses on investments in general and mutual fund investments in particular.

Investments in general

Banks, share markets, mutual funds, insurance sector and real estate are some of the common investment areas normal investors are looking for. Bank investments are normally the best method of investment because of the less risk associated with it. Most of the banks have insurance protection for the investor's money and hence it is safer than other types of investments. Bank deposits normally divided into two categories like savings account which yields less interests and term deposit which yields higher returns. Share market investment is the most risky investment option since the value of money undergoes immense fluctuation every day based on the changes in the share values. There is no protection for the investors in this sector as we have seen in the destruction of share values due to the current economic crisis. The main attraction of share market investment is the possibility of high yield in a short term. Real estate and investment also depends on the market conditions. Investment in insurance sector is also comparatively a safer method of investment though the return may not be as good as that from share market investment or mutual fund investment.

Investment in mutual funds

“ Mutual funds can offer the advantages of diversification and professional management. But, as with other investment choices, investing in mutual funds involves risk. And fees and taxes will diminish a funds returns.” (Invest Wisely: An Introduction to Mutual Funds) Compared to share market investment, mutual fund investment is safer because of the professional management of our invested money. Share market investment is mostly controlled by the investor himself and hence the possibility of achieving a good return depends on the investor’s competence in analyzing the trends in stock market or company performances. On the other hand in mutual fund investment, the investor’s money is managed by fund managers. The mutual fund managers are highly skilled and they know better than us about which company’s share have growth prospect and hence they will invest the money accordingly. They will invest the money in diversified sectors and will never depend on a single company and its growth prospects. “ Mutual funds invest in a broad range of securities. This limits investment risk by reducing the effect of a possible decline in the value of any one security. Mutual fund unit-holders can benefit from diversification techniques usually available only to investors wealthy enough to buy significant positions in a wide variety of securities.” (Benefits of Mutual Funds) Under normal conditions, their calculations or analysis will never go wrong and hence the investors can expect a substantial amount of return from mutual fund investment.

Conclusions

Mutual fund investment is one of the safest ways of taking advantage of the share market compared to other investment options. Mutual fund investment is managed by skilled fund managers and hence the investor may not lose money under normal circumstances. Another attraction of mutual fund investment is the diversification.

Works Cited

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