Mutual fund basics

When you invest in a mutual fund, your money is pooled with that of other investors. A professional money manager or money management team then invests the money into a variety of securities to help the fund meet its stated objectives (i.e., growth, income, etc.). A single mutual fund can be made up of stocks, bonds or a combination of both.

Benefits

Diversification – Most funds diversify their holdings by buying a wide variety of investments that correspond to their category. A typical stock fund, for example, might own stock in 100 or more companies providing a range of different products and services. The advantage of diversification is that losses on some stocks in the fund can potentially be offset by gains on others. There are many types of mutual funds with different objectives and levels of growth potential.

- **Professional Management –** Each fund is run by one or more professional managers who are responsible for its day-to-day operations and performance. A typical fund engages a large group of research analysts, traders and financial analysts as well as a variety of other investment professionals.
- **Liquidity –** Mutual fund shares are liquid investments that can generally be bought or sold on any typical business day. However, because of the fees involved with mutual fund transactions, we do not recommend using mutual funds as a short-term trading vehicle.
- **Flexibility –** Mutual funds can be appropriate investments for large and smaller sums. Mutual fund investors may qualify for a reduced sales charge (known as a breakpoint) once they reach a certain level of investment in a mutual fund or fund family. This level may be achieved through a single purchase or a series of purchases.
- **Choice –** An investor can find a mutual fund to fit most investment goals. Many fund families now offer international, equity, balanced, bond, sector, asset allocation, growth, fixed-income and many other funds. A financial advisor can provide guidance to help you choose which fund or funds are most suitable.

Is a Mutual Fund Right for You?

Your financial advisor can review the features and risks of a mutual fund with you to help determine if it may be suitable for you.

Mutual fund investing involves risk. Your principal and investment return in a mutual fund will fluctuate in value and your investment when redeemed, may be worth more or less than the original investment.

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