

POST OFFICE

MONTHLY INCOME SCHEME



Post Office Monthly Income Scheme

The post office offers POMIS among a host of banking products and services, under the purview of the Finance Ministry. Hence, it is highly reliable.

It is a low-risk MIS and generates a steady income. You can invest up to Rs. 4.5 lakhs individually or Rs. 9 lakhs jointly, and the investment period is 5 years.

Capital protection is its primary objective. For the quarter ending 31 March 2019, the interest rate is 7.7% per annum, payable monthly.

For instance, if Sharma has invested Rs. 4.5 lakhs in the post office monthly investment scheme for 5 years. As mentioned above, the interest rate is 7.7%.

His monthly income will be Rs. 2888 for that period. Post-maturity, he can withdraw his 4.5 lakhs, either from any post office or get it to his savings account via Electronic Clearance Service.

Features & Benefits of Post Office Monthly Income Scheme

Capital protection: Your money is safe until maturity as this is a government-backed scheme.

Tenure: The lock-in period for Post Office MIS is 5 years. You can withdraw the invested amount when the scheme matures or reinvest it.

Low-risk investment: As a fixed income scheme, the money you invested is not subject to market risks and is quite safe.

Start small: You can start with a nominal initial investment of Rs. 1500. As per your affordability, you can multiply this amount.

Guaranteed returns: You earn income in the form of interest every month. The returns are not inflation-beating but are higher compared to other fixed-income investments like FD.

Tax-efficiency: Though your post office investment doesn't fall under Section 80C and the income is subject to taxation. On the other hand, it has no TDS either.

Eligibility: Only a resident Indian can open a POMIS account. NRIs cannot enjoy the benefits of this scheme. You can open it in your child's name too, provided he/she is aged 10 or above.

Pay out: You will receive the pay out one month from making the first investment, and not the beginning of every month.

Multiple account ownership: You can open more than one account in your name. But the total deposit amount cannot exceed Rs. 4.5 lakhs in all of them together.

Joint account: You can open a joint account with 2 or 3 people. Regardless of who is contributing, it belongs to all account holders equally.

Fund movement: The investor can move the funds to an RD (recurring deposit), which is a feature Post Office has added recently.

Age: As mentioned above, you can start an account on behalf of a minor who is age 10 and above. They can avail of the fund when they become 18. However, the investment cannot exceed Rs. 3 lakhs for a minor. Minor after attaining the majority has to apply for conversion of the account in his name.

Nominee: The investor can nominate a beneficiary (a family member) so that they can claim the benefits and corpus if the investor passes away.

Ease of money/interest transaction: You may collect the monthly interest directly from the post office or transfer it to your savings account. Reinvesting the interest in a SIP is also a lucrative option.

Transfer: In the event of shifting from one city to another, you can easily transfer your investment to your post office in the current city at no extra cost.

Reinvestment: You may reinvest the corpus post maturity in the same scheme for another 5 years to get double benefits.

Consequences of early withdrawal of the scheme

| Time of POMIS withdrawal | Outcome of premature withdrawal |
|--|---|
| If you withdraw before one year | Zero benefits |
| To close the account between 1 st and 3 rd year | The whole deposit refunded after 2% penalty |
| If you close the scheme between 3 rd and 5 th year | Entire corpus refunded with only 1% penalty |

Comparing Post Office MIS with other Monthly Income Plans

| POMIS | Monthly Income Mutual Fund | Monthly Income Insurance |
|---|--|--|
| Assured income at 7.7% annual rate | Invested in 20:80 equity-debt ratio and hence no guaranteed income | Monthly annuities (rates vary based on premiums & period) |
| No TDS | TDS applied | Annuity is taxed |
| Fixed return rate | Floating rate as per the market movement | NA |
| Low-risk, suitable for the risk-averse | Suitable for people with high risk appetite | Double benefits of investment & insurance |
| Withdrawal permitted after 12 months with penalty | Exit load applicable if withdrawn before time | Higher surrender charges as this is a long-term investment |
| Limit of Rs. 4.5 lakhs per account and Rs. 9 lakhs for a shared account | No investment limit | No investment limit |