Recurring Deposit (RD)

Save a fixed amount every month at a fixed rate, disciplined, guaranteed saving.

~6–7% (banks) · 6.7% (Post Office 5-yr) | Interest taxed at your slab

What is RD?

A recurring deposit is the FD's monthly cousin: you commit a fixed amount every month for a fixed tenure at a fixed rate, and the bank compounds it (usually quarterly). It suits salaried savers building a habit or a near-term goal, you get FD-like safety and returns without needing a lump sum up front.

In brief

Suits	Building a fixed sum by saving the same amount every month.
You get	A rate fixed at opening; Post Office 5-year RD and bank RDs differ.
Your money	Monthly instalments for the chosen term; missed instalments attract a small penalty.
Tax	Interest is taxed at your slab each year.
Watch for	For goals five years or more away, compare the after-tax return with other options.

Key facts

Interest rate	Bank RD ~6–7%; Post Office 5-yr RD 6.7% (Oct–Dec 2026)
Tenure	6 months to 10 years (banks); 5 years (Post Office)
Deposit	Fixed amount every month
Compounding	Quarterly
Tax	Interest taxable at slab; TDS above ₹50k (₹1 lakh seniors)/yr

What's new

Oct 2026	RBI raised the repo rate to 5.50%. New RD rates may rise; existing RDs keep their booked rate.
Sep 2026	Post Office 5-year RD stays at 6.7% for October–December 2026.
Apr 2025	TDS on interest now starts above ₹50,000 a year (₹1 lakh for senior citizens).

Questions and answers

THE BASICS

What is a recurring deposit?

An RD lets you deposit a fixed amount every month for a fixed tenure at a fixed rate. It's the FD's monthly cousin, you build the corpus gradually instead of parking a lump sum, and the maturity value is guaranteed and known up front.

How is an RD different from an FD?

An FD needs a lump sum up front; an RD is funded by equal monthly instalments. Both give fixed, guaranteed returns at similar rates. Use an RD when you want to save out of monthly income; use an FD when you already have a lump sum to lock away.

How is an RD different from a mutual-fund SIP?

An RD gives a fixed, guaranteed return with zero market risk, the bank tells you the maturity value in advance. A SIP is market-linked: returns aren't guaranteed and can be higher or lower. RDs suit short-term, capital-safe goals; equity SIPs suit long-term wealth-building where you can ride out volatility.

What tenures are available?

Bank RDs run from 6 months to 10 years. Post Office RD has a fixed 5-year term (extendable). You commit the monthly amount and tenure at the start.

INTEREST & RATES

What RD rate can I get?

Bank RD rates broadly track their FD rates, around 6.5%–7.5% in 2026, with seniors getting a small add-on. The Post Office 5-year RD pays 6.7% (Q2 FY2026-27). Our calculator lets you enter the exact rate offered.

How is RD interest calculated?

Each monthly instalment earns interest for the number of months it remains invested, compounded quarterly. Your first instalment earns the most (invested longest), the last one the least. Our calculator uses monthly compounding as a close approximation, a bank may differ by a few rupees.

OPENING AN RD

Who can open an RD?

Resident individuals (single or joint), minors via a guardian, and NRIs (through NRE/NRO accounts). You usually need a linked savings account so the monthly instalment can be auto-debited.

Can I change the monthly amount later?

No, a standard RD fixes the instalment for the whole tenure. If you want to save more, open a second RD. Some banks offer "flexi RD" variants that allow a variable monthly amount within a band.

TAX & TDS

Is RD interest taxable?

Yes, RD interest is fully taxable at your slab, just like FD interest. Banks deduct 10% TDS once interest crosses ₹50,000 a year (₹1 lakh for seniors). Submit Form 15G/15H if your income is below the taxable limit to avoid TDS.

Does Post Office RD deduct TDS?

No, the Post Office does not deduct TDS on RD interest, but the interest is still fully taxable in your hands and must be declared in your return. "No TDS" is not the same as "tax-free".

MISSED PAYMENTS & EXITS

What if I miss a monthly instalment?

Banks charge a small penalty per missed instalment and may close the account after a few consecutive defaults. Post Office RD lets you revive a defaulted account within a window on paying a default fee. Set up a standing instruction/auto-debit to avoid misses.

Can I close an RD early?

Premature closure is generally allowed after a minimum period (often 3 months at banks; after 3 years for Post Office RD), but you'll get a lower interest rate for the period held and possibly a penalty. Breaking early defeats much of the RD's purpose.

Can I take a loan against my RD?

Yes, many banks and the Post Office offer a loan or overdraft of up to 50%–90% of the RD balance, which is usually cheaper than breaking the deposit for a short-term need.

GOOD TO KNOW

Who is an RD best suited to?

Salaried savers building a habit, anyone saving for a near-term goal (a trip, a gadget, an emergency buffer), or conservative savers who want guaranteed growth without market risk. For long-horizon goals like retirement, an equity SIP has historically done more of the heavy lifting.

Can I have a nominee on my RD?

Yes, and you should add one at opening so the proceeds pass smoothly to your chosen person. You can update the nominee later too.

Sources: SCC Online: RBI raises repo to 5.50%; Business Standard / Business Today on the MoF notification, 30 Sep 2026; Business Today: TDS rules from 1 April 2025.

Educational information prepared by Trustner from official sources. It is not investment, tax or insurance advice. Rates and rules change; confirm the current position with the bank, post office, insurer or your tax consultant before acting.

Trustner Asset Services Pvt. Ltd. · AMFI-registered Mutual Fund Distributor · ARN-286886 · merasip.com/guides/recurring-deposit