

Common Myths about Mutual Fund

One of the biggest hurdles in the journey of investing is getting over the widely believed myths that bear no foundation or truth. But we believe it because everyone does.

To start investing, one must, most importantly refrain from giving in to false notions and myths and believe in what the facts. Here are some of the most common myths of investors about investing in mutual funds

Mutual Funds need large investment

Fact: Mutual funds do not need large amounts to start with, you can start with even as low as Rs. 1,000 per month, through a tool called Systematic Investment Plan in a mutual fund wherein you are allowed to invest a regular monthly instalment in the fund, basis which units would be purchased in your folio. In fact, the earlier you start investing, the better it would be for your money as it would get to undergo compounding for a longer period of time.

One needs to invest in several mutual funds to avail the benefit of diversification

Fact: Mutual funds by itself invest across asset classes such as equity, debt and money market instruments, which provide investors with the benefit of diversification of risk.

In mutual funds, investors can diversify their portfolio basis their risk appetite and alter it from time to time, whenever and wherever necessary.

Buying a top rated mutual funds guarantees better returns

Fact: Mutual fund performances are subject to market risks and may vary from time to time. Thus, it is not certain that a fund that may have performed well in the past will do so in the future as well.

Investments in mutual funds need to be tracked and reviewed from time to time to ensure it is performing as per the need of the investor.

You need a demat account to invest in mutual funds

Fact: You do not need a demat account to invest in mutual funds. By filling up the application form and ensuring that you are KYC compliant, you can choose the fund and submit a cheque to make the investment. However, to ease the process of investing and get better guidance, you may engage a financial adviser throughout.

Mutual funds are unsuitable for beginners

Fact: Any investment, if done without appropriate knowledge can be dangerous. Mutual funds offer high transparency with respect to where and how the funds of the investors are invested. New investors could consider starting a Systematic Investment Plan in a mutual fund, through which they could invest small regular amounts every month and gradually increase it overtime.

Financial advisers should be consulted for professional advice in investing, reviewing and tracking the performance of the mutual funds.