Long term investment products

- These accounts are very popular as they can be opened at any post office in India with a minimum of Rs. 20. On the outer limit, a maximum of Rs. 1 lakh can be deposited per single holder (across all post office accounts held in that name) and Rs. 2 lakh for joint holders (again Rs. 1 lakh per person across all post office accounts held).

- **Maturity period:** There is no lock-in/maturity period, just as in the case of a savings bank account.
- Withdrawals: Any amount can be withdrawn as long as the account holder keeps a minimum balance of Rs. 50 in simple account and Rs. 500 if he/she opts for the cheque facility.
- **Interest:** Interest is paid at a rate as decided by the Central Government from time to time. It has been is 3.5 per cent per annum since March 2001.
- **Pass Book:** As in the case of a bank deposit, depositors are provided with a pass book with entries of all transactions duly stamped by the post Office.
- **Tax:** Income tax relief is available on the amount of interest that you receive in this account.

- **Types of Accounts:** Accounts of different maturities are available - 1 year maturity, 2 year maturity, 3 year maturity and 5 years maturity.
- **Deposit amount:** A deposit can be opened with a minimum of Rs. 200. There is no maximum limit.
- **Maturity period:** The deposited amount is repayable after expiry of the period for which it is made viz.: 1 year, 2 years, 3 years or 5 years. The money in the deposit can be withdrawn 6 months after the deposit is made, if necessary (with certain conditions).
- **Interest:** Interest is payable annually. At present, since March 2003, the rates are as follows:
    - 1 year deposit - 6.25
    - 2 year deposit - 6.50
    - 3 year deposit - 7.25
    - 5 year deposit - 7.50
- **Pass Book:** Depositors are given a pass book with entries of the deposited amount and other particulars, duly stamped by the post office.
- **Tax:** Income tax relief is available on the amount of interest that you receive in this account.

- **Maturity:** 6 years. The deposit can be closed after one year, subject to conditions.
- **Deposit limits:** A minimum deposit of Rs. 1000 has to be made. The maximum amount is Rs. 3 lakh in case of a single account and Rs. 6 lakhs in case of a joint account. Deposits in all accounts taken together should not exceed Rs. 3 lakh for a single name and Rs. 6 lakh for a joint account.

- **Interest:** Interest is paid at the rate of 8 per cent per annum, every monthly. In addition, a bonus equal to ten per cent of the deposited amount is paid at the time of maturity.
- **Pass Book:** The depositor is provided with a pass book with entries of the deposited amount and other particulars, duly stamped by the post Office.
- **Tax:** Income tax relief is available on the amount of interest that you receive in this account.

- National Savings Certificates are available for purchase at Post Offices.
- **Maturity:** Period of maturity of a certificate is six Years.
- **Deposit limits:** Certificates are available in values of Rs. 100, Rs. 500, Rs. 1000, Rs. 5000 and Rs. 10,000. There is no maximum limit for purchase of the certificates.
- **Interest/maturity value:** The maturity value of a certificate of Rs. 100 denomination is Rs. 160.10 and certificates of other maturities are calculated at a proportionate rate. On maturity the certificates can be encashed at the post office where it is registered or any other post office.
- **Tax:** An income tax rebate is available on the amount invested and interest received every year.

- **Maturity amount / period:** The invested amount doubles on maturity after 8 years and 7 months.
- **Deposits:** You can invest in KVP in values of Rs. 100, Rs. 500, Rs. 1000, Rs. 5000, Rs. 10,000 and Rs. 50,000. There is no maximum limit for purchase of the certificates.
- **Tax:** No income tax benefit is available under the scheme.

- **Maturity period:** The account matures after 15 years. It can be continued with or without subscriptions after a block of five years.
- **Deposit limits:** A minimum deposit of Rs. 500 per financial year is required. The maximum deposit limit is Rs. 70,000 in a financial year. The maximum number of deposits in a financial year is twelve
- **Withdrawal:** Premature withdrawal is allowed every year after 5 years from the end of the year of opening the account.
- **Interest:** The interest rate payable is notified by the Central Government from time to time. At present it is 8% per year
- **Tax:** An income Tax rebate is available on the deposits made and the interest credited every

- **Tax:** An income Tax rebate is available on the deposits made and the interest credited every year is tax-free.

- It takes time for businesses and companies to grow. So investing and expecting good results immediately is not possible
- The prices of stocks are affected by factors other than the performance of the company. Political events, economic performance of the country, natural calamities, international happenings, etc. All make the price of shares go up or down. So investing for the long run usually insures that though prices may move up and down due to other factors in the short run, they will reflect the value of the company in the long run.

- **Return:** The return from different insurance products differs. Term plans offer a fixed sum assured only if the insured individual dies during the term of the plan. Other insurance plans, like ULIPs offer returns that are linked to financial products as they invest part of the money in such products. Still others pay out predetermined sums of money and different intervals. Some policies also pay out unexpected bonuses.
- **Risk:** In a pure term policy, if you live beyond the term of the policy, you will get nothing back. In the case of ULIPs, the investment portion of your insurance product depends on the investment options available to you. It also depends on how these products perform.
- **Tenure:** Usually long term.
- **Taxes:** The government allows you to get a deduction from your income for premium payments that you make towards your insurance policies.

- While there are many options to invest, be aware that there are recognized, legitimate financial products and fake ones. The genuine ones give you returns based on how they use the money you invest. For example, when you lend to a bank for a fixed period of time, the bank further lends that money to someone else. The rates that banks offer and charge are fixed by the RBI and the banking system and your money is very safe with them. Similar is the case with post office savings and other recognized organizations that we have covered so far.
- However, you should be careful about investing in schemes offered by people or organizations that are not recognized by a regulator like RBI, SEBI, IRDA, etc. The schemes promoted by unrecognized companies may look very attractive when you first hear about them. One such example of a fake financial investment scheme is a **Ponzi scheme**.
- **This is how Ponzi schemes work:** You will be approached by an individual or an organisation that promises to give you extremely high returns on your investments. When you invest with them, they will give you unbelievably good returns at first. For instance, if you invest Rs. 1000, you may be given Rs. 500 as interest, in the first 6 months itself. Sometimes, they may return double your initial investment in a short period of time. This will encourage you to invest more and also tell your friends and relatives about the scheme.
- **How do they give this kind of returns?** What they actually do is take your money and give it to someone else without investing anywhere. Similarly, what they get from someone else, they give it to you. When you tell your friends and family, they also invest in the scheme. The firm then just pays circulate the money until a very large number of people start investing with them. As an investor in such a scheme, once you start receiving very high returns regularly, you will be tempted to invest even higher amounts to get more returns. Once a sizeable number of people invest huge sums of money, they will disappear with the money. Since they have not registered with any regulatory body, you will not be able to track them down. The documents, contact numbers, etc. will all be invalid and you would have lost a huge sum of money.
- There can be many complicated variants to this scheme. The main indication that you must look forward to is that if the returns seems to be too good to be true, study it further. Ask a lot of questions about the scheme and consult people whose financial knowledge you trust before you invest. If you fall for such a scheme, it can wipe out years of efforts that you or your loved ones would have made to save money. So be careful. Don’t be greedy when it comes to investing. There are no shortcuts to investing. Always be patient.