# RE: How Mutual Funds Work

**By Blogini Support Center**

Mutual funds are good options for American investors to meet their financial goals. These funds offer professional management and diversification of the funds invested. Mutual funds assets in 1990-2000 rose from 1.065 trillion to a whooping 6.965 trillion dollars. 10% Americans owned funds in 1980 and by 2000, the percentage increased to 49%.

What are Mutual funds?

A company dealing in mutual funds invests the money of several investors in bonds, stocks, securities, assets and several other short-term money-market instruments. The combined ‘holdings’ owned by the mutual fund are known as its portfolio. When you invest in a mutual fund you become a shareholder of the company. Each share in a mutual fund company is the representation of he investor’s proportionate ownership of the fund holdings and the income generated. You earn dividends when the mutual fund company earns a profit, however, your shares will decrease in value if it faces a loss. A professional investment manager does the buying and selling of securities for the growth of the fund.

Types of mutual funds:

Equity funds: These funds involve only common stock investments. They can earn a lot of profit, but are also very risky.

Fixed income funds: They include corporate and government securities. These funds offer fixed returns at a low risk.

Balanced funds: This is the combination of bonds and stocks with a low risk. However, the investment does not earn a lot through these funds.

How it works?

Mutual fund shares can be purchased from the company itself or a broker. There are secondary market investors also, like the New York Stock Exchange. Per share net asset value of the funds or NAV is the price that you pay for buying a mutual fund share. It also includes the shareholder fee that is imposed by the fund, at time of purchase. The best feature of mutual funds is that these shares are ‘redeemable’. You, as an investor, can sell your shares back to the broker. In order to accommodate new investors, mutual fund companies generally create new shares and sell them. They keep selling their shares continuously till they become large. Investment advisers act as separate entities and are responsible for managing the investment portfolio of the mutual funds. Investing in mutual funds tends to lower the risk factor because they are the result of diverse investments. Since someone else manages your investments, you need not worry about keeping constant tabs on the investment, though a periodical check enhances your personal book of accounts. Managing funds is the full time job of the fund manager and he is responsible for the performance and health of the investment.

The rate of returns in mutual funds is based on the increase or decrease of the value, during a specific period. Returns of a fund indicate the track record. It is important to remember that the past performance cannot guarantee future results.

As in the case of any investment or business, mutual funds also have risks associated with the returns. It is essential to set your financial goals and requirements, before investing in a mutual fund.

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# The Right Mutual Funds For Baby Boomers
By C.C. Collins

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The Right Mutual Funds For Baby Boomers By C.C. Collins, Wealth Strategist, http://wealthscientist.com

If you are a baby boomer, time is not on your side. Many baby boomers see retirement age fast approaching with little to nothing in the way of retirement assets that will allow them to actually retire and live a comfortable lifestyle.

With the benefit of time in short supply, substantial investment performance in a shorter than normal time frame becomes strikingly important.

Mutual Fund Advice A case could be made that a special type of mututal fund, an index mutual fund, in conjunction with careful market trend analysis (not predictive market timing) could be used to achieve higher returns faster than a standard mutual fund.

As to the specific type of index fund to consider using, investors would do well to "keep it simple" and use an index fund that tracks well known indexes like the S&P 500, Nasdaq100, and Wilshire 2000.

Index funds that track any of the major indexes are just taking advantage of the concept of diversification. The only remaining risk is whether the entire market goes up or goes down and one can switch to a fund that is designed to profit from a down market when such action is called for.

There are very few active investment managers that outperform index funds or exchange traded funds over a five year or greater period. This is why an index fund is recommended in the case of baby boomer-aged investors who need stellar performance over shorter time frames.

Mutual Fund Selection

Mutual Fund Action plan

Mutual Fund Research

Mutual Fund Investment tools

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