livemint

# Millennials almost half of new MF investors in FY19

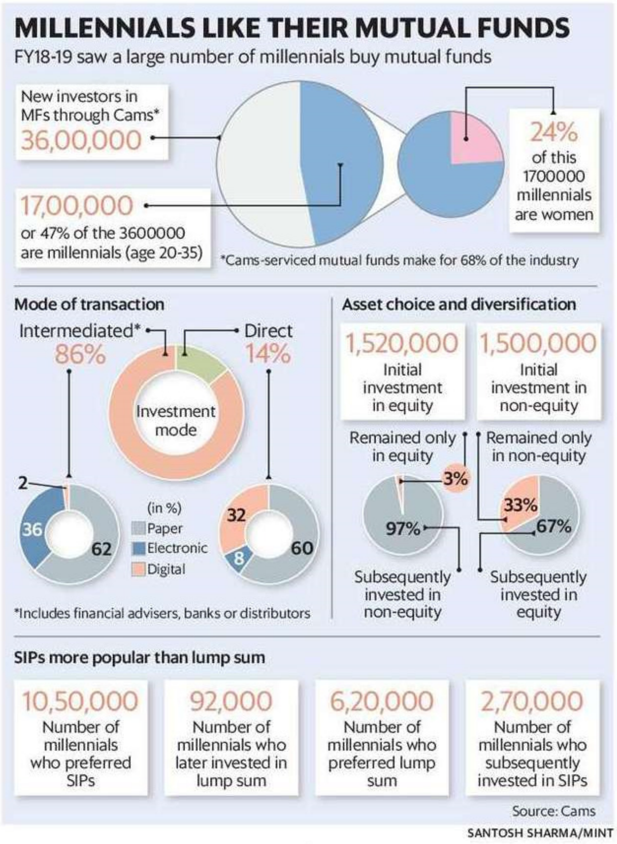
Cams data shows that 1.7 million of its 3.6 million new investors were millennials

Disha Sanghvi
disha.s@livemint.com

More and more millennials are taking to mutual fund investing and are letting their corpuses grow by holding them over long terms. According to data from Computer Age Management Services (Cams), a transfer agency which services 68% of MFs in India, of the 3.6 million new MF investors it onboarded in FY18-19, 47% (1.7 million) were millennials (between 20 and 35 years). Cams shared the data exclusively with *Mint* along with its observations.

"Good performance of the stock market in 2017 where they were up about 28% amid declining interest rates on fixed deposits and savings accounts made MFs attractive for millennials," said Ankur Choudhary, co-founder and chief investment officer, Goalwise, an online mutual funds platform. Choudhary said equity-linked savings schemes (ELSS) has become popular for saving tax because these products have the shortest lock-in period (three years) compared to other products covered under Section 80C of the Income-tax Act.

Experts believe that industry body Association of Mutual Funds of India's (Amfi) *Mutual Funds Sahi Hai* campaign and personal finance blogs, specifically targeted at millennials, have helped increase awareness about MFs.




### TREND IN NUMBERS

**Women investors:** Cams data shows that women make for 24% of the 1.7 lakh millennial investors, indicating increased financial independence and participation of women in money-related decisions. "More and more women are investing in assets other than gold and real estate. This goes to show women are turning into investors. About time," said Shweta Jain, certified financial planner, chief executive officer and founder, Investography Pvt. Ltd. Sanjiv Singhal, founder, Scripbox, an online MF aggregator, said this reflects a convergence of two trends—more women with independent incomes and simplification of retail investing. "This is converting women from savers to investors," he said.

**Advisory:** Despite increased digitisation and simplified know your customer (KYC) process, 86% of the millennials prefer being advised by intermediaries such as banks and distributors. "Sometimes intermediaries ignore the larger picture and focus on short-term interests and recommend products that may not be good for you," said Jain.

A startling revelation from the data was that even millennials prefer paper-based account-opening. Investors who were helped by intermediaries took to paper-based and electronic modes of transaction, according to Cams. Greater preference for digital was given by DIY millennial investors who make for 14% of the total new investors.

**Hand-holding first-time investors and encouraging them to continue investing is important**

**Preference for equity:** Another trend that the data highlighted was millennials' preference for equity. As much as 1.5 million millennials started their MF investments with equity, but 3% subsequently invested in non-equity schemes. The remaining 150,000 investors started off with non-equity mutual funds but 33% of them subsequently moved to investing in equity.

Choudhary said equity funds are more attractive because they have the potential to give higher returns compared to debt funds or fixed instruments like FDs. "They also have the potential to lose money in the short or medium term. It is, thus, important to balance equity funds with non-equity debt funds according to your risk profile. The lower your risk appetite, the lower should be your exposure to equity," said Choudhary.

**SIP route:** With an average ticket size of ₹2,118, over 1 million millennial investors preferred the systematic investment plan (SIP) route to enter equity mutual funds. Of the 620,000 outstanding investors, 490,000 invested lump sum in equity funds with an average investment size of ₹58,000 and the remaining 130,000 invested lump sum in non-equity schemes with an average investment value of ₹1.6 lakh. Choudhary said millennials prefer SIPs because the route aligns well with how one earns and saves money. "The benefit of SIP is that it is more affordable, it helps average out your purchase price, and it builds investing discipline," he said.

"Millennials need to allocate a part of their income towards goal achievement before they allocate it to other areas which are non-urgent and unimportant," said Pravin Jadhav, director, Paytm Money, an online MF aggregator, 80% of whose investors have chosen the SIP route. When investing in lump sum, Choudhary said it's advisable to spread it across a few months in order to avoid getting unlucky with the purchase price.

### KEY TAKEAWAY

Hand-holding first-time investors and encouraging them to continue investing is an important takeaway from the data, which shows 260,000 SIPs got cancelled and redeemed within the same financial year, while 7,000 redeemed their lump sum investments.

Vishal Dhawan, certified financial planner and founder, Plan Ahead Wealth Advisors, said the main reason for this is investors looking at short-term returns instead of long-term performance. Cash flow challenges, overspending and job changes could be the other reasons. "Be clear about why you are saving and your investment time horizon. It's important to stay disciplined with your investment strategy and understand that past performance may not be indicative of future returns and never compare your investment strategy with your peers," said Dhawan.

Jain likens MF investments with the growth of a bamboo tree. "Do your bit! A bamboo tree doesn't grow much for the first few (five) years, it then shoots up dramatically; don't kill your investments at least in the first three years. Give your money time, it'll give you the returns," said Jain.