SWOT Analysis of Investment Options

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Executive Summary *- SWOT Analysis is a business tool that evaluates a subject on the basis of its strengths, weaknesses, opportunities and threats. It helps to compare subjects and make prudent decisions. We present the SWOT analysis for Equity, Mutual Funds and Real Estate here from a retail investor's perspective.*

SWOT Analysis is a business tool to evaluate anything from products, stocks, companies etc. It is a tool to analyse '**S**trengths', '**W**eaknesses', '**O**pportunities' and '**T**hreats' for comparing different subjects. It gives a snapshot of the advantages and disadvantages of the subjects being compared.

Strengths	Advantages of the subject
Weaknesses	Potential downfall
Opportunities	Chances that may be advantageous to the subject under analysis
Threats	Events that can change conditions for the worse.

Here we attempt to provide a SWOT Analysis of some of the investment options available to you as a retail investor.

SWOT ANALYSIS OF EQUITY

Strength	**Opportunity**
- Provides Capital Appreciation - High Rate of Return possible - An equity investor can own part of the company - Good for people with higher risk taking capacity - You can pledge shares for loans	- Considered to be the best investment option for highest returns in the long run. - You can vote in certain decisions of the company. - Long Term Capital Gains and Dividends are tax-free.
Weakness	**Threat**
- High risk investment option	- Initial capital may get wiped out

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- Costs like brokerage, transaction related taxes to be incurred - No security or guarantee of returns	- Volatility can impact returns - Many local and global factors affect share prices and if they are negative, there may be a big impact.

SWOT ANALYSIS OF MUTUAL FUNDS

Strength	**Opportunity**
- MFs are governed by SEBI. So customer interests are taken care of. - Ranked MFs usually give stable returns - They are managed by professionals in the field. - Long Term Capital Gains and Dividends are tax-free for the investor. - You can use Systematic Investment Planning (SIP) for small investments on a regular basis. You do not need a big amount to invest.	- Different types of funds for different types of investors and their needs. For example, liquid funds allow you to withdraw money easily. There are Equity Linked Savings Schemes that offer tax benefit. - You can invest in the market with a small amount and match market performance - It is convenient and easy to invest in MFs. You can take loan against MFs.
Weakness	**Threat**
- Entry load, exit load expenses and management fees to be incurred by investor - Some types of funds are illiquid	- Rate of return is not fixed - MFs do not match the high returns of the stock market and do not offer as much security as bonds

SWOT ANALYSIS OF REAL ESTATE

Strength	**Opportunity**
- Risk of investment is lower as compared to equity - Usually demand is always there and therefore prices do not fall steeply	- You will have a real asset in your hands once it is built. - It can provide you income in the form of rent or increase in capital.

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Weakness	Threat
- An illiquid investment - There are many procedures and lot of documentation involved. - A large sum of money is required for investment.	- The builders have a strong consortium which can be disadvantageous to the customer. - In many place, you have to pay a very high price - Calamities can destruct or damage property

In the next article, we will have a SWOT Analysis of bonds, Gold and PPF

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