

# Introduction to Fixed Deposits

## Understanding the Foundation of Safe Investments



### Definition

A Fixed Deposit (FD) is a financial instrument where investors deposit a lump sum for a fixed tenure at a predetermined interest rate.



### Safety and Reliability

FDs are considered one of the safest investment options with capital protection and predictable returns.



### Purpose

Ideal for conservative investors seeking stable income and capital preservation.

# How Fixed Deposits Work

## Mechanism of Interest Accrual and Maturity



### Principal Lock-In

A lump sum is deposited for a fixed period, typically ranging from 7 days to 10 years.



### Interest Accrual

Interest can be compounded quarterly or paid out monthly/quarterly in non-cumulative options.



### Maturity Payout

At maturity, the principal and accrued interest are returned unless auto-renewed.

# Types of Fixed Deposits

## Customizing FDs to Suit Investment Goals



### Cumulative FDs

Interest is compounded and paid at maturity, ideal for wealth accumulation.



### Non-Cumulative FDs

Interest is paid monthly or quarterly, suitable for regular income.



### Tax-Saving FDs

Offer deductions under Section 80C with a mandatory 5-year lock-in.

# Benefits of Fixed Deposits

## Why FDs Remain a Preferred Investment Choice



### Capital Safety

FDs provide guaranteed capital protection with minimal risk.



### Predictable Returns

Fixed interest rates ensure assured earnings, independent of market conditions.



### Liquidity Options

Premature withdrawal and loan against FD features enhance liquidity.

# Risks and Limitations of Fixed Deposits

## Understanding the Trade-Offs

- **Inflation Risk:** Real returns may be eroded if inflation outpaces the interest earned.
- **Low Comparative Returns:** FDs yield lower returns compared to equities or mutual funds.
- **Premature Withdrawal Penalty:** Early termination attracts penalties, reducing overall earnings.



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# Interest Rates Across Banks and NBFCs

Comparative Overview as of June 2025

- **Top Public Sector Banks:** Offer FD rates between 6.00% and 7.25% annually for tenures above 1 year.
- **Leading Private Banks:** FD interest rates range from 6.50% to 7.75%, with senior citizen bonuses.
- **NBFCs and Small Finance Banks:** Provide rates up to 8.25%, often for promotional tenures and new customers.



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