Debt Mutual Fund Vs Fixed Deposit (FDs)

Bank Fixed vehicle often for Deposits most (FD) Indian is the households considered the safest traditional . Fixed investment portion of deployed only in Indian Bank investors fixed investment deposits avenue? over the last alternatives funds . Let . us funds 2 A decades still investment are deposits option and have . But are their fixed a large savings deposits Also, has falling been interest the rates reason to on look viable analyse option the to main go for are difference debt between the FDs for mutual debt Vs FD .

Risk

FDs pay interest capital back on the maturity and principal . safety investment . Debt mutual instruments deposits, as funds like, corporate funds are assurance debt invest along the such, bank FDs amount provides thought are in commercial bonds, debt papers, and Government with assurance to be accrued of risk free money certificates bonds etc there of market of . subject of fundscapital interest to market safety . risks There rate risk and are and two credit kinds risk Debt is no risk .

Returns

FDs pay been a fixed declining give assured for rate several over returns . Summing up with a Returns Illustration Note : For assumed at the simplicity that in in the calculating case end of the of investment Indexation calculated Fixed LTCG, it the years of : FD . term . Unlike debt FD FDs, interest debt funds funds is Deposit, assumed the term . In case of annual debt that withdrawal interest is refrom invested funds long term debt at funds the investment is same are is made rate considered . i of e , . based on the last available CPI index .

Liquidity

Both are highly liquid. There is no lock-in. However, some banks may charge penalties for premature FD withdrawals. Debt fund redemptions within the exit load period will attract exit load which is charged on the redemption amount. Some debt fund schemes e.g., overnight funds do not charge any exit load.

B. BALAKRISHNAN

AMFI-Registered Mutual Fund Distributor
Mob:7395944468
Email: bala_krishnan9@hotmail.com

Taxation

The interest from bank fixed deposits is added to your taxable income and taxed as per your income tax bracket. Short term capital gains in debt funds (investments held for less than 36 months) are taxed like FDs (Basis the income tax slab of the investor). Long term capital gains in debt funds (investments held for more than 36 months) are taxed at 20% only after allowing for indexation benefits. Debt funds are more tax-efficient as compared to bank FDs if you fall in the higher income tax bracket and have an investment horizon above three years.

Conculsion

If capital safety and assured return is of paramount importance then FD is the investment option. However, debt mutual funds provide superior risk adjusted return and taxation benefits and that is the major advantage of debt mutual funds if Debt Fund vs FD is compared. AMFI-Registered Mutual Fund Distributor, B. Balakrishnan

B. BALAKRISHNAN

AMFI-Registered Mutual Fund Distributor
Mob:7395944468
Email: bala_krishnan9@hotmail.com