Top 12 deposit schemes with higher returns for conservative investors

Moving money from your bank savings account into one or more of these will yield relatively high returns and will help you meet your long-term goals as well.

If you are looking to park your savings away from the stock market, there are several fixed-income investment options to choose from. However, not all of them could be available to everyone as some of them are exclusive for senior citizens or retired investors. Still, there are a handful of safe financial instruments that come with an assured interest income and in some of these, there is government guarantee as well.

The selection of the best option that suits you will depend on several factors as many investments provide a regular income while others may not. Similarly, some are for pension needs, while others may come with tax-saving and could be more suitable for meeting long-term goals.

Moving money from your bank savings account into one or more of these will yield relatively high returns and will help you meet your long-term goals as well. Conservative investors do not want to take risks with their capital and are fine with earning a fixed return.

Here’s a rundown of some of them and their key features.

1. Pradhan Mantri Vaya Vandana Yojana (PMVVY)

Pradhan Mantri Vaya Vandana Yojana has been modified and in the Modified PMVVY, the interest rate will keep varying depending on the financial year in which the investment is made.

- The PMVVY is a ten-year pension scheme backed by the government and suits retired individuals who are aged 60 years or more and need a regular income on their investment.
- For Financial Year 2021-22, PMVVY shall provide an assured pension of 7.40 per cent per annum payable monthly. This assured rate of pension shall be payable for the full policy term of 10 years for all the policies purchased till 31st March, 2022.
- The amount of investment made in the scheme is called the ‘purchase price’.
- Depending on the pension option (monthly, quarterly, yearly), a fixed and assured pension begins as arrears i.e. start from the end of the chosen period.
- The maximum investment that can be made in PMVVY is restricted to Rs 15 lakh per senior citizen and the maximum monthly pension in PMVVY is Rs 9,250 per senior citizen.

- So, if both spouses are above age 60, the maximum monthly pension can be Rs 18,500 in the family on an investment of Rs 30 lakh. The pension in PMVVY is not dependant on the age of the investor.

- The scheme can be purchased offline as well as online from the LIC website only and is only available with LIC till 31st March 2023.

2. Floating Rate Savings Bonds 2020 (Taxable)

Floating Rate Savings Bonds 2020 (Taxable) comes with 100 per cent guarantee as they are government-backed investments. One can invest through branches of State Bank of India, Nationalised Banks and four specified private sector banks.

- They have a tenure of 7 years and the interest rate will keep varying during the tenure of the scheme.

- The rate of interest was set at 7.15 per cent per annum payable half-yearly.

- The interest on the bonds will be payable at half-yearly intervals on Jan 1st and July 1st every year. There is no option to pay interest on a cumulative basis.

- The minimum investment amount is Rs 1000, while there will be no maximum limit for investments made in the Bonds. The maximum investment in cash can be made up to Rs 20,000.

- The interest rate is linked with the prevailing National Saving Certificate (NSC) rate with a spread of 35 basis points over the respective NSC rate.

- Premature redemption shall be allowed for specified categories of senior citizens

3. Senior Citizen Savings Scheme (SCSS)

- SCSS is a popular investment option for those who are 60 years and above.

- An individual of the age of 55 years or more but less than 60 years who has retired on superannuation or under VRS can also open an account subject to the condition that the account is opened within one month of receipt of retirement benefits and the amount should not exceed the amount of retirement benefits.

- SCSS is for a period of 5 years. More than one account may be opened, but the combined limit is capped at Rs 15 lakh.

- Interest earned is fully taxable and to be added to one’s ‘Income from other sources’.

- SCSS suits senior citizens looking for a high fixed rate of return and a regular income.
- After maturity, the account can be extended for further three years within one year of the maturity.
- Currently, (April 1, to June 30, 2021) the interest rate on SCSS is 7.4 per cent per annum, payable quarterly.

4. Sukanya Samriddhi Yojana (SSY)

- Sukanya Samriddhi Yojana (SSY) is a long term 21-year scheme aimed at saving for girl child.
- SSY can be opened only in the name of a girl child below 10 years. If the child is 7 years, the maturity of SSY will happen when the child attains 28 years.
- As a parent, one has to deposit only for the initial 15 years and during the last six years even though the scheme continues, no deposit needs to be made.
- Only on medical grounds, one is allowed to prematurely exit from the scheme. After the girl attains the age of 18, a maximum of 50 per cent of the funds of the preceding year may be withdrawn for the girl's higher education.
- In case of marriage, the SSY is allowed to be closed provided she has turned 18.
- SSY is a tax-friendly investment as it qualifies for tax benefit under Section 80C and even the interest earned is tax-free.
- Being a government-sponsored scheme, SSY carries the highest safety of principal and interest income.
- Currently, (April 1, to June 30, 2021) the interest rate is 7.6 per cent per cent per annum, compounded annually and paid on maturity.

5. Atal Pension Yojna (APY)

- APY is an assured pension plan, the administration of which is done by the Pension Fund Regulatory and Development Authority (PFRDA) under the NPS architecture.
- APY is open for any Indian citizen between 18-40 years.

- Under the APY, the subscribers would receive the fixed minimum pension of Rs. 1000 per month, Rs. 2000 per month, Rs. 3000 per month, Rs. 4000 per month, Rs. 5000 per month

- Pension begins at the age of 60 years, depending on their contributions, which itself would be based on the age of joining the APY.

- Under APY, the monthly pension would be available to the subscriber, and then to spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber.

6. Public Provident Fund (PPF)

- PPF is a long term investment and requires a regular contribution to be paid for 15 years.

- One may, however, exit after 5 years (subject to conditions), avail a loan from 4th year and make partial withdrawals after 7th year.

- As per the rules, one is allowed to open only one account in own name while another can be opened in a minor child's name.

- A minimum of Rs 500 and maximum of Rs 1.5 lakh (self plus minor account) in each financial year can be put into the PPF scheme.

- While the investment qualifies for tax benefit under Section 80C, the interest earned is tax-exempt.

- Post maturity, the PPF account can be extended indefinitely in a block of five years.

- Currently, (April 1, to June 30, 2021) the PPF account carries an interest rate of 7.1 per cent per cent per annum, compounded annually and is paid on maturity.

7. Kisan Vikas Patra (KVP)

- Available only at post offices, the KVP certificate can be purchased by an adult for himself or on behalf of a minor or by two adults.

- The minimum amount of KVP is Rs 1,000 while there is no maximum limit.

- There is a provision to transfer KVP from one person to another and from one post office to another.

- At the time of need, the KVP certificates may be encashed anytime after 2 and half years from the date of purchasing it.

- Currently, (April 1, to June 30, 2021) the KVP carries a return of 6.9 per cent compounded annually.

- The amount invested doubles in 124 months and interest along with capital is paid only on maturity.

8. Post Office Time Deposit Account (TD)

- The time deposit (TD) in a post office is somewhat similar to a bank fixed deposit.

- While the time deposits in a post office are for 1, 2 , 3 and 5 years, its only the 5-year TD that comes with section 80C tax benefit.

- There is no maximum limit but tax benefit is restricted to Rs 1.5 lakh each year on investment made in 5-year deposit.

- Interest earned is fully taxable and to be added to one's 'Income from other sources'.

- There's only the annual interest option as it does not allow monthly or cumulative options.

- Currently, (April 1, to June 30, 2021) the interest rate on 5 year TD is 6.7 per cent per annum, payable annually but calculated quarterly.

9. National Savings Certificate (NSC)

- NSC requires only a lump sum payment for a period of five years and there is no need to pay further contributions.

- On maturity, a fixed amount is received which is known right at the time of investment.

- NSC is issued in denominations of Rs. 100, Rs. 500, Rs.1000, Rs.5000, Rs.10,000.

- The interest is fully taxable but importantly interest is reinvested for the initial four years and also qualifies for Section 80C benefit.

- Currently, (April 1, to June 30, 2021) the interest rate on NSC is 6.8 per cent per cent per annum, compounded annually and paid on maturity.

10. Government Securities

- Government Securities are also backed by the government and hence 100 per cent safe to investors.

- Government Securities are risk-free instruments and help in providing portfolio diversification and are available for longer investment durations.

- Retail investors can invest in Government Securities under the non-competitive bidding in Government of India Dated Securities (G-Sec) and Treasury Bills (T-Bills).

  Retail investors can place their bids through trading members of NSE or using the NSE goBID mobile app or web platform.

- The minimum amount for bidding will be Rs.10,000 (face value) and in multiples of Rs.10,000.

- Although any exit before maturity may result in capital gain or loss, the investment if held till maturity is safe as it is backed by the government.

11. Bank fixed deposit

Bank fixed deposits have always been a popular source of regular income. Depending on the bank and tenure, currently, the interest rate is around 6 per cent per annum across most tenure.

Deposits are insured up to a maximum of Rs.5 lakh for all bank deposits, such as saving, fixed, current, recurring deposits under the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

12. Immediate Annuities

- Immediate Annuity schemes suit those who wish to have a regular source of income till lifetime no matter which way the interest rate moves.

- Immediate Annuity scheme can provide a regular base-level income and, therefore, one may consider investing some portion of the savings into it.

- There are about 7-10 different pension options, including pension for a lifetime for self, after death to spouse and post that the return of corpus to heirs.

- Currently, the pension or the annuity is around 5-6 per cent per annum and is entirely taxable as per one’s income slab.

What to do

The interest earned on most of these fixed-income investments is taxable. Therefore, post-tax returns and after adjusting for inflation, the real returns are low in them. They are at best suited for capital preservation and not ideal for wealth creation. One should invest in them by linking to their goals, keeping their asset allocation plan in context.