DegreeLive

B.Com Honours

Semester II

Calicut University

Financial Literacy

Course Code: COM2FM106 • Module 3 Notes

1. Investment Avenues: Building and Managing Wealth

Saving alone is insufficient to build wealth; savings must be channelled into productive investment avenues that outpace inflation. This module covers the primary investment avenues in India, including term deposits, real estate, gold, fixed interest-bearing government schemes, equities, mutual funds, and retirement planning.

Traditional vs. Market-Linked Investments

Traditional Investments

- **Term Deposits:** Fixed deposits offering guaranteed, low-risk returns.
- **Gold:** Physical gold, Gold ETFs (Exchange Traded Funds), and Sovereign Gold Bonds (SGBs) which pay interest.
- **Real Estate:** Capital-intensive, illiquid investment offering rental yield and appreciation.

Market-Linked Investments

- **Direct Equity:** Buying shares of publicly traded companies, offering high returns with high volatility.
- **Mutual Funds:** Pooled investments managed by professionals, offering diversification. **Systematic Investment Plans (SIP)** encourage periodic investing.

Fixed Interest-Bearing Government Schemes

The Government of India provides highly secure, tax-efficient savings schemes:

- **Public Provident Fund (PPF):** A 15-year tax-free savings scheme offering compounding interest.
- **National Savings Certificate (NSC):** A 5-year fixed-income post office savings bond.
- **Sukanya Samriddhi Yojana (SSY):** A high-interest savings scheme dedicated to the education and marriage of girl children.

Retirement Planning & Portfolio Management

Retirement Planning ensures financial independence after one stops working. Key vehicles include the **National Pension System (NPS)** (market-linked pension scheme) and the **Atal Pension Yojana (APY)** (guaranteed pension for the unorganized sector).

Portfolio Construction: Investors must allocate assets (Equity, Debt, Gold) according to their age and risk appetite, periodically reviewing and rebalancing the portfolio to maintain the desired risk-return profile.