

A comprehensive guide on how to avail the best HDFC Mutual Fund Scheme

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In brief

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The HDFC fund business has taken the mutual fund industry by storm. Since its inception in the early years of the new millennium, its potential has grown by leaps and bounds. Not only has it generated consistent annualised returns, but it has also catered to the various financial needs of a wide array of investors. This is why, within a short period, HDFC mutual funds have become a highly sought after investment destination.

At present, these funds are administered by the HDFC asset management company. For ease of operation, they have further been classified into 13 different domain types that range from short-term equity funds and long-term debt funds to capital-oriented liquid funds and market-based exchange traded funds. With such an extensive assortment of funds at their disposal, investors often tend to wonder which specific schemes would meet their monetary requirements in the best possible way.

If you too have been bogged by such a scenario, here is a comprehensive guide to help you avail the best HDFC mutual fund scheme:

Investment Objective

Investment objective is a pivotal factor that helps investors make mutual fund selection decisions at a macro level. For instance, if you want to generate a retirement corpus, it would be wise to invest in the HDFC retirement savings hybrid equity plan. However, if your intended aim is to save for your children's education, the HDFC Children's gift fund would be a better option to explore. Based on whatever your ultimate financial goal is, you can choose a fund which would enable you to fulfill it in the most effective and efficient manner.

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Investment Tenure

The total period for which you want to stay invested can also equip you to avail a suitable fund. The HDFC overnight fund, for example, is a high liquidity and small tenure fund with the singular aim of delivering the maximum possible returns. On the other hand, the HDFC Dynamic debt fund invests in debt instruments which have a maturity period stretching out over a long tenure. Therefore, it is extremely important to weigh in the considerations of capital and time before making a mutual fund investment decision.

Performance Statistics

Although most HDFC mutual fund schemes have consistently performed well for the past few years, conducting a detailed research about the particular plan you want to pick is highly essential. To begin with, you must examine the net asset value (NAV) and the assets under management (AUM) of the mutual fund. Once this is done, check the fund's expense ratio and exit load numbers. If they are within the range of 1%-1.5%, the fund would be viable in the longer run. These statistics would empower you to take a calculated risk.

Risk vs Returns

Your overall risk appetite and return expectations can go a long way in helping you avail the best HDFC mutual fund scheme. This can be better explained with the help of an example. Let us consider that you are invested in the HDFC mid-cap opportunities fund. Though the risk associated with this scheme is moderately high, its potential returns at 25.73% are quite significant too. Conversely, if you are invested in the HDFC money market fund, your returns might be just 7.9%, but your risk is minimal. Therefore, choosing a scheme which appropriately balances both of these factors is critical.

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Tax Benefits

The most popular HDFC mutual fund schemes carry a steady dose of income tax benefits. They usually fall under the category of equity-linked saving schemes (ELSS), investment in which can help you avail an exemption of up to Rs. 1,50,000 under section 80 (C) of the Income Tax Act, 1961. Additionally, instruments like the HDFC Tax-Saver Fund have been specifically designed to help you create wealth and accumulate capital, while getting high returns. Nonetheless, it would be wise to remember that a 10% long-term capital gains (LTCG) is imposed on every ELSS, after a time period of 1 year.

Eligibility Conditions

HDFC offers mutual fund schemes which are both, open-ended and close-ended. Irrespective of which plan you opt for, there are certain key determinants which would have to be necessarily met. The HDFC mutual funds are open for subscription to all citizens of India above 18 years of age. You can invest in them either individually or jointly. Hindu undivided families, non-resident Indians and lawful guardians of minors are also permitted to invest. Even third parties and intermediaries like banks, insurance companies, public institutions, partnership firms, and trusts are eligible to purchase these funds.

Documentation

After all the aforementioned constituents have been carefully considered, the last step for obtaining a good HDFC mutual fund scheme is to furnish the requisite set of documents. These largely include an application form, Know your customer (KYC) documents, an identity proof, and an address proof. The entire submission procedure, whether undertaken online or offline, is relatively simple and uncomplicated. Nevertheless, it is important to scrutinise these documents carefully so that any possible glitches can be avoided.

They Way Forward

Guided by your specific needs and requirements, you can seek assistance from online platforms like Orowealth. It uses time-tested strategies to help you perform a detailed comparative analysis amongst various HDFC mutual fund schemes and finally settle upon the one which has the greatest capability of maximizing your investment potential.

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Mutual funds have become an integral part of the Indian financial ecosystem today. The HDFC mutual funds in particular, with a CRISIL rating of 3 and above are indeed a worthy medium of investing savings and hedging profits. This is why availing the best of their schemes is not just a monetarily rewarding alternative but also a prudent investment decision.

References

1. forbes.com - retirement - <https://www.forbes.com/retirement/>