Chapter 17

RETIREMENT INCOME STREAMS

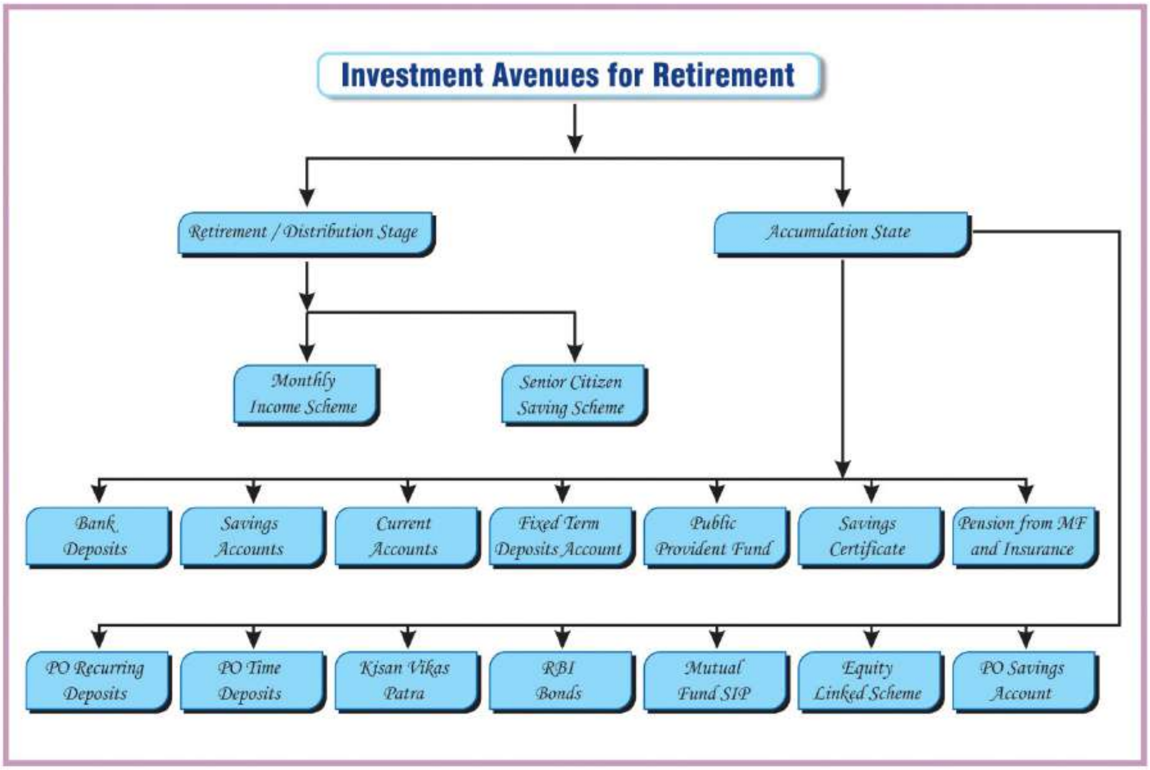
17 RETIREMENT INCOME STREAMS

INTRODUCTION TO RETIREMENT PLANNING STREAMS

Retirement planning is necessary for every individual nowadays, due to an increase in life expectancy. But some individuals like businessmen or professionals who are not covered under occupational retirement schemes, for them it becomes more important to accumulate a corpus for his old age.

Investment options for retirement planning can be divided into two phases:

- Accumulation Stage
- Retirement Stage or Disbursal Stage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Various Investment Avenues Available for Retirement

A. Accumulation Stage: It is the stage in our lives where we passed the hurdles of starting careers, college is far behind and we are concentrating on:

- Raising families
- Growing in the careers we have chosen and moving up the ladder
- Moving from starter homes to more substantial housing
- Dealing with more complex investment and tax considerations
- Planning for future generations with estate planning and investment plans
- Financially stable enough to afford more exotic or expensive investments

- Taxes are more complex at this stage with numerous deductions, choices, and opportunities.

At this stage a person has to fulfill it's personal & social commitments, besides this, he should save for its retirement, as early as a person start to save for its retirement more the compounding power works for it. He should invest according to its current age, expected retirement age, risk-taking ability & liquidity. Some of the investment options available are:

(1) Bank Deposits

(2) Public Provident Fund

(3) Post office savings bank account

(4) Post office recurring deposit

(5) Post office time deposit account

(6) National saving certificate scheme

(7) Kisan Vikas Patra

(8) RBI 7.75% (Taxable) Bonds, 2018

(9) Systematic Investment Plan (SIP) – Mutual Fund

(10) Equity Linked Saving Scheme (ELSS)

(11) Pension Plans from Mutual Fund and Insurance Companies

B. Retirement Stage: It is a stage when a person has no or minimum source of income. He has to rely upon the corpus he built in the accumulation stage of his life.

At this stage, the risk-taking ability of a person is nil or at the minimum level. The investment options available at this stage are:

(1) Senior Citizens Scheme.

(2) Post Office Monthly Income Scheme (POMIS).

ACCUMULATION STAGE

Bank Deposits

In the accumulation stage for savings purposes, different bank deposits accounts can help to pile up a fund that can be further invested in long term products with the aiming of fulfilling retirement goals.

When you deposit a certain sum in a bank with an "insured account", it is called a Bank Deposit.

An insured account is that which is insured for the benefit of the depositor, protecting against loss if the savings institution becomes insolvent. Balances in savings and other deposit accounts are insured with an RBI subsidiary company – Deposit Insurance & Credit Guarantee Corporation of India (DICGCI)

A deposit account is an account at a banking institution that allows money to be held on behalf of the account holder. We can classify the deposits accepted by Indian banks into two main types:

i. Demand deposits

ii. Term deposits.

Demand deposits can be subdivided into two categories: current and savings. Term deposits are also known as "Fixed Deposits". Bank Deposits include money invested in insured bank accounts such as:

i. Savings Account

ii. Current Account

iii. Fixed Term Account

Savings Account

A Savings Bank account (SB account) is meant to promote the habit of saving among the people. It also facilitates the safekeeping of money. In this scheme, the fund is allowed to be withdrawn whenever required, without any condition. Hence a savings account is a safe, convenient, and affordable way to save our money. Bank deposits are fairly safe because banks are subject to the control of the Reserve Bank of India about policy and operational parameters. Bank also pays us a minimal interest in keeping our money with them. The saving deposit interest rate is now decided by the individual bank.

Interest: The rate of interest on Savings Accounts is subject to change from time to time following the directives of the Reserve Bank of India. Interest will be calculated on the minimum credit balance between the close of business on the tenth and the last day of each calendar month and only on the whole amount.

Current Account

A current account is opened for the businesses. Current bank accounts offer various facilities for managing our day-to-day finances in business. When choosing a current bank account we should give some consideration to how important a branch-based service is to us. If we find that we can do without going into a branch, then we will have a far wider range of current bank accounts to choose from. Current deposits are accounts with cheque facilities and there are no restrictions on the amount or the number of withdrawals from these accounts. It is possible to obtain a clean or secured overdraft on the current account. Banks also extend to the account holders certain useful services such as the free collection of outstation cheques and the issue of demand drafts. At present banks generally do not pay interest on current accounts.

Wealth Planning Perspective: Current Account is generally opened by business entities which may be companies or partnership firms. Although an individual can also open a current account as unlike a Saving Bank Account, the Current Account has no restriction on the number of transactions. So individuals having numerous transactions usually open a current account instead of Savings Account. Even though they do not earn any interest on Current account balances. Since balances in Current Account do not earn any interest, a Wealth Manager when making a Wealth Plan for an Individual owning a proprietorship firm should look for balances in the current account and any money not being used for business purpose and remaining idle should be transferred to create fixed deposits for the relevant period.

Fixed Term Deposit Account

Bank Fixed Deposits or Fixed-term deposit is the account where the amount is deposited for a fixed period and carries the rate of interest which depends upon the maturity period of the FD and the amount invested. The interest can be calculated monthly, quarterly, half-yearly, or annually, and varies from bank to bank. They are one of the most common savings avenues and account for a substantial portion of an average investor's savings. The facilities offered by some banks are withdrawal through cheques on maturity; break deposit through premature withdrawal; and overdraft facility etc.

Wealth Planning Perspective: Fixed Deposits with banks are one of the most commonly used savings avenue in India. Fixed Deposits have many advantages. They are secured up to one lakh rupees per bank by Deposit Insurance and Credit Guarantee Corporation. So if we have a two lakh deposit, say in ICICI Bank and if the bank fails we would only get one lakh, and anything over that is unsecured.

The interest rate on an FD is compounded quarterly so the effective yield is higher than stated by the bank. The disadvantage of a fixed deposit is that the entire interest income from a fixed deposit is taxable. So after-tax returns are low. Also, many times the real rate of return i.e. inflation-adjusted rate of return becomes negative. This means that the returns from fixed deposits sometimes are not enough to beat the inflation rate.

The interest from the fixed deposit is subject to TDS i.e. the tax is deducted at the source. Currently, interest over Rs. 10,000 per bank per branch is subject to TDS Deduction. Fixed deposits are good investments if the client needs regular income and his risk-taking profile is low otherwise for young clients with long term goals, equities score over fixed deposits.

Fixed deposits are also available from companies. Such Fixed Deposit gives better ROI (Rate of Interest) than bank deposit but at the same time carries more risk also.

The company fixed deposits are unsecured instruments. Currently TDS on Company Fixed Deposits is applicable if the interest earned is over Rs. 5000.00 in a Financial Year.

There are special Fixed Deposits of Five-year tenure that qualify for 80C Deductions.

15 Year Public Provident Fund Account (PPF)

The Public Provident Fund Scheme has been introduced by Central Government on 1st July 1968.

Any resident Individual, above 18 years old can open only one account in his name or any resident individual can open an additional account on behalf of a minor of which he is guardian can open an account in this scheme. The account under this scheme can be opened in any branch of the State Bank of India, and its subsidiaries, or in any Head Post Office or any selected sub-post office or in any of the nationalized banks.

Under this scheme “Guardian” for a minor means,

A. Father,

B. Mother,

C. Either of the parents,

D. A person entitled under the law for the time being in force to have care of the property of a minor, where neither parent is alive or where the only living parent is incapable of acting.

Loan Facility: Loan can be taken after the expiry of one year from the end of the year in which the initial subscription was made but before the expiry of five years from the end of the year in which the initial subscription was made. Application for the same has to be made in form D.

The loan is allowed up to 25% of the balance in the PPF account including interest at the end of the second year immediately preceding the year in which the loan is applied.

The loan can be taken only once a year. The second loan can be taken on full payment of the first loan. One should repay his principal loan taken from his PPF a/c before the expiry of 36 months from the first day of the month following the month in which the loan is sanctioned.

The repayment of principal loan taken from the PPF account can be made by the subscriber in one lump sum or two or more monthly installments within the prescribed period of thirty-six months.

Interest on loan taken from the PPF account is charged @ 2% per annum.

After the principal of the loan is fully repaid, the subscriber shall pay interest on the loan taken from the PPF account is not more than two monthly installments @1% per annum of the principal for the period commencing from the first day of the month following the month in which loan was obtained to the last day of the month in which loan is fully repaid.

If the loan taken from the PPF account is not repaid in 36 months then the interest rate will increase to 6% per annum and will be debited each year to the subscriber account.

Tax & Other Benefits: The interest recoverable against the loan taken from the PPF account shall accrue to the Central Government. U/s 80C of the income tax, 1961 investment in PPF is qualified for the deduction. Investment in PPF account earns interest 8% per annum compounded annually. (I.E. Effective for 2018-19)

The interest earned in the PPF account is tax-free u/s 10(11) of the IT Act. PPF account can be attached by the Income Tax and Estate Duty authorities only. But it has immunity against attachment under a decree/order of a court of law.

PPF has the lowest risk in default. Liquidity in PPF is poor but loans/partial withdrawals are available.

Nomination: Nomination can be done in the name of one or more persons. A nominee cannot continue the account of the deceased subscriber in his/ her name. Under the PPF Act where there is no nomination in force, the balance of the subscriber's account will be paid to legal heirs of the subscriber's production of succession certificate/probate, when the PPF balance is more than 1 lakh.

And when the balance is less than 1 lakh it can be paid to legal heirs by producing a letter of indemnity / an affidavit / a letter of disclaimer / the death certificate. PPF has the best income yield, tax benefits.

Differences between PF & PPF

i. PF is available to salaried employees and compulsory as per the act, PPF is a voluntary option and open to all, and one needs not to be a salaried individual

ii. Generally, PF is payable on retirement or resignation, PPF is repayable after 15 years.

PPF - Pros and Cons

- The PPF investment provides the lowest risk possible
- Tax rebate facility offered on money invested
- Flexibility of investment
- Provision for loans and withdrawals
- The amount in the PPF account cannot be attached by courts in case of bankruptcy or default on any loan payments
- If one considers the worst of the Public Provident Fund, the Cons are:
- The rate of interest is fixed by the government from time to time and it keeps changing. Initially, the interest was 12% per annum and it dropped to 11%, then 9.5%, and is now only 8%.
- Some investors opine that the stipulated fifteen years lock-in period for investment is too lengthy.
- The interest in the PPF account is calculated on the lowest balance between the fifth and the last day of the month. For instance, if there is a balance of Rs.1,00,000/- in the PPF account and on the 10th an additional deposit of Rs.10,000/- is made, the interest will be calculated on Rs.1,00,000/- and not on Rs.1,10,000/-
- The Public Provident Fund lacks liquidity and does not afford short term liquidity. PPF also does not provide any avenues for regular income. It provides for the accumulation of interest income over fifteen years and the lump sum amount with the principal and interest is payable on maturity.
- PPF account does not have any secondary market and it cannot be traded.

Public Provident Fund can be best construed as a retirement planning tool for those who do not have any structured pension plan covering them. It is money that one will never touch. If a person is just 24 now, he/she will get the money around 40 years of age. This probably can be used to repay a housing loan then.

Key features of Public Provident Fund (PPF) can be summarized in the following way

Key Features	
Eligibility	Under this scheme, only individuals and HUFs can participate. It can also be opened in the name of a minor.
Place of Account	This account may be opened at any branch of State Bank of India or its subsidiaries or specified branches of other nationalized banks.
Investment Limit	Under this scheme minimum investment allowed is Rs. 500 and the maximum investment one can make is Rs. 70000.
Duration	This account can be opened for 15 years which may be extended in the block of 5 years after 15 years.
Nomination:	The facility of nomination is also available.
Interest Rate	The PPF Account currently earns a compound interest of 8%per annum(AS ON 2018-19) which is fully exempt from tax.

Tax Deducted at Source (TDS): There is no tax deducted at source at the time of maturity.

Wealth Planning Perspective: The greatest advantage of the PPF scheme is that the interest income is fully exempt from tax. For a person in the highest tax bracket, the ROI of this scheme comes out to be around 10.95%. This is attractive because it is a secured instrument and the deposits qualify for 80 C deductions.

As Wealth Manager, we must advise clients to open a PPF account no matter what income level they may have. Even a young person who has just started earning with no taxable income should open a PPF Account. He can keep depositing the minimum amount of Rs. 500 and when he has more income the amount deposited can be increased accordingly. The benefit for him is that as the account has a fixed maturity of 15 years and as he opens the account early, It would mature earlier thus increasing the liquidity for him.

PPF account has an advantage that it cannot be attached by any creditor through any court of law. Only Income Tax authorities can attach the PPF account.

National Savings Certificate (NSC)

The national saving certificate is generally popular for taking tax benefit U/S 80C. Any adult individual can purchase a National Savings Certificate (NSC) in their name. The main features of the National Savings Certificates scheme are as follows:

Tenure

- The term is 5 years & 10 years.

Eligibility

- Individuals single (single holder type) or jointly with another adult individual with the condition ‘jointly or survivor’ (A-type) or either or survivor’ (B type).
- NRIs cannot invest in NSC (VIII Issue) since there is no such provision in the rule
- Parents and guardians can also purchase on behalf of a minor.
- Even trusts are allowed to purchase these certificates.

Key Features of National Savings Certificate

Duration:	6 years
Rate of Interest:	7.6% per annum compounded annually for five year

Place of Investment:	Any post office by cash, a local cheque or demand draft
Eligibility	(i) An individual (Above 18 years) (ii) Two individuals (iii) A guardian on behalf of a minor
Limit	There is no limit of investment
Certificate Denominations	Rs. 1000/-
Withdrawals	(i) On Maturity (After 5 years or 10 years) (ii) Premature on the death of the holder or any of the holders.
Nomination	This facility is available
Tax Benefit	Investment eligible for rebate u/s 80c of I.T. Act Annual accrued Interest is also eligible for rebate u/s 80c of I.T. Act 1961

Tax Deducted at Source (TDS): There is no tax deduction at source at the time of maturity.

Wealth Planning Perspective: National Saving Certificates are one of the fixed income instruments available which qualify for 80C deductions. The advantage of this instrument is that the interest earned in a year also qualifies for 80 C deductions as it is deemed to be invested in an 80 C instrument.

For Example, A client buys NSC worth Rs One lakh in Financial Year 2011-2012. This would qualify as 80C investments in 2009-10 and the client would earn an interest of Rs 8780. This amount is deemed to be invested in the NSC in 2010-11 and so on. The interest earned in the last year (i.e. year just before maturity) does not qualify for 80 C benefits because that is not reinvested. So, a one-time investment in this product can get 80C deductions to the client for 4 financial years. The interest earned from NSC is also fully taxable in the year it is earned. So although you get 80C benefits on the interest earned the interest is also added to your taxable income.

Post Office Savings Bank Account (POSB)

Post Office is the biggest organization of the country serving the people of our nation. It has 1, 54,000 branches out of which 1,30,000 are in the rural sector. It has a long history dating back to 1882.

5 Year Post Office Recurring Deposit Account (PORD).

A 5 Year Post-Office Recurring Deposit Account (RDA) is a banking service offered by the Department of Post, Government of India at all post office counters in the country. The scheme is meant for investors who want to deposit a fixed amount every month, to get a lump sum after five years. The scheme, a systematic way for long term savings, is one of the best investment options for low-income groups.

Key Features of Post Office Recurring Deposit (PORD)

Duration	The Post Office Recurring Deposit account can be opened for 5 years.
Extension of Account	After the initial 5 years get over, the account can be extended by 5 years any number of times. That is, on maturity, you can continue the account for another 5 years.
Interest Rate	The rate of interest earned in this account is 7.3%per annum, compounded every 3 months (quarterly). (as on 1.01.2019)

Investment Amount / Denomination of the Account	The amount of each monthly deposit is known as the "denomination" of the recurring deposit account. It is fixed at the time of opening the account and remains the same during the entire term of the RD account. The minimum amount per monthly deposit is Rs. 10. There is no upper limit – the only condition is that the deposit amount has to be in multiples of Rs. 5.
Withdrawals / Loan Facility	A loan can be availed from the PORD account after the account has been in operation for at least 1 year. The rate of interest for such a loan would be 2% over and above the interest rate on a 5 year PO fixed deposit at the time of taking the loan. The loan can be repaid in a lump sum, or equal monthly installments along with the monthly RD payment.
Nomination	A nomination facility is available for the PORD account. You can make a nomination at the time of opening the account, or any time during its tenure.
Tax Benefit	There is no Section 80C benefit available on deposits made to the post office recurring deposit. There is no tax deducted at source (TDS) on the interest that you earn in the post office recurring deposit.

Wealth Planning Perspective: The scheme is meant for investors who want to deposit a fixed amount every month, to get a lump sum after five years. The scheme, a systematic way for long term savings, is one of the best investment options for low-income groups.

Post Office Time Deposit Account

This is just similar to the fixed or term deposits of a bank. Post office time deposit account is a fixed-term account in which the term of the deposit is fixed for it to mature. The difference is that under this the funds are parked with the postal department instead of banks.

- ➢ Types of Accounts
  - (i) One Year Maturity
  - (ii) Two Years of Maturity
  - (iii) Three Years of Maturity
  - (iv) Five Years of Maturity
- ➢ The account can be opened by a single adult or two adults jointly, a pensioner to receive/credit his monthly pension, a guardian on behalf of a minor, or a person of unsound mind.
- ➢ The deposits shall be in the multiples of Rs. 200 with no maximum limit.
- ➢ The deposited amount is repayable after the expiry of the period for which it is made viz: 1 year, 2 years, 3 years, or 5 years.
- ➢ Interest, 'calculated on quarterly compounding basis', is payable annually.

Kisan Vikas Patra

Kisan Vikas Patra is the most popular product of post office saving schemes under this scheme the invested amount gets double at the time of maturity. At present, it is doubled within 9 years and 4 months (112 months). The Kisan Vikas Patra Rules, 1988, has come in to force on the 1st day of April 1988. The provisions of Post Office Savings Certificate Rules, 1960 so far as may be, apply about the matter for which no provision has been made in these rules.

Key Features of Kisan Vikas Patra (KVP)

Duration:	Amount invested doubles in 112 months (9 years and 4 months)
Rate of Interest:	7.7% w.e.f 1.01.2019
Place of Investment:	Any post office by cash, a local cheque or demand draft
Eligibility	(i) An individual (Above 18 years) (ii) Two / three individuals in joint names. (iii) A guardian on behalf of a minor (iv) A Trust
Limit	There is no limit of investment
Certificate Denominations	Rs. 1000.00
Withdrawals	(i) On Maturity (ii) Premature after 2 years and 6 months. (iii) Any time in case of death of holder / any of the holders.
Nomination	This facility is available
Tax Benefit	There is no tax deduction at the source.

Tax Deducted at Source (TDS): There is no tax deducted at source at the time of maturity.

Wealth Planning Perspective: Kisan Vikas Patra (KVP) is a bearer zero-coupon bond that doubles money in a specified time of 9 years and 4 months. The effective yield is 7.7%. This product lost its significance as there are products with higher yield and better liquidity available in the market.

RBI 7.75% Savings (Taxable) Bonds, 2018.

Resident individuals, singly or jointly, or anyone or survivor basis or on behalf of a minor as the father, mother or legal guardian, HUFs, Charitable Institutions and Universities which have obtained certificate u/s 80G can apply for investment in RBI 7.75% (Taxable) Bonds, 2018. NRI cannot invest in this instrument.

Tenure

- Its Tenure is 6 years.

Equity Linked Saving Schemes (ELSS)

The Equity Linked Savings Schemes are popularly known as ELSS. ELSS is a variant of diversified equity funds however these schemes come along with income tax benefits. It is an investment option that provides tax-saving benefits as well as capital gains. Investment in ELSS is eligible for a tax deduction under section 80 (C) of the Income Tax Act. The investor can invest in ELSS Rs. 1,50,000-under section 80C. However, the income tax deduction comes with a lock-in period of 3 years. ELSS is governed by ELSS 2005 guidelines of the Central Board for Direct Taxes, Ministry of Finance, Govt. of India apart from the usual SEBI (Mutual Funds) Regulations, 1996.

ELSS – More Than Just a Tax Saver: An ELSS fund is very similar to an equity fund. The main difference however is a three-year lock-in period which means you cannot withdraw your money for the first three years. This may seem harsh, but the lock-in period can work to your advantage. Why? Because it helps the fund manager to build a portfolio without worrying about holding large amounts of cash to service redemptions. This means the fund manager can devote a larger portion of the portfolio to equities, which have the potential to perform better. While past performance does not guarantee future returns, you can see that the ELSS lock-in rule (though it may seem like bitter medicine at the start of the investment period) has provided the impetus for out-performance.

Insurance Policies: Generally return a pre-determined amount on maturity. However, some unit-linked plans are an exception, but they are not investments in the strict sense- a part of the amount goes towards providing insurance cover – which does not earn you a return, while the balance goes into long term investments. While fixed-rate savings and insurance are useful in their own right and should be part of a well-balanced portfolio, if you are looking for tax benefits coupled portfolio, if you are looking for tax benefits coupled with the earning potential of equities, then consider an ELSS.

Risk and Return: Such schemes carry the same risk as equity diversified schemes. Yet they could deliver better returns since the lock-in period gives the scheme's fund manager the freedom to invest without the fear of redemption pressures.

Suitability: These schemes are suitable for investors who are looking for a tax break from their mutual fund investment and can safely lock away their funds for three years.

Advantages of ELSS over NSC and PPF

- The maturity period of NSC is 5 or 10 years and PPF is 15 years, while that of ELSS is 3 years. So with a lesser lock-in period, one can withdraw the amount.
- Earning potential is very high as it is an equity-linked scheme.
- Investor gains money during the lock-in period and he also has the option of dividend.
- Systematic Investment Plan is a part of ELSS
- Accident death cover insurance is covered in some ELSS funds.

Pension Plans from Mutual Fund and Insurance Companies

- Pension plans offered by insurance companies
- Pension plans offered by mutual fund companies

Pension Plans are Individual Plans that gaze into your future and foresee financial stability during your old age. These policies are most suited for senior citizens and those planning a secure future, so you never give up on the best things in life.

Pension Plans Offered by Insurance Companies

The following are the pension plans of LIC of India

1. **Jeevan Akshay Vi**

2. **New Jeevan Nidhi**

RETIREMENT STAGE

Monthly Income Scheme (MIS)

This is one of the most popular schemes of post office among the senior citizens in India. People in Old Age Park their funds here and get a monthly income from this account. It provides regular monthly income to the depositors plus some bonus at the time of maturity.

The main reason for its popularity is its monthly cash flow and security.

Auto Credit Facility to Savings Bank Account

- The above scheme operates automatically if you open a savings bank account and give a request for automatic transfer of Monthly Income Scheme interest to Recurring Deposit through the Saving Bank account.

Key features of Post Office Monthly Income Scheme (POMIS)

Key Features	
Duration:	6 years till 01/12/2011 and thereafter 5 years
Rate of Interest:	7.3% per annum payable monthly (w.e.f 1.01.2018).
Bonus:	Bonus is paid on the deposited amount at the rate of 5%, w.e.f. 08-12-2007
Mode of Investment:	Any post office by cash, the local cheque or demand draft
Eligibility	(i) An individual (Above 18 years) (ii) Two / three individuals in joint names. (iii) A minor who has attained the age of 10 years. (iv) A guardian on behalf of a minor/a person of unsound mind.
Limit	Minimum – Rs. 1500.00 Maximum – (i) Rs. 4.50 lakhs for single account (ii) Rs. 9.00 lakhs for joint account
Withdrawals	(i) On Maturity with bonus (ii) Premature (a) After one year with a deduction of 2% of the deposited amount. (b) After three years with a 1% deduction.
Nomination	This facility is available
Tax Benefit	There is no tax deduction at the source.

Senior Citizens Savings Scheme

A new savings scheme called 'Senior Citizens Savings Scheme' has been notified with effect from August 2, 2004. The Scheme is for the benefit of senior citizens and the maturity period of the deposit will be five years, extendable by another three years. Initially, the scheme will be available through designated post offices throughout the country. Now it is also available through banks. The scheme is available for citizens above 60 years of age; however, a provision has been put in place for individuals who have crossed 55 years of age. Such individuals may invest subject to the conditions that:

i. The person has retired under a voluntary retirement scheme or a special voluntary retirement scheme on the date of investing

ii. The investment is made within three months of the date of retirement,

iii. A certificate from the employer, indicating the fact of retirement, retirement benefits, along with period of such employment with the employer, is attached with the application form.

Non-Resident Indians and Hindu Undivided Families are not permitted to investing the scheme.

Key features of Senior Citizen Savings Scheme

i. Place of Investment: Investments can be made in any post – office by opening an account. Only one deposit can be made in each account; the deposit amount shall be a multiple of Rs. 1,000 and should not exceed Rs. 15,000,000.

ii. A depositor can operate more than one account subject to the condition that all the deposits taken together don’t exceed the specified amount i.e. Rs. 15,00,000. Also more than one account shall not be opened in the same post-office during a calendar month.

iii. **Rate of Interest Rate:** The scheme will offer an interest of 9.30 percent per annum payable quarterly. The same will be payable on 31st March, 30th June, 30th September, and 31st December each year.

iv. **Mode of holding:** The depositor can hold an account either individually or jointly with his/her spouse.

v. **Nomination:** Nomination facility has been provided under the scheme. In the event of the death of the depositor, the amount due shall be paid to the nominee. A nomination facility is also available in case of joint accounts.

vi. **Duration/Maturity:** The scheme has a tenure of 5 years. The account can be extended for 3 years by making an application.

vii. **Withdrawals:** Investors will be permitted to prematurely liquidate their investments at any time after the expiry of 1 year from the date of opening of the account subject to the following conditions:

- In case the account is closed after the expiry of 1 year but before the expiry of 2 years from the date of opening of the account, an amount equal to 1.5% of the deposit shall be deducted.

- In case the account is closed on or after the expiry of 2 years from the date of opening of the account, an amount equal to 1% of the deposit shall be deducted.

Tax Benefits: The interest income from the scheme is fully taxable.

Transfer of Account: The account can be transferred from one post-office to another.

Tax Deducted at Source (TDS): It is deducted at the rate of 10% for residents and 20% for others.