Fuelling your investment portfolio with Equity

As summer makes its arrival in the country, we will begin seeing the ubiquitous lemonade vendors popping up in all corners of our cities. Quenching our thirst on sweltering summer days, the deliciously cold lemonade is one thing we all look forward to. And, when the vendor asks whether we want a sweet or salty concoction, don't most of us say – a bit of both? Because, given the scorching heat of Indian summers, we need the energy of sugar and the sustenance of salt to make it through the day. Truly, some things become great only when mixed together... adding a balance of flavours, and offering better nourishment.

This optimal mixture is something we should aim towards even when designing our investment portfolios. When you build a portfolio, you need the protection of debt assets and the firepower of equities, to ensure the best possible returns.

What are equity investments?

You must have heard of the stock market, and equity share, from a variety of sources – from ardent followers of the market, to movies which revolve around the different aspects. Equity investments refer to all money parked in the share market, through different modes such as stocks or equity mutual funds. People who understand the cycles of a market, and have the appetite for high risk, in return for high rewards, choose to invest directly in stocks. If you are new to the investment landscape, and wish to participate in the market growth, without worrying about individual stocks, equity mutual funds can be your best friends.

Benefits of equity investing

There are a number of reasons why you should consider investing in equities. Some of these include:

High capital growth – While debt funds offer safe returns, you should add equity funds to make your portfolio capable of generating capital growth. These funds offer returns in line with market cycles and industry trends, allowing your returns to beat inflation and helping you to generate wealth over the longer term.

Diversification – The first tenet of investment is diversification – parking your money in different avenues and asset classes to ensure stability, hedging and optimal growth. If you leave all your funds in debt schemes, you will earn stable returns but you won't be able to grow with the stock market. Equity investing helps you diversify and access higher returns.

Tax exemptions – Your equity investments are liable for tax benefits worth up to 1.5 lakh rupees, making it a fruitful exercise combining high returns with lower tax outflows.

In addition, you can also opt for equity investing through systematic investment plans, which ensure that you stay invested through market highs and lows. This offers you the rupee cost averaging benefit, which means that your money can buy more units during low periods, putting you on the route to high returns over the long term.

If you are keen on boosting your portfolio's firepower, make sure to invest a part of the money in equity mutual funds.