

FINANCIALink[®]

Your Money Management Newsletter

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 Title

Understanding the Appeal of Mutual Funds

Why 90 Million Investors Decided to Become Shareholders

Over the past two decades, the amount of money invested in U.S. mutual funds grew more than ten-fold to over \$11 trillion. During this period, the number of households owning mutual funds more than doubled, so that today there are about 90 million individual fund shareholders.¹ Of these, the vast majority (93%) are using mutual funds to save for retirement.²

It's difficult to imagine many financial goals that are more important than saving for retirement. Why have so many Americans selected mutual funds to help them pursue this all-important objective? After all, you have only one chance to save for retirement. If you aren't ready to retire at the end of your working years, there's no do-over.

WHY MUTUAL FUNDS

A mutual fund is an investment company that pools money from investors to construct and manage a portfolio of securities that pursues the fund's objectives. Shareholders have an ownership stake in the overall portfolio that corresponds to the number of shares that they own.

A single mutual fund may own dozens or even hundreds of securities, providing a level of diversification that individual

INVESTOR GOALS

Households own mutual funds for these financial objectives:

Retirement	93%
Reduce taxable income	50%
Emergency	47%
Education	25%
Current income	21%
House/ large purchase	12%
Other	7%

Source: Investment Company Institute, 2011

investors would find difficult to duplicate. Diversification does not eliminate the risk of investment loss; it is a method used to help manage investment risk.

INVESTING WITH THE PROS

Many mutual funds are professionally managed, which means they employ investment advisors who research, select, and trade assets in an attempt to generate investment returns that meet each fund's objectives.

Of course, most actively managed mutual funds charge fees to cover the costs of management, even though there is no guarantee that a professionally managed fund won't lose money.

It may be possible for individuals to trade successfully for their own portfolios — as long as they have the time, talent, and temperament. But people who are juggling the demands of career and family may not have the time to untangle the mysteries of the U.S. financial markets. Professionally managed mutual funds can help spare them both the time and the headache of managing their own investments.

Billions and Billions

Mutual funds have continued to see growth in total net assets held in both institutional and individual accounts.

(\$ billions)



Source: Investment Company Institute, 2011

FINDING A CUSTOM FIT

There is no "one size fits all" mutual fund. Shareholders typically select funds that have investment objectives similar to their own. For example, younger investors who are saving for retirement might look for a fund that pursues equity appreciation. Conversely, individuals who are nearly or already retired might prefer a fund that seeks to generate income for its shareholders.

Given that there are thousands of mutual funds on the market, there's likely to be more than one fund that could help you pursue your financial goals.

Remember that mutual fund share prices fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1-2) Investment Company Institute, 2011

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