MUTUAL FUNDS VS OTHER INVESTMENTS (GOLD, EQUITY ETC)

DR SABYASACHI DEY
Assistant Professor
Centurion University of Technology and Management, Odisha

INTRODUCTION

- Investing in gold in India is different from investing in gold in other countries. No, we don't mean that the gold is more valuable here. In India, people attach a lot of sentimental value with gold.
- They either keep it as ornaments for themselves, use it as gifts in weddings or start saving for their children's marriage in gold when the child is a toddler. Certainly things have changed with passing years.
- Investing in gold vs mutual funds is not an either-or situation. To maintain a healthy diversified portfolio, an investor needs to have his hands on maximum asset classes in the right proportion, in-line with his investment objectives and risks.

https://groww.in/blog/should-you-buy-gold-or-invest-in-mutual-funds-a-comparative-analysis/

MUTUAL FUND INVESTMENTS

PROS

- Professional Portfolio Management
- Diversification
- Low initial investment
- Liquidity
- Can serve your financial goals
- Tax efficiency
- Low cost

CONS

- Market Risk

INVESTING IN GOLD

PROS

- Varying forms
- Tangible asset
- High liquidity
- Do not need technical research

CONS

- Cost and charges
- Returns
- Risks involved

MUTUAL FUNDS VS GOLD

CRITERIA	MUTUAL FUNDS	GOLD
Initial investment cost	Can invest in an SIP for as low as Rs 500.	Physical Gold: Initial invest can run up to a few 10,000s. Digital Gold: Can be as low as Re 1 as well
Liquidity	Less liquid than gold	More liquid than mutual funds
Tax Saving	Up to Rs 1.5 lakh in ELSS schemes	None
Diversification	High	Possible through investing in various forms of gold.
Returns	In form of dividends and also by tracking the funds	By selling at a higher value
Risks	Market risk	Market risk as well as risk of theft
Costs and Charges	Expense ratios: Mostly up to 2.25%. More than 2.25% in rare cases.	Making charges can be as high as 10% of the initial investment

EQUITY INVESTMENT

- Direct equity investment can be very rewarding, however, the risk of loss in direct equity is also very high. People who can balance R & R- risk & return while dealing with direct equity are the real winners. But how can one balance the risk & reward?
- It is not easy to understand equity. One needs to understand the underlying business before investing in equity – more commonly referred to as stocks. Information related to equity is contained in companies financial reports like balance sheet, P&L reports, annual reports etc.

MUTUAL FUNDS VS EQUITY

CRITERIA	MUTUAL FUNDS	EQUITY
Professional Management	Mutual funds offer investors the expertise of fund managers.	Individuals may not have the necessary skills to identify the right stocks. Not everyone can dedicate time to do research.
Low Ticket Size	One can start investing in mutual funds which invest in various stocks with as low as Rs. 500.	As some shares quote very high prices, they remain inaccessible for small investors.
Fees & Expenses	For their services, mutual funds charge fund management fees and expenses which are capped under the regulation.	Investors should be careful not to buy funds with very high expense ratios but the trading charges need not be paid.
Liquidity	Open ended schemes are more flexible	Equity investor is not sure when to exit
Choice of funds	Investors should be careful not to buy funds with very high expense ratios.	Only stock choices are the option
Risk Management	An individual may go overboard on a particular stock.	A fund manager's decision to invest in a particular share is backed by strong research conducted by the fund manager & his/her team members.
Taxation	If the investor remains invested for more than 1 year in an equity fund, his gains are totally tax-free since STT (Securities Transaction Tax) is already deducted.	When an individual investor buys & sells shares before completing the tenure of 1 year, he ends up paying short-term capital gains.

THANK YOU