Property gives high returns. Why should one invest in mutual funds?

Yes, the property gives good returns but not as much as one might think. Also, the holding period of property is generally very long. If you hold equity funds that long, its return may beat property.

Properties are generally illiquid. Mutual funds are relatively liquid (funds are credited in your bank account in 2 working days for most schemes).

Property can have legal issues. Equity funds are free from it.

Taxes are high on the property. Equity mutual funds have lower taxes (10% after one year).

Property generally involves a high amount of investments. You can invest in equity mutual funds even small sums of money.

Farhan Meer
Founder & CEO of Sharia Wealth
Mob: 8454945432 , Email: Farhan.meer@yahoo.com , Web: www.shariawealth.in

Why property gives high returns

Many investors feel that property gives very high returns. Usually, they remember the cost price and the current value of the property. For eg. they will quote that a property they bought in 1979 for Rs.1 Lac is currently valued at Rs.1 Crore. Let's compare this with returns in BSE Sensex over the same period.

Property vs Sensex Returns

Asset	Investment Value	Investment Year	No. of Year	Current Value	Return
Property	₹100,000	1979	43	₹1,00,00,000	11.30%
Sensex	₹100,000	1979	43	₹5,89,03,988	15.60%

Report date 05/01/2023

Observation: Returns in property expressed in percentage terms comes to around 11.30% whereas investing the same amount in sensex would have fetched around 5.89 Crores (@15.30%)

Property gives high returns because the holding period is long. If one invests in equity oriented funds for long term, returns could be much more. The following table gives the returns generated by 4 equity funds that were launched in 1990s.

Fund Name	Inception Date	Return since Inception
Fund A	**01-Jan-1995**	**18.45%**
Fund B	**08-Oct-1995**	**21.80%**
Fund C	**01-Dec-1993**	**18.86%**
Fund D	**01-Dec-1993**	**19.20%**

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