

**Hook Statement****Introduction**

A mutual fund is a financial instrument made by collecting money from many investors and it is invested in securities like stocks and bonds (Franklin, 2019). For most investors, mutual funds can be considered a good way to build a diversified portfolio with minimum costs and hassle. The best way to invest in a mutual fund is to decide on the investment goals. These goals may be long-term such as retirement, or higher education for the children.

**Thesis Statement****Discussion**

With several mutual funds available at the same time, many of these funds may not suit all the investors. A popular mutual fund may not be the right one for you, depending on your goals and risk tolerance. For example, a mutual fund causing huge swings in the value of a portfolio but offering greater returns, may not in the long run be suitable for the investor with a low-risk profile. A very aggressive strategy may force an investor to sell the investment so it is better to change the strategy according to their risk tolerance. Another important aspect is the time horizon, showing whether the investment has been done for the short-term or long-term. A mutual fund may invest in stocks or bonds.

**Description of example**

Mutual funds can offer either active or passive management styles. In active funds, a manager may buy or sell the securities to beat a specific benchmark index. However, the active funds may charge a higher fee so that the fund managers can be compensated for their time (Holtzman, 2013). Additionally, there are different kinds of funds such as large-cap or small-cap. These funds can differ according to their worth. Other funds include value funds consisting of stocks perceived to be undervalued and growth funds consisting of stocks of growing companies.

### **Conclusion**

The above discussion has defined the mutual fund and described some of its characteristics and types. However, it is not very easy to choose a mutual fund from among hundreds or thousands of options. It is most appropriate to evaluate the past performance of the fund before choosing it so that a reasonable prediction can be made about its future performance.



College Essay

### References

Franklin, M. (2019). *Principles of Accounting Volume 1- Financial Accounting*. Media Services.

Holtzman, M. (2013). *Managerial Accounting for Dummies*. Routledge.

