

ICICI BANK CUSTOMER EDUCATION SERIES

TIMES BUSINESS ASSOCIATE COMMUNICATION

Did You Know?

PPF is the only investment option, where the interest and principal repayment, both are exempt from tax.



Savings Schemes

When equity markets were going up, an 8%-yielding Public Provident Fund (PPF) account was not perceived as being attractive enough. Now that there has been a correction, bank deposits and savings schemes are receiving the attention of investors. Post office deposits (savings, fixed and recurring), Post office monthly income schemes (MIS), Kisan Vikas Patra (KVP), National Saving Certificate (NSC), Public Provident Fund (PPF) and Senior Citizens' Savings Scheme (SCSS) are all Government savings schemes featuring a guarantee on payment of interest and principal, which is their biggest attraction.

During times of uncertainty, investors seek a 'flight to safety'. Savings schemes are widely available across banks and post offices, which makes them easy to access. Bank deposit rates are fixed by banks, and can be easily created by transferring funds from a savings account.

On the flip side, these savings schemes still require a good amount of paper work and processing. They have to be held to maturity and are not liquid. However, banks offer loans against some of the savings schemes. Bank deposits come with flexible options and are easier to create.

Except for PPF, the interest earned on these savings

schemes and bank deposits is taxable. In the case of NSC, the interest is reinvested and therefore eligible to be claimed as a tax deduction. Savings schemes and bank deposits are simple to understand and operate, and appeal to the conservative and cautious investor.

Centre for Investment Education and Learning

We welcome your questions, suggestions and feedback on this column. Please use the 'Email Us' link at www.icicibank.com or send us an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

Look out for our next article on 'Insurance' on November 19.



SMS CONTEST

Question: In the case of PPF, tax exemption applies to _____.

Answer: A. the interest alone
B. the principle repayment alone
C. both interest and principle repayment

To answer, SMS DISHA A, B or C to 53030 and win a 2N 30 holiday.*
Contest open for the day of publication.

*Terms and conditions apply. Visit www.dishac.org for details and winners.



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