Mutual Fund Investing vs Individual Stock Selection

By Mike C. from New Jersey

A loyal *Sunny Side of the Street* subscriber, I use the information in the weekly newsletters to help me invest in a way that is different from how most of our subscribers use the information. Whereas most readers buy and trade individual stocks, I use the information to develop investment opportunities within my portfolio of mutual fund investments.

An investor with a plan for growth can either throw a dart or make an educated guess and purchase some number of shares on the open market; or s/he can select a mutual fund with a solid track record and take a small but growing position in a family of stocks that may contain the same companies' stock, along with the stock of other same-sector companies, all hand-picked and carefully watched over by an experienced fund manager. The odds of growth within a mutual fund sector are more favorable than if an investor were to invest in a single stock on the open market.

In a simple open market stock transaction, an investor must place an order to buy or sell a particular stock at the prevailing trading price; but in a mutual fund investment, the same investor simply decides on how much s/he wants to invest (or draw out) at any time. The mutual fund pools its finances, and under the direction of the fund managers, continually buys and sells—aiming to increase profits, stem losses, and attract new investors.

I particularly like that the good mutual funds employ the smartest managers and then back them up with outstanding research departments. They just know when stocks are ready to be bought, and they continually watch them—responding to economic and political landscapes and long-term fund goals by either increasing or reducing their position—all with the goal of delivering investor growth or minimizing loss.

Mutual funds came into operation in the nineteen twenties, and if you'd made the same, steady monthly or quarterly investment over the last hundred years; today you'd have done as well as Warren Buffet—thanks to the magic of compounding, dividend reinvestment, and capital gains.

The trick is to pick the right mutual fund. The right fund sector. The right manager. Then start watching the trends—and that's where Sunny Harris and her *Sunny Side of the Street* newsletter is so helpful. Sunny is a walking font of knowledge who calls the market as she sees it. Her calls have helped me in choosing the allocation for my monthly dollar-cost contributions.

While I dabbled in individual stocks and even some private placements over the forty years I've invested, these were hit or miss, and the misses proved to be very costly. In comparison, over the same time frame, by dollar-cost investing into quality mutual funds, I've averaged at least 15% - 20% a year with very little risk.

Choosing the right mutual fund takes some time and research, but I've found Fidelity Blue Chip Growth and T. Rowe Price Global Stock Fund to be solid points of entry for investors who wants to cover all bases.