

# PASSIVE INCOME :MUTUAL FUND (Book

Franklin Templeton Investments

*The Franklin Income Fund (FKINX) is a mutual fund in Morningstar's "conservative allocation" category and "large/value" style box. The fund was created*

Franklin Resources, Inc. is an American multinational investment management holding company that, together with its subsidiaries, is referred to as Franklin Templeton; it is a global investment firm founded in New York City in 1947 as Franklin Distributors, Inc. It is listed on the New York Stock Exchange under the ticker symbol BEN, in honor of Benjamin Franklin, for whom the company is named, and who was admired by founder Rupert Johnson Sr. In 1973, the company's headquarters moved from New York to San Mateo, California.

Exchange-traded fund

*Germany. In the US, whenever a mutual fund realizes a capital gain that is not balanced by a realized loss (i.e. when the fund sells appreciated shares to*

An exchange-traded fund (ETF) is a type of investment fund that is also an exchange-traded product; i.e., it is traded on stock exchanges. ETFs own financial assets such as stocks, bonds, currencies, debts, futures contracts, and/or commodities such as gold bars. Many ETFs provide some level of diversification compared to owning an individual stock.

Mutual fund

*A mutual fund is an investment fund that pools money from many investors to purchase securities. The term is typically used in the United States, Canada*

A mutual fund is an investment fund that pools money from many investors to purchase securities. The term is typically used in the United States, Canada, and India, while similar structures across the globe include the SICAV in Europe ('investment company with variable capital'), and the open-ended investment company (OEIC) in the UK.

Mutual funds are often classified by their principal investments: money market funds, bond or fixed income funds, stock or equity funds, or hybrid funds. Funds may also be categorized as index funds, which are passively managed funds that track the performance of an index, such as a stock market index or bond market index, or actively managed funds, which seek to outperform stock market indices but generally charge higher fees. The primary structures of mutual funds are open-end funds, closed-end funds, and unit investment trusts.

Over long durations, passively managed funds consistently outperform actively managed funds.

Open-end funds are purchased from or sold to the issuer at the net asset value of each share as of the close of the trading day in which the order was placed, as long as the order was placed within a specified period before the close of trading. They can be traded directly with the issuer.

Mutual funds have advantages and disadvantages compared to direct investing in individual securities. The advantages of mutual funds include economies of scale, diversification, liquidity, and professional management. As with other types of investment, investing in mutual funds involves various fees and expenses.

Mutual funds are regulated by governmental bodies and are required to publish information including performance, comparisons of performance to benchmarks, fees charged, and securities held. A single mutual fund may have several share classes, for which larger investors pay lower fees.

Hedge funds and exchange-traded funds are not typically referred to as mutual funds, and each is targeted at different investors, with hedge funds being available only to high-net-worth individuals.

#### Index fund

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An index fund (also index tracker) is a mutual fund or exchange-traded fund (ETF) designed to follow certain preset rules so that it can replicate the performance of a specified basket ("benchmark") of underlying securities.

The main advantage of index funds for investors is they do not require much time to manage—the investors will not need to spend time analyzing various stocks or stock portfolios. Most investors also find it difficult to beat the performance of the S&P 500 index;

indeed passively managed funds, such as index funds, consistently outperform actively managed funds.

Thus investors, academicians, and authors such as Warren Buffett, John C. Bogle, Jack Brennan, Paul Samuelson, Burton Malkiel, David Swensen, Benjamin Graham, Gene Fama, William J. Bernstein, and Andrew Tobias have long been strong proponents of index funds.

#### Investment fund

*investment fund may be held by the public, such as a mutual fund, exchange-traded fund, special-purpose acquisition company or closed-end fund, or it may*

An investment fund is a way of investing money alongside other investors in order to benefit from the inherent advantages of working as part of a group such as reducing the risks of the investment by a significant percentage. These advantages include an ability to:

hire professional investment managers, who may offer better returns and more adequate risk management;

benefit from economies of scale, i.e., lower transaction costs;

increase the asset diversification to reduce some unsystematic risk.

It remains unclear whether professional active investment managers can reliably enhance risk adjusted returns by an amount that exceeds fees and expenses of investment management. Terminology varies with country but investment funds are often referred to as investment pools, collective investment vehicles, collective investment schemes, managed funds, or simply funds. The regulatory term is undertaking for collective investment in transferable securities, or short collective investment undertaking (cf. Law). An investment fund may be held by the public, such as a mutual fund, exchange-traded fund, special-purpose acquisition company or closed-end fund, or it may be sold only in a private placement, such as a hedge fund or private equity fund. The term also includes specialized vehicles such as collective and common trust funds, which are unique bank-managed funds structured primarily to commingle assets from qualifying pension plans or trusts.

Investment funds are promoted with a wide range of investment aims either targeting specific geographic regions (e.g., emerging markets or Europe) or specified industry sectors (e.g., technology). Depending on the

country there is normally a bias towards the domestic market due to familiarity, and the lack of currency risk. Funds are often selected on the basis of these specified investment aims, their past investment performance, and other factors such as fees.

## Active management

*management Investment management Index fund Passive management Magellan Fund Active risk Investment style &quot;Mutual Funds That Consistently Beat the Market*

Active management (also called active investing) is an approach to investing. In an actively managed portfolio of investments, the investor selects the investments that make up the portfolio. Active management is often compared to passive management or index investing.

Passively managed funds consistently outperform actively managed funds.

## Bond market index

*market passively managed fixed income mutual funds which are designed to match the performance of a particular bond index. In selecting such a fund, risk*

A bond index or bond market index is a method of measuring the investment performance and characteristics of the bond market. There are numerous indices of differing construction that are designed to measure the aggregate bond market and its various sectors (government, municipal, corporate, etc.) A bond index is computed from the change in market prices and, in the case of a total return index, the interest payments, associated with selected bonds over a specified period of time. Bond indices are used by investors and portfolio managers as a benchmark against which to measure the performance of actively managed bond portfolios, which attempt to outperform the index, and passively managed bond portfolios, that are designed to match the performance of the index. Bond indices are also used in determining the compensation of those who manage bond portfolios on a performance-fee basis.

An index is a mathematical construct, so it may not be invested in directly. But many mutual funds and exchange-traded funds attempt to "track" an index (see index fund), and those funds that do not may be judged against those that do.

## Income tax in the United States

*1913, and 42 US states impose state income taxes. Income taxes are levied on wages as well as on capital gains, and fund federal and state governments. Payroll*

The United States federal government and most state governments impose an income tax. They are determined by applying a tax rate, which may increase as income increases, to taxable income, which is the total income less allowable deductions. Income is broadly defined. Individuals and corporations are directly taxable, and estates and trusts may be taxable on undistributed income. Partnerships are not taxed (with some exceptions in the case of federal income taxation), but their partners are taxed on their shares of partnership income. Residents and citizens are taxed on worldwide income, while nonresidents are taxed only on income within the jurisdiction. Several types of credits reduce tax, and some types of credits may exceed tax before credits. Most business expenses are deductible. Individuals may deduct certain personal expenses, including home mortgage interest, state taxes, contributions to charity, and some other items. Some deductions are subject to limits, and an Alternative Minimum Tax (AMT) applies at the federal and some state levels.

The federal government has imposed an income tax since the ratification of the Sixteenth Amendment to the United States Constitution was ratified in 1913, and 42 US states impose state income taxes. Income taxes are levied on wages as well as on capital gains, and fund federal and state governments. Payroll taxes are levied only on wages, not gross incomes, but contribute to reducing the after-tax income of most Americans.

The most common payroll taxes are FICA taxes that fund Social Security and Medicare. Capital gains are currently taxable at a lower rate than wages, and capital losses reduce taxable income to the extent of gains.

Taxpayers generally must determine for themselves the income tax that they owe by filing tax returns. Advance payments of tax are required in the form of tax withholding or estimated tax payments. Due dates and other procedural details vary by jurisdiction, but April 15, Tax Day is the deadline for individuals to file tax returns for federal and many state and local returns. Tax as determined by the taxpayer may be adjusted by the taxing jurisdiction.

For federal individual (not corporate) income tax, the average rate paid in 2020 on adjusted gross income (income after deductions) was 13.6%. However, the tax is progressive, meaning that the tax rate increases with increased income. Over the last 20 years, this has meant that the bottom 50% of taxpayers have always paid less than 5% of the total individual federal income taxes paid, (gradually declining from 5% in 2001 to 2.3% in 2020) with the top 50% of taxpayers consistently paying 95% or more of the tax collected, and the top 1% paying 33% in 2001, increasing to 42% by 2020.

### State income tax

*Pennsylvania Municipal Statistics website) Philadelphia (earned and passive income; income must be reported to the City of Philadelphia if Philadelphia tax*

In addition to federal income tax collected by the United States, most individual U.S. states collect a state income tax. Some local governments also impose an income tax, often based on state income tax calculations. Forty-one states, the District of Columbia, and many localities in the United States impose an income tax on individuals. Nine states impose no state income tax. Forty-seven states and many localities impose a tax on the income of corporations.

State income tax is imposed at a fixed or graduated rate on taxable income of individuals, corporations, and certain estates and trusts. These tax rates vary by state and by entity type. Taxable income conforms closely to federal taxable income in most states with limited modifications. States are prohibited from taxing income from federal bonds or other federal obligations. Most states do not tax Social Security benefits or interest income from obligations of that state. In computing the deduction for depreciation, several states require different useful lives and methods be used by businesses. Many states allow a standard deduction or some form of itemized deductions. States allow a variety of tax credits in computing tax.

Each state administers its own tax system. Many states also administer the tax return and collection process for localities within the state that impose income tax.

State income tax is allowed as an itemized deduction in computing federal income tax, subject to limitations for individuals.

### Berkshire Hathaway

*interest in the company. The company is often compared to an investment fund; between 1965, when Buffett gained control of the company, and 2023, the*

Berkshire Hathaway Inc. () is an American multinational conglomerate holding company headquartered in Omaha, Nebraska. Originally a textile manufacturer, the company transitioned into a conglomerate starting in 1965 under the management of chairman and CEO Warren Buffett and vice chairman Charlie Munger (from 1978 to 2023). Greg Abel now oversees most of the company's investments and has been named as Buffett's successor. Buffett personally owns 38.4% of the Class A voting shares of Berkshire Hathaway, representing a 15.1% overall economic interest in the company.

The company is often compared to an investment fund; between 1965, when Buffett gained control of the company, and 2023, the company's shareholder returns amounted to a compound annual growth rate (CAGR) of 19.8% compared to a 10.2% CAGR for the S&P 500. However, in the 10 years ending in 2023, Berkshire Hathaway produced a CAGR of 11.8% for shareholders, compared to a 12.0% CAGR for the S&P 500. From 1965 to 2023, the stock price had negative performance in only eleven years. In August 2024, Berkshire Hathaway became the eighth U.S. public company and the first non-technology company to be valued at over \$1 trillion on the list of public corporations by market capitalization.

Berkshire Hathaway is ranked 5th on the Fortune 500 rankings of the largest United States corporations by total revenue and 9th on the Fortune Global 500. Berkshire is one of the ten largest components of the S&P 500 and is on the list of largest employers in the United States. Its class A shares have the highest per-share price of any public company in the world, reaching \$700,000 in August 2024, because the board of directors has historically been opposed to stock splits.

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