



All you need to know in SIP of Gold Fund

Ask any risk-averse investor and they will tell you about how gold has held a special place in the hearts and portfolios of investors for centuries. Traditionally, it has been considered a safe haven asset and a hedge against economic uncertainty but, given its high price, many investors have found it difficult to allocate funds to the precious metal. However, in recent years, investing in gold has become more accessible through the introduction of systematic investment plans or SIP in gold. An SIP is an excellent way to build your investment corpus over time, while practicing financial prudence. Let us learn more about gold ETF, gold SIP and gold ETF SIP today.

What is SIP in gold fund?

A SIP in gold involves a systematic investment plan that allows investors to invest a fixed amount regularly in a mutual fund that primarily holds gold or gold-related assets. In this scenario, instead of buying physical gold, investors purchase units of a mutual fund that, in turn, invests in gold. Accordingly, you get to invest in gold and participate in its staggering growth, through a balanced and affordable approach.

Features of gold fund

Gold funds invest primarily in physical gold or gold-related instruments, such as gold ETFs (Exchange-Traded Funds) or gold mining company stocks. Such schemes are managed by experienced fund managers who make investment decisions based on market conditions and gold price trends, thus offering you optimal access to professional management at a cost-effective rate. Further, unlike physical gold, which require you to visit a jeweller or a bank, for purchasing and sale, gold funds offer easy liquidity. This is because you have the simple option of buying or selling units of the fund on any business day. Separately, gold funds provide investors with exposure to the price of gold, without the need to hold physical gold, thus diversifying your portfolio for an optimal risk-return equation.

How does gold fund SIP work?

A gold SIP plan is similar to a regular SIP, in its functioning and advantages. You can begin your sip in gold by selecting a mutual fund scheme that focuses on gold or gold-related assets. These funds are usually labelled as "Gold Funds" or "Gold ETFs." Once you choose your investment vehicle, decide how much you want to invest in gold regularly. With SIPs, you can start with a small amount and increase it gradually as per your financial capacity. You should also determine the frequency of your investments, ranging from monthly and quarterly to other intervals, depending on the fund's options. It is advisable to authorise your bank to auto-debit the specified SIP amount from your account on the chosen dates, as this will ensure that you never forget a payment. Once your payment

is done, the fund will allocate units to you, based on the prevailing Net Asset Value (NAV) of the scheme even as the fund manager invests the collected money in gold assets, ensuring that your investment is in line with the fund's objectives. You will also receive periodic statements showing your investment details, including the number of units purchased and the NAV at the time of each purchase, thus enabling you to track the details regularly.

What are the benefits of gold fund SIP?

Investing in gold through a SIP offers several advantages, starting with affordability. You can start a Gold Fund SIP with a relatively small amount, making it accessible to a wide range of investors, while also availing the management skills and expertise of professional fund managers, thereby ensuring your money is invested in gold assets efficiently. Separately, gold funds provide diversification to your investment portfolio by adding an asset class that may not be readily available to individual investors, in addition to enabling you to easily buy or sell units of the fund, thus providing liquidity and flexibility compared to physical gold. Another benefit revolves around the lack of storage hassles for, with gold funds you do not need to worry about the security and storage of physical gold.

How to invest in gold via SIP route?

Unlike equities, there is no need to open a demat account for investing in gold. Gold fund SIPs function similarly to other mutual fund SIPs, involving a straightforward process where you invest a fixed amount at regular intervals. Gold funds can also be acquired directly through the mutual fund company or via mutual fund distributors, through the online or offline routes.

For investors keen on diversifying and investing in the glittering metal, a gold fund SIP offers a convenient and cost-effective way. Whether you want to accumulate gold for financial security or diversify your investment portfolio, an SIP in gold can be a valuable addition to your investment strategy. However, like with all investments, you should conduct thorough research, understand your financial goals, and seek professional advice if needed before starting your gold SIP.