



# FMPs (Fixed Maturity Plan)

- Fixed Returns,
- Lesser Risk and;
- Tax Effective

An Excellent  
Investment avenue  
over Bank  
FDs....**Have you  
considered it?**

## /// About FMP?

The FMPs as the acronym suggest, fixed maturity plan which delivers fixed returns at the end of maturity period. The FMPs are similar to bank FDs, but offers marginally better returns over banks FDs and are tax effective.

## /// Portfolio Compositions:

The portfolio of FMPs basically consists of fixed income securities viz. Certificate of Deposits (CDs), Commercial Papers (CPs), corporate debt papers, PTCs (Pass through certificate) and other liquid & money market instruments. These securities come with lesser risk and delivers fixed returns. Maturity of instruments corresponds with the maturity of FMPs.

## /// Risk :

The level of risk is **less**, due to exposure to Debt & Liquid instruments. It is advisable to invest in fund house with a proven track record, as risk depends on quality of debt papers in portfolio. The risk of interest rate volatility is minimal as the maturity of portfolio instruments corresponds with fund maturity.

## /// Maturity:

FMPs come with different maturities ranging from 30 Days, 90 Days, 6 months 1 year, 3 years, 5 years and are locked in till the maturity period.

## /// Tax Advantage:

Below illustration shows the tax advantage that makes **FMPs more attractive than bank FDs:**

	<b>FMPs (Fixed Maturity Plan)</b>	<b>Bank Fixed Deposits (FDs)</b>
Rate of Return (%)	7.25%	7.25%
Taxation (%)	10%#	30%*
Return (%) Post Tax	<b>6.53%</b>	<b>5.08%</b>

#In FMPs, long-term Capital Gains are taxed @ 10% without indexation, while short-term (period less than 1 year) are taxed as per income slab.

\* Capital gains (Interest) from Bank FDs are taxed as per income slab for both short & long-term duration.

## /// When to Invest in FMPs?

It is ideal to **invest in FMPs when interest rates are rising**, especially FMPs with maturity ranging from 3 months to 1 year are lucrative during rising interest rate regime, as investor benefits from higher yield during maturity.

It is desirable to **choose dividend option for a horizon less than 1 year** as it is tax effective to pay Dividend Distribution Tax @ 13.84%, rather than growth option, where short-term capital gains are taxed as per the rate applicable to income slab of individual.

