Are there better options if FD of senior citizen has to be closed?

Vishal Dhawan|Updated: 17 Jun 2022, 06:38 AM IST

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I held a joint fixed deposit (FD) with my father, the primary account holder, with a PSU bank. The FD was taken in his name so as to get the benefit of additional interest provided to senior citizens. After my father's death recently, the bank said that the FD has to be closed as it's a senior citizen FD and can't be continued in my name. The FD was due to mature in 2025. The bank said I can create a new FD, but the prevailing interest rate will apply. What's the best option for me now?
— Name withheld on request
We are sorry to hear about your father's demise. A target maturity debt index fund may be the most appropriate alternative for you to consider as a substitute to a bank deposit, as yields can be locked into through the use of these schemes, and they are also very tax-efficient due to the benefits of indexation on long term capital gains.
It is ideal to hold these target maturity debt index funds to maturity, so that the volatility of interest rates that are currently being seen, on the back of high inflation, can be mitigated. You may consider either a target maturity debt scheme having exposure to pure government securities, or a combination of government securities and public sector bonds, within the category.

My sister is about to get married in 13 months. All the members in my family, including me, want to pitch in for the wedding. What sort of instruments would you suggest that we park our money in so that we can get it back in 13 months with some interest or appreciation?
Given that our job profiles vary (we have recently started working, and some of us are working in start-ups and some in government jobs) and we can save limited money every month.
— Name withheld on request

Considering that you have a short-term holding period, it is crucial to stay away from investments in volatile assets like equity.We would suggest a mix of ultra-short funds with the high credit quality of underlying bonds and arbitrage funds for this purpose. Arbitrage funds essentially take advantage of the differentials between the cash and futures market and run a completely hedged portfolio.
These funds come with a tax arbitrage over traditional fixed income instruments as well, as they get taxed like equity at 10% long-term capital gains tax rate if held for more than 12 months.
Vishal Dhawan is a certified financial planner and founder of Plan Ahead Wealth Advisors, a SEBI registered investment advisory firm.

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