**What is Fixed Deposit (FD)?**

A fixed deposit, also known as a term deposit, is a secure and stable form of investment offered by the banks.

In this form of investment, you are allowed to deposit a lump sum of money in the bank for a specific period and earn a fixed rate of interest on the same. You can choose to receive interest earned on a monthly, quarterly or yearly basis. This is a popular choice of investment given its low risk factor and guaranteed returns.

**Key Highlights of the FD Interest Rates:**

* Compared with regular savings accounts, FDs typically offer better interest rates.
* All resident Indians, including minors and HUFs, are eligible to open an FD account.
* It permits designating two nominees on the application form who, upon the account holder’s death, are qualified to receive the FD amount. Nominees must submit legitimate proof of the the account holder’s death.
* In the event of an emergency, you can withdraw your fixed deposit prematurely by paying a penalty.
* Banks offer sweeping savings for term deposits, enabling depositors to link fd accounts to their savings accounts. This facility’s advantage is that it makes it easier for excess funds to be automatically transferred from savings accounts to fixed deposit accounts. It allows depositors to earn fixed deposit interest rates on their savings accounts while also having the option to withdraw the fd at any time.

**FD Rates for Senior Citizens**

Generally, interest rates offered by banks to senior citizens are marginally higher than those provided to the general public.

The senior citizen should be 60 years old or above while applying for a senior citizen FD. Do note that you need to submit an age to open a senior citizen account and receive benefits.

Most of the banks also provide benefits like loans against fixed deposits, premature withdrawal and nomination facility with FD accounts.

**Features of Fixed Deposits**

Fixed deposit features may differ slightly depending on the bank or other financial institution and the particular terms and conditions provided by them. Some of the features are given below:

* Low Minimum Deposit: You can open an FD with as little as Rs. 100, though this amount may vary between banks and NBFCs.
* Mutiple Tenure Options: FDs can be opened for durations ranging from 7 days to 10 years.
* Fixed Interest Rates: Interest rates are locked in for the FD's tenure, but some banks offer floating rate schemes where the interest rates are linked to external benchmarks like the repo rate.
* Flexible Interest Payouts: Choose from monthly, quarterly, half-yearly, or yearly payouts, or opt for a cumulative option where interest is reinvested to benefit from compounding.
* Premature Withdrawal: You can withdraw funds before maturity, though a penalty may apply.
* Loan Against FD: Use your FD as collateral to avail of a loan while still earning interest on the pledged amount.
* Check Your Credit Score for FREE
* Benefits of Fixed Deposit
* Benefits of Fixed Deposit
* Guaranteed Returns: FDs offer assured returns, regardless of market fluctuations.
* Insurance Coverage: Deposits up to Rs. 5 lakh are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC).
* Tax Benefits: Earn tax deductions of up to Rs. 1.5 lakh under Section 80C on tax-saving fixed deposits.
* Collateral for Loans: FDs can be used as collateral to secure loans or obtain secured credit cards.

**Understanding the Different Types of Fixed Deposits**

Fixed Deposit (FD) schemes are designed to meet the needs of different user groups. Below are the various types of Fixed Deposits (FD) to help you maximise your savings:

* Standard Fixed Deposit: Available to Resident Indians, Sole Proprietorship Firms, Partnership Firms, Limited Companies, and Hindu Undivided Families (HUFs), this deposit offers higher interest rates than regular savings accounts.
* Tax-saving Fixed Deposit: Available only to resident individuals and HUFs, this FD allows a tax deduction of up to Rs. 1.5 lakh under Section 80C and has a 5-year lock-in period.
* Floating Rate Fixed Deposit: The interest rate is tied to a reference rate, such as the RBI's Repo Rate or T-Bill Rate, meaning returns vary based on changes in the reference rate.
* Flexi Fixed Deposit: This type of FD links with a savings or current account. In case of insufficient funds, a portion of the deposit can be withdrawn while the remaining amount continues to earn FD interest, offering more liquidity and flexibility.
* Senior Citizen Fixed Deposit: For individuals aged 60 and above, offering interest rates 50 bps higher than regular FDs. Some banks and NBFCs also offer an additional 0.2% p.a. to 0.3% p.a. for specific tenures, with special rates for super senior citizens (80+ years).
* Corporate Fixed Deposit: Offered by Housing Finance Companies (HFCs) and Non-Banking Financial Companies (NBFCs), typically providing higher interest rates than bank FDs.
* Cumulative Fixed Deposit: Interest is compounded and added to the principal, offering the benefits of compound growth over time.
* Non-cumulative Fixed Deposit: Interest is paid out at regular intervals—monthly, quarterly, half-yearly, or annually—depending on the depositor's preference.
* Callable Fixed Deposit: Allows premature withdrawal before maturity but may incur a penalty for early closure.
* Non-callable Fixed Deposit: Withdrawals can only be made at maturity, with higher interest rates compared to callable FDs.

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