

An ultimate guide on how to invest in money market instruments in India

Meta Description:

Investment in Money Market has various portals starting from **Government Bonds, Deposit Certificate, Treasury Bills**, ULIP, etc. which are proved to be less risky and hence the safest way to enrich the accumulated wealth even in a tumultuous economic situation.

Introduction:

Money Investment is one of the fundamental necessities nowadays in the world. Young minds are dedicating their time and effort to building up wealth. Handling wealth in the post-Covid era is not only difficult but needs a lot of foresight. The ongoing economic condition in the world is keeping people in a trance regarding accumulating and diversely investing wealth. Decentralisation of assets and wealth is regarded as the most secure way of investment. Therefore, people are choosing multiple instruments to invest their wealth. Some of the money investment instruments are **Government Bonds, Fixed Deposit, Treasury Bills, Deposit Certificate, Equity, Mutual Fund, Public Provident Fund**, etc.

5 Best Investment Instruments and Their Know-hows:

People are always inclined towards yielding maximum interest with the lowest risks. However, it is utterly impossible in reality. The risk-taking appetite will decide the amount of interest gained. Even sometimes it depends on several other factors like premium amount, tenure, etc. Among several popular investments strategies, the most secure ones are discussed below:

1. Deposit Certificate:

This is an agreement between the Bank and any ordinary individual, institution, organisation in which they will deposit a certain amount of money for a particular period of time and will gain a predetermined amount of interest after maturity.

▪ Advantage:

- The money will be secured with the trust of the Bank and Reserve Bank of India.
- The **Deposit Certificate** can be renewed within a grace period of 7-10 days.
- This promises a greater rate of interest than traditional investments like Recurring Deposit, Fixed Deposit, etc.

- **Facts of Consideration:**

- The rate of interest
- The duration of the **Deposit Certificate**
- The current interest rate as well as the expected rate of interest
- Lock-in period

2. Unit Linked Insurance Plan (ULIP)

It is one of the safest and most beneficial investment plans that cater to the investment along with insurance. One portion of the plan goes into investment (shares, bonds, etc.) and the other portion serves as the insurance plan.

- **Advantage:**

- The lock-in period for ULIP is usually between 3-5 years.
- It does not charge tax at the time of maturity
- It yields maximum profit within the lock-in period.

- **Facts of Consideration:**

- The tenure of the lock-in Period
- The minimum amount for investment
- The rate of interest
- The withdrawal options available

3. Treasury Bills:

This is government-generated bills that can be procured by individuals “at a discount to the face value of security” and can be withdrawn at their “nominal value” where the variance amount will be counted as the interest. If the discounted value is 100/- and the nominal value is 140/- then the variance will be 40/- which can be treated as the interest of procuring the **Treasury bill**. The government issues this kind of bill to meet their short time needs.

- **Advantage:**

- The investment is secured and is regulated by the government.
- There is no chance of displacement as it is a promissory note.
- The interest rate will not fluctuate.

- **Facts of Consideration:**

- The tenure of investment

- The discount value and the nominal value
- The variance or difference
- The potential gain from the **Treasury Bills**

4. Government Bonds:

Government bonds are the least known investment instrument which yields a good amount of interest at a lower risk level. Both the State and Central Government issue bonds for individual procurement. The most important and useful fact is that they can be accessed through Demat accounts and via online investment apps nowadays.

▪ **Advantage:**

- It is the least risky.
- The price of the bond will be announced while the availability will be announced.
- It is under the regulation of The Reserve Bank of India.
- The tax will only be charged upon the interest generated by the bond.

▪ **Facts of Consideration:**

- The return on the investment.
- Check with the website of the bank before purchasing to avoid fraud.
- The duration of the investment.

5. National Savings Certificate:

It is a risk-free investment and government-aided fixed income investment scheme. It is also called NSC in abbreviation.

▪ **Advantage:**

- It can be bought in any government banks, private sector banks and, post offices.
- There is no upper limit for investing money. However, the minimum 1000/- has to be invested early or any amount in a multiple of 100.
- It is regulated by the Ministry of Finance India.
- The lock-in period for NSC is generally 5 years.

▪ **Facts of Consideration:**

- The taxation rate on the interest.
- In the amount of interest.

- The duration of your interest.
- Whether it is renewable or not.

Apart from that, another popular investment instrument is **Sovereign Gold Bond**. It is issued by The Reserve Bank of India.

▪ **Advantage:**

- It has a minimum investment of 1 gm gold.
- It is also available for auction.
- Only a PAN Card will be needed.
- It has tenure of 8 years.

▪ **Facts of Consideration:**

- The early redemption time
- Change in interest rate
- The amount of interest paid
- The amount of tax charged

Conclusion:

After analysing all these best options of investment which are less risky and secure instruments to put your money into, the most secure and high yielding is the **Deposit Certificate**. It is easily accessible to the mass and it is safe in hands of the government-regulated banks. The investment made by **Deposit Certificate** is put into Shares, equity, and bonds which are further regulated by the **Securities and Exchange Board of India (SEBI)**. If youngsters want a smarter way to accomplish multiple goals then they should invest in **ULIP** or **Government Bonds**. Apart from that, **Treasury Bills** and **Sovereign Gold Bonds** are also trustworthy. In the concluding note, the investment should be made with the proper analytical bend of mind and at an early age. Hence, the precautionary note will always prevail, “Look before you Leap”.

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