

## What are mutual funds?

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Mutual funds are very popular. In fact, they are the one of the most popular investments on the market today. What does that mean in numbers? There are over 10,000 different funds with over \$4 trillion in investments!!

Why are they so popular? For some, it is because of their great returns. Others like funds because they are easy to buy and sell. Still others like them because they are diversified and less risky.

A mutual fund raises money from investors to invest in stocks, bonds, and other securities. It is a package made up of several individual investments. When those investments gain or lose value, you gain or lose as well. When they pay dividends, you get a share of them. Mutual funds also offer professional management and diversification. They do much of your investing work for you.

Mutual funds have been around since the 1800's, but didn't become what we know today until 1924. Even then, they did not become a household word until the 1990's, at which time the number of people owning them tripled. A recent survey shows that 88% of all investors have at least some of their money in mutual funds.

A mutual fund is a special type of company that pools together money from many investors and invests it on behalf of the group, in accordance with a stated set of objectives. Mutual funds raise the money by selling shares of the fund to the public, much like any other company can sell stock in itself to the public. Funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase various investment vehicles, such as stocks, bonds, and money market instruments.

In return for the money they give to the fund when purchasing shares, shareholders receive an equity position in the fund and, in effect, in each of its underlying securities. For most mutual funds, shareholders are free to sell their shares at any time, although the price of a share in a mutual fund will fluctuate daily, depending upon the performance of the securities held by the fund.

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