

Bank FD vs Debt Mutual Fund Comparison For Mr Dummy

Particulars	Fixed Deposit	Debt Mutual Fund
Initial Investment	₹ 20,00,000	₹ 20,00,000
Investment Period	5 Years	5 Years
Assumed Return	5.00 %	5.00 %
Maturity / Redemption Amount	₹ 25,52,563	₹ 25,52,563
Interest Income / Capital Gain	₹ 5,52,563	₹ 5,52,563
Assumed Indexation Rate	NA	4.00%
Indexed Cost of Investment	₹ 20,00,000	₹ 24,33,306
Taxable Income	₹ 5,52,563	₹ 1,19,257
Applicable Tax Rate	30.00%	20.00%
Tax Payable	₹ 1,65,769	₹ 23,851
Post-Tax Returns (Rs)	₹ 3,86,794	₹ 5,28,712
Post-Tax IRR (%)	3.60%	4.80%

*For simplicity in calculating LTCG, it is assumed that withdrawal from debt fund is made after the end of the year. It is assumed that in case of Fixed Deposit, the annual interest is re-invested at the same rate of interest and income tax is paid at the end of investment term. Mutual fund investments are subject to marker risks, read all scheme related documents carefully. Returns are not guaranteed. The above is for illustration purpose only.

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.