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+ INDIA'S GOLDILOCKS MOMENT



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THE AI THREAT

INDIA'S IT OUTSOURCING MODEL IS FACING AN EXISTENTIAL CRISIS, BUT BIG INVESTMENTS IN AI COULD HELP THE SECTOR WEATHER THE STORM

Wealth Creation Is a Habit: Why Mutual Funds Work

Creating wealth is not about finding shortcuts or chasing “hot tips.” It is about building habits that allow your money to grow steadily over time. Mutual funds offer one of the simplest and most effective ways for individuals to participate in the growth of the economy while benefiting from professional expertise and diversification. Whether you are a first time investor or someone planning for retirement, mutual funds can serve as the backbone of your long-term financial strategy.



■ **Piyush Jain**
Founder, Paras Finvest

What is Mutual Fund?

A mutual fund collects money from many investors and invests it across a range of securities such as stocks, bonds, or a mix of both. Each investor owns units that represent a portion of the fund's total portfolio. This structure allows you to access markets that may otherwise be difficult or expensive to invest in individually, while spreading your risk across multiple companies and sectors.

Why mutual funds are ideal for wealth creation?

1. Expert Management: Fund managers research companies, track economic trends, and adjust portfolios based on market conditions. This allows investors to benefit from professional decision-making without needing to monitor markets daily.

2. Diversification: Instead of putting all your money into one or two stocks, mutual funds spread your investments across dozens or even hundreds of securities, reducing the impact of poor performance by any single company.

3. Accessibility: You don't need a large lump sum to start. With systematic investment plans (SIPs), you can begin with small monthly amounts and increase them gradually as your income grows.

4. Potential to Beat Inflation: Over long periods, equity-oriented mutual funds have historically delivered returns that outpace inflation, helping preserve and grow purchasing power.

Role of SIPs in wealth building

A Systematic Investment Plan (SIP) allows you to invest a fixed amount every month in a chosen mutual fund. This method removes the pressure of timing the market and promotes consistent investing.

Two key principles of Mutual Funds

Rupee Cost Averaging: You buy more units when markets are low and fewer when they are high, balancing the overall cost of your investment.

Compounding: Returns generated by your investment are reinvested and begin to earn returns themselves, creating exponential growth over time.

Time is the most powerful ingredient in wealth creation. Even modest monthly investments can turn into a significant corpus if given enough years to grow. Starting early gives compounding more cycles to work its magic, making the difference between average savings and

financial independence.

Tax efficiency with mutual funds

Certain mutual fund categories offer tax advantages: ELSS (Equity Linked Savings Schemes) provide tax deductions under Section 80C. Long-term equity investments enjoy favourable capital gains taxation, enhancing post-tax returns. When used wisely, mutual funds can help you grow wealth while saving on taxes.

Mutual funds vs traditional investment instruments

Mutual funds compare favourably with traditional investment options such as fixed deposits, gold and real estate. While mutual funds offer high long-term growth potential, they also provide high liquidity and have a low entry barrier, making them accessible to most investors. Fixed deposits, though safe, usually deliver lower returns and offer only moderate liquidity. Gold provides moderate growth with medium liquidity but requires a higher initial outlay than mutual funds. Real estate, on the other hand, involves high entry costs, low liquidity and variable returns. This combination of strong growth prospects, easy access and affordability makes mutual funds an attractive wealth-building tool.

Conclusion

Wealth creation through mutual funds is not about luck. It is about discipline, patience, and staying invested. With the right mindset and a long-term approach, mutual funds can transform small, regular investments into a powerful financial foundation for the future.