

With interest rates falling, invest in fixed deposits

At a time when the official interest rates are coming down in South Africa, First National Bank (FNB) has sounded a clarion call, urging the senior investors to now consider investing some of their money in longer term fixed deposits.

The SA Reserve Bank has cut interest rates in December '08, and February '09, with further interest rate cuts anticipated over the next few months, following the path taken by some of the world's leading central banks, which are lowering interest rates as inflation dwindles and economic growth spirals down.

The Bank of England's lending rate is at a historical low of 1.5%, European Central Bank 2%, US Federal Reserve 0.25%, Sweden 1.75% and Australia 2.75%.

In anticipation of lower than expected Growth figures to be released this week, some economists are predicting that the Monetary Policy Committee (MPC) may convene an urgent meeting to further reduce interest rates by as soon as the end of this week.

“A large number of seniors live off the fixed income from bank investments products. Three years ago, interest rates were at a low of 6,5%, and seniors felt the difficulty of making ends meet from one month to the next. With interest rates now going down again, people who want to protect their income should diversify their investments by moving some of their monies into longer term fixed deposits and by so doing take full advantage of the current higher returns,” says Robert Keip, FNB Head of Investments.

During the 2009/10 budget presentation, as was put forward by Finance Minister Trevor Manuel in parliament earlier this month, further tax relief on interest earnings was announced. Keip further emphasises that now the time to take advantage of these concessions by placing more money into secure banking investment products.

The table below reflects the Rand amounts that can now be invested, at current interest rates, into interest bearing investments without paying tax.

	Single	Married
Investor 65 years +	1,427,500	2,855,000
Investor 55 - 64 years old	940,000	1,880,000

(Amounts reflected are based on the 2009/10 Tax Thresholds and tax exempt on interest earned, assuming that interest earned is the only source of income.)

FNB is currently offering all senior investors, 55 years and older, an additional 0.5% on 12 months and longer fixed deposits.

“We would encourage senior customers to move swiftly and invest for a longer fixed term, protect their earnings, and be able to maintain their life-style in these volatile times,” concludes Keip.

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