ICICI BANK CUSTOMER FIRST SERIES

TIMES BUSINESS ASSOCIATE COMMUNICATION

Risk

off to realize the changes in va-

lue may be difficult or expen-

sive. Therefore growth assets

like equity that have a large and

liquid market tend to be easier

to buy and sell, than assets like

It is not as if an income-oriented

asset has no risk. The interest

rates in the market can move up

or down. Suppose an investor

buys a three-year bond that

pays 8% interest per annum.

After a year of buying the bond

if interest rates in the market

move up to 10% p.a., the value

of the bond will fall. This is

called interest-rate risk. There

is also the default risk in a bond,

that the issuer may not pay

the interest or principal on time.

property that are not as liquid.

Investments Income And Growth



When it comes to investment options, there are many who would like to have the protection of invested capital, regular income, higher return, and growth in value of the assets, all at the same time. If such an investment is liquid and can be withdrawn at any time, that would be an added advantage. However, every investment may not provide all these benefits, and this makes the trade-off tough for an investor.

Income

Some investment options such as bank deposits can generate a regular income. If the asset is an appreciating asset and has the ability to generate cash flows, investors can get periodic income. Debt instruments usually are income-generating in nature.



Growth

Some assets do not generate periodic income, but grow in value over time. For example, gold as an asset class does not generate periodic income. Some assets like equity and real estate generate income in the form of dividends and rent, but a major chunk of return comes from growth in value over time.



Value

The value of a growth asset is subject to change from time to time. If the market for these assets is not liquid, selling them

owth assets depending on their need for income and preference with respect to time period and

SMS CONTEST

Question

Mutual funds offer options

Answer

- A. Only income
- B. Only growth
- C. Income and growth

To answer, SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.* Contest open for the day of publication.

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risk. Typically long-term investors who can assume risk choose growth products and shortterm investors who do not like to take risks tend to choose income products.



Income tax rules acknowledge the difference between income and growth. Therefore the taxability of interest income is different from the taxability of gains or losses from selling an asset. Sometimes the choice between a growth product and an income product depends on the taxability of the income.

While most investors prefer to receive periodic income, more as a signal that their investment is doing well, they may be bett-

DID YOU KNOW?

An investment plan should allocate at least three months of income to readily available liguid assets to tide over any emergency for funds.

FAQs

Is an income-oriented asset less risky?

Yes, an income-yielding asset like a deposit generally features both lower return and lesser risk than a growth-oriented asset like equity.

Is a mutual fund growth or income-oriented?

Mutual funds offer both types of products. They have equity and income funds. Within these categories, they also offer growth and income options so that investors can choose as per their need.

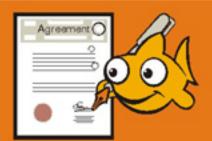
er off accumulating the income over time if they did not really need it. The choice between income and growth is a crucial one, and our long-term returns depend on it.

Centre for Investment Education and Learning

We welcome your questions, suggestions and feedback on this ordern. Please use the "timal Us" link at www.bioback.com or send as as \$M\$ to \$50000. Please include your full name, address and phore number Wour-comments may be edited for claimly and space.

Investors choose income or gr-

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