

Fixed Deposits

What is a fixed deposit?

A fixed deposit is a type of savings or investment account that promises the investor a fixed rate of interest. In return, the investor agrees not to withdraw or access their funds for a fixed period of time.

In a fixed deposit investment, interest can be paid at various periods, for example, monthly, quarterly, semi-annually or annually depending on the length of the investment. Since the investment term and interest rate are fixed, you can easily calculate the interest you will earn at the end of any fixed deposit investment.

How do fixed deposits work?

When you invest in a fixed deposit investment, you have the option to choose a tenor (also known as 'term'). When you select a tenor, you are deciding to put your money away and not touch it for a fixed period of time (one month, three months, six months, one year, etc.).

What are the advantages of a fixed deposit account?

- Low-risk. Unlike investing in the stock market or in unit trust funds, it is safe to invest in a fixed deposit as your interest returns are guaranteed.

- Higher interest rates. Fixed deposits generally give you more interest than savings accounts.

What are the bad sides?

- Although you can easily withdraw your money, there are some costs involved with withdrawing your money before the end of the term.

What's the difference between a fixed deposit account and a savings account?

A fixed deposit account is similar to a savings accounts, in that they're both low-risk options to grow your money.

However, a major difference between the two is the interest rates offered. Fixed deposit accounts generally offer much higher interest rates. Savings accounts, on the other hand, usually offer lower interest rates.

If you are looking into effecting some quasi risk-free investments offering quite a significant return (the longer the tenor, the higher the interest rate), fixed deposit solutions are just what you need.

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