



Mutual Funds- How does it work and Why should you Invest in them?

One of the easiest ways to begin your journey as an investor today is to invest in a [mutual fund](#). The concept of a Mutual fund is simple.

Money obtained from investors is pooled together. Investors may be individuals or companies. A fund manager manages this pool of money and invests the cash on behalf of the investors. His goal varies depending on the type of fund he manages.

For example, a fixed-income fund manager seeks the highest yield at the lowest risk for his investors.

How you can benefit from Mutual Funds

A key reason for investing in mutual funds is that it's [simple and convenient](#).

But that's not just it.

The industry is also tightly regulated in comparison to our friends in the banking and insurance sectors. In recent times, investing in Mutual Funds is being considered relatively as a safer and more lucrative option to certain financial instruments.

In addition, your investment will be managed as part of a pool by a professional fund manager who constantly monitors the stocks and bonds in the fund's portfolio. We can certainly accept that a fund manager can devote considerably more time to selecting investments than an individual investor.

This is a very convenient option as you will be able to invest in an informed manner without having to stress over analyzing financial statements of companies and picking a stock yourselves.

So here's our quick roundup on **Why should you invest in Mutual Funds?**

- **Low Minimum Investment:** Start your investment from as low as Rs. 500/- in SIP (Systematic Investment Plan) or Rs. 5000/- in lump sum.
- **Liquidity:** Unlike [bank fixed deposits](#), mutual funds have a flexible withdrawal process, which makes availability of money possible easily. Investor can redeem their units at any point in time.
- **Professionally Managed:** Once you invest through Mutual Funds, you can relax that an expert will make desired changes to scheme portfolio wherein you have invested.
- **Diversification:** You can invest across different [asset classes](#) like equity, debt and gold allowing you to diversify your investments and protect it from inflation, recessions and any other market uncertainties.

You can achieve your goals, be it long-term, short-term, [tax saving](#) or your emergency needs.

Achieve Financial Goals: A Systematic Investment Plan (SIP) will help you make the most of the compounding effect. You can find a suitable scheme for all your different financial goals such as wealth creation, child's marriage or retirement.

- **Transparency:** The Mutual fund industry is regulated by The Securities and Exchange Board of India (SEBI). SEBI has defined comprehensive processes, rules and regulations in order to protect the interest of investors and ensure transparency. It is mandatory for all Asset Management Companies (AMCs) to follow these processes and to disclose their scheme portfolios every month to maintain utmost transparency.

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Mutual fund investments are subject to market risks read all scheme related documents carefully.