

Post Office Saving Schemes Recurring Deposit (RD) Vs Fixed Deposit (FD)

Fixed deposits (FDs) require people to deposit money in one go while recurring deposits (RDs) enable people to build on savings via monthly deposits.

Savings And Investments | NDTV Profit Team | Updated: May 28, 2018 18:58 IST

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Fixed deposits (FDs) offer income tax benefits while recurring deposits (RDs) do not.

Post offices across the country offer nine saving schemes, which also include fixed deposits (FDs) and recurring deposits (RDs). Both FDs and RDs offer attractive interest rates. The major difference, however, between the two is that fixed deposits require people to deposit money in one go while recurring deposits enable people to build on savings via monthly deposits. Income tax benefits on FDs are provided under Section 80C of the Income Tax (IT) Act while RDs do not offer income tax benefits.

Given below are details of post office recurring deposits (RDs) and fixed deposits (FDs):

Post office recurring deposits

Customers require a minimum of Rs. 10 per month or any amount in multiples of Rs. 5 to open a post office recurring deposit account, stated India Post on its website indiapost.gov.in. There is no maximum limit on the amount. It can be opened by cash/ cheque and can be transferred from one post office to another. Any number of RD accounts can be opened in a post office. A nomination facility is available at the time of opening and after opening of the account. A joint RD account can be opened by two adults.

The subsequent deposit can be made up to 15th day of next month if the account is opened up to 15th of a calendar month and up to the last working day of next month if the account is opened between 16th day and the last working day of a calendar month. If the subsequent deposit is not made up to the prescribed day, a default fee is charged for each default, default fee Rs. @ 0.05 for every 5 rupee shall be charged. After 4 regular defaults, the account becomes discontinued and can be revived in two months but if the same is not revived within this period, no further deposit can be made.

There is rebate on advance deposit of at least six installments. A single recurring deposit account can be converted into joint and vice versa. One withdrawal up to 50 per cent of the balance from the account is allowed after one year.

Interest rates offered on post office recurring deposits (RDs)

Post offices offer an interest rate of 6.9 per cent (quarterly compounded). On maturity, a Rs. 10 account fetches Rs. 717.43. The RD account can be continued for another five years on a year-to-year basis.

Post office fixed deposits

Post office time deposits, also known as fixed deposit accounts, require a minimum of Rs. 200 at the time of opening. There is no maximum limit on the amount that can be kept in an FD account. Post office FD accounts can be opened by an individual or be operated as a joint account. A single account can be converted into joint and vice-versa. It can be transferred from one post office to another.

The investment under five years fixed deposit account qualifies for the benefit of Section 80C of the IT Act.

Interest rates on post office fixed deposits

Interest rates From 1.01.2018	
Period	Rate
1yr.A/c	6.60%
2yr.A/c	6.7%
3yr.A/c	6.90%
5yr.A/c	7.40%

The other seven saving schemes offered by post offices are: savings account, monthly income scheme account (MIS), senior citizen savings scheme (SCSS),



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