

7 Facts on Equity Investments & 7 good reasons to invest in SIPs

[Fact No. 1:](#) Over a long term horizon, equity investments have given returns which far exceed those from the debt based instruments. They are probably the only investment option, which can build large wealth. [Fact No. 2:](#) In short term, equities exhibit very sharp volatilities, which many of us find difficult to stomach. [Fact No. 3:](#) Equities carry high risk, that even to the extent of losing one's entire corpus. [Fact No. 4:](#) Investment in equities requires one to be in constant touch with the market. [Fact No. 5:](#) Equity investment requires a lot of research. [Fact No. 6:](#) Buying good scrips require one to invest fairly large amounts. [Fact No. 7:](#) Equity investors require lot of patience and need to have taken rational and proactive decisions (detachment from emotions).

Systematic Investing in a Mutual Fund is the answer to preventing the pitfalls of equity investment and still enjoying the high returns. And it makes all the more sense today when the stock markets are booming.

1. It's an expert's field – Let's leave it to them

Management of the fund by the professionals or experts is one of the key advantages of investing through a mutual fund. They regularly carry out extensive research - on the company, the industry and the economy – thus ensuring informed investment. Secondly, they regularly track the market. Thus for many of us who do not have the desired expertise and are too busy with our vocation to devote sufficient time and effort to investing in equity, mutual funds offer an attractive alternative.

2. Putting eggs in different baskets

Another advantage of investing through mutual funds is that even with small amounts we are able to enjoy the benefits of diversification. Huge amounts would be required for an individual to achieve the desired diversification, which would not be possible for many of us. Diversification reduces the overall impact on the returns from a portfolio, on account of a loss in a particular company/sector.

3. It's all transparent & well regulated

The Mutual Fund industry is well regulated both by SEBI and AMFI. They have, over the years, introduced regulations, which ensure smooth and transparent functioning of the mutual funds industry. This makes it safer and convenient for investors to invest through the mutual funds.

4. Market timing becomes irrelevant

One of the biggest difficulties in equity investing is WHEN to invest, apart from the other big question WHERE to invest. While, investing in a mutual fund solves the issue of 'where' to invest, SIP helps us to overcome the problem of 'when'. SIP is a disciplined investing irrespective of the state of the market. It thus makes the market timing totally irrelevant. And today when the markets are high, it may not be prudent to commit large sums at one go. With the next 2-3 years looking good from Indian Economy point of view, one can expect handsome returns thru' regular investing.

5. Does not strain our day-to-day finances

Mutual Funds allow us to invest very small amounts (Rs 500 – Rs 1000) in [SIP](#), as against larger one-time investment required, if we were to buy directly from the market. This makes investing easier as it does not strain our monthly finances. It, therefore, becomes an ideal investment option for a small-time investor, who would otherwise not be able to enjoy the benefits of investing in the equity market.

6. Reduces the average cost

In SIP we are investing a fixed amount regularly. Therefore, we end up buying more number of units when the markets are down and NAV is low and less number of units when the markets are up and the NAV is high. This is called rupee-cost averaging. Generally, we would stay away from buying when the markets are down. We generally tend to invest when the markets are rising. SIP works as a good discipline as it forces us to buy even when the markets are low, which actually is the best time to buy.

7. Helps to fulfill our dreams

The investments we make are ultimately for some objectives such as to buy a house, children's education, marriage etc. And many of them require a huge one-time investment. As it would usually not be possible raise such large amounts at short notice, we need to build the corpus over a longer period of time, through small but regular investments. This is what SIP is all about. Small investments, over a period of time, result in large wealth and help fulfill our dreams & aspirations.