

Bank FD vs Mutual Fund SWP Comparison For Mr Dummy

Initial Investment	₹ 10,00,000
Investment Period	10 Years
Expected Indexation Rate	3.50%
Applicable Tax Slab	30.00%
Applicable LTCG Tax Rate	20.00%
LTCG Tax Rate Applicable After	3 Years

Monthly SWP Amount

Bank FD @ 6.50%	Debt Fund @ 6.50%
₹ 5,262	₹ 5,262

Particulars	Bank FD	Debt Fund
Total Withdrawal & Redemption	₹ 16,31,403	₹ 16,31,403
Tax Payable	₹ 1,89,421	₹ 83,279
Post Tax Receipt	₹ 14,41,982	₹ 15,48,125

Annual Tax & Post-Tax Annual Withdrawal

Year	Fixed Deposit			Debt Fund			Cumulative Tax Saved in Debt Fund
	Withdrawal	Annual Tax	Net In Hand	Withdrawal	Annual Tax	Net In Hand	
1	63,140	18,942	44,198	63,140	632	62,508	18,310
2	63,140	18,942	44,198	63,140	1,750	61,391	35,502
3	63,140	18,942	44,198	63,140	2,799	60,341	51,645
4	63,140	18,942	44,198	63,140	2,436	60,705	68,152
5	63,140	18,942	44,198	63,140	3,030	60,110	84,064
6	63,140	18,942	44,198	63,140	3,590	59,550	99,416
7	63,140	18,942	44,198	63,140	4,117	59,023	1,14,240
8	63,140	18,942	44,198	63,140	4,614	58,526	1,28,569
9	63,140	18,942	44,198	63,140	5,081	58,059	1,42,429
10	63,140	18,942	44,198	63,140	5,522	57,619	1,55,850
Final Redemption	10,00,000	0	10,00,000	10,00,000	49,707	9,50,293	1,06,142

Comparison Between Fixed Deposit and Debt Mutual Fund

Fixed Deposit	Parameters	Debt Fund
Fixed	Returns	Market-linked
Low	Risk	Low to Moderate
A penalty is levied upon premature withdrawals	Early Withdrawal	Allowed with / without exit load depending on the scheme
No fund management fee	Investment Expenditure	A nominal fund management fee is charged
TDS applicable on Interest payment	TDS	No TDS on withdrawals for Resident Individuals
Interest is taxable as per applicable tax slab on accrual basis	Taxation	Capital Gains Tax on withdrawal: STCG as per applicable tax slab upto 3 years LTCG @20% after 3 years with indexation benefit.

Tax Calculation Sample

Initial Investment	Rs.25,00,000	
Investment Period	10 Years	
Expected Rate of Return	6.00 %	
Expected Taxation Rate	Short-Term	30.00 %
	Long-Term	20.00 %
Expected Indexation Rate	3.50 %	
Yearly SWP Amount	Rs.1,50,000	

Calculation of Indexed Cost & Tax Payable

Year	Annual Withdrawl	Cost of Fund Withdrawn	Indexed Cost	Taxable Capital Gain	Applicable Tax Rate	Tax Payable
1	1,50,000	1,41,509	1,41,509	8,491	30.00%	2,547
2	1,50,000	1,33,499	1,33,499	16,501	30.00%	4,950
3	1,50,000	1,25,943	1,25,943	24,057	30.00%	7,217
4	1,50,000	1,18,814	1,31,731	18,269	20.00%	3,654
5	1,50,000	1,12,089	1,28,624	21,376	20.00%	4,275
6	1,50,000	1,05,744	1,25,591	24,409	20.00%	4,882
7	1,50,000	99,759	1,22,629	27,371	20.00%	5,474
8	1,50,000	94,112	1,19,737	30,263	20.00%	6,053
9	1,50,000	88,785	1,16,913	33,087	20.00%	6,617
10	1,50,000	83,759	1,14,155	35,845	20.00%	7,169
Final Redemption	25,00,000	13,95,987	19,69,177	5,30,823	20.00%	1,06,165

*Returns are not guaranteed. The above is for illustration purpose only.