



## The #1 Reason Buying Stocks Is Better Than Mutual Funds

### Description

You can tell the risk appetite of a person from his or her choices of investments. When you invest in mutual funds, you have a lower tolerance for risk. If you prefer stocks, you want a higher return but are willing to accept the risk. Or you can have both in your portfolio basket. But is there a reason why buying stocks are better?

### Style of investing

There's a difference in the style of investing when picking one over the other. Buying stocks is what you call direct investing. When you buy shares, you have ownership in the publicly listed company because you're contributing capital to the firm.

Inversely, you're an indirect investor when you invest in mutual funds. You place your money in an investment company that pools funds from individual and corporate investors. The fund manager then invests the pooled funds in financial securities, including bonds and stocks.

### Control over investment

The fundamental difference between stocks and mutual funds is the control over the investment. In mutual funds, you're delegating the growth or loss of your money to a dedicated fund manager within the investment period. The fund manager also dictates where to direct the funds

However, you get to choose the type of mutual fund and the balance of assets (stocks, bonds, and others) depending on your risk tolerance. Usually, there is a minimum holding period, so you can't just sell for quick returns.

As a direct investor, you can buy or sell stocks at any time. You can cash in early or hold the equity for a more extended period. Assuming there is an opportunity to invest in a [top energy stock](#) like **Suncor** ([TSX:SU](#))([NYSE:SU](#)), the decision to invest is yours alone.

You can make money from Suncor in two ways. This \$60.36 billion oil and gas integrated company pays an annual dividend of 3.99%, which it pays quarterly. You create passive income for yourself.

In case the price rises higher than your purchase price, you have the option to sell the stock and earn profit from the price appreciation. As of this writing, Suncor is trading at \$38.75. Analysts covering Suncor are forecasting the price to climb to \$63 in the next 12 months.

If you buy the top-tier energy stock today, you're looking at a potential capital gain of 62.5%. Hence, you have full control of your investment. You are free to sell if the return is favourable or hold on to the stock for a [stable income stream for years](#).

## A reason to buy stocks over mutual funds

You are at a disadvantage when you invest in mutual funds. The fees mutual funds charge are super high, and you pay fees for every top-up or increase in investment. Since there is a holding period, you have to pay an early redemption fee should you decide to sell earlier.

Furthermore, you might not realize the promised return due to the sub-performance of the fund. The best thing the fund manager can do is to prevent you from losing. Taking all these factors into consideration, mutual funds can decrease your potential returns.

In the end, you're better off investing in a high-quality, dividend-paying stock like Suncor Energy.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

### Date

---

2025/09/15

Date Created

2019/10/12

Author

cliew

default watermark

default watermark