

Don't lock ₹3 lakh in one FD. *Build a ladder instead.*

A complete guide to FD laddering: real numbers, what an emergency costs, and how to set up your own ladder at the bank.

An FD ladder means splitting one lump sum into several FDs that mature on different dates. In this guide I take ₹3 lakh, split it into three FDs of ₹1 lakh each for 1, 2 and 3 years, and work out what each FD pays at today's rates, what happens when an emergency hits, and the small settings at the bank that make or break the ladder.

- 1 One FD matures every year.** After the first year, you always have money coming free within the next 12 months, without breaking anything.
- 2 An emergency costs less.** If you must break an FD early, you break one small FD, not your whole ₹3 lakh.
- 3 The extra return is small, and that's fine.** The real win is access to your money. I show the honest numbers inside.

TOTAL	SPLIT INTO	TENURES	MATURES
₹3 lakh	3 FDs	1 · 2 · 3 yrs	Every year

₹3 lakh, three FDs, *one maturity every year*

Here is the whole plan, with real maturity amounts worked out at a large public-sector bank's October 2026 rates.

1 The three FDs you open on day one

FD	AMOUNT	TENURE	RATE (P.A.)	MATURES AT
FD A	₹1,00,000	1 year	6.25%	₹1,06,398
FD B	₹1,00,000	2 years	6.40%	₹1,13,540
FD C	₹1,00,000	3 years	6.30%	₹1,20,626

Cumulative FDs, interest compounded every quarter, general (non-senior) rates for deposits below ₹3 crore. Before tax. Rounded to the nearest rupee.

2 What happens each year after that

WHEN	WHAT MATURES	AMOUNT	WHAT YOU DO
End of year 1	FD A	₹1,06,398	Use it if you need it. If not, put it in a new 3-year FD.
End of year 2	FD B	₹1,13,540	Same choice. Use it, or a new 3-year FD.
End of year 3	FD C	₹1,20,626	Same choice. Now all three are 3-year FDs.
Year 4, 5, 6 ...	One FD every year	₹1.28 to 1.46 lakh	The ladder keeps rolling. One rung frees up every 12 months.

Years 4 to 6 assume every maturity was reinvested for 3 years at 6.30%. Real rates will change by then.

THE ONE THING TO NOTICE

After year 1, you are never more than 12 months away from a maturity. That is the whole point of the ladder.

Three things people *get wrong*

FD ladders are often sold as a return booster. Here is what the numbers actually say.

A COMMON BELIEF: "A LADDER GIVES MUCH HIGHER RETURNS"

A ladder earns more in the long run only when longer FDs pay more than shorter ones at your bank. Right now that gap is very small. On the rates in this guide, after 6 years the ladder ends at **₹4,36,736**, one big 3-year FD at **₹4,36,521** and renewing 1-year FDs at **₹4,35,234**. So the ladder is ahead, but only by ₹215 and ₹1,502. Some banks pay a lot more for 3 years than for 1 year, and there the gap is bigger. Check your own bank's rate card.

A COMMON BELIEF: "A LADDER MAKES YOUR MONEY SAFER"

The ladder does not make your money safer than a single FD. Both sit in the same bank with the same deposit insurance. What the ladder improves is **access**: you can reach part of your money without touching the rest. Safety comes from which bank you choose and staying within the insurance limit (Part 7).

A COMMON BELIEF: "YOU WILL NEVER NEED TO BREAK AN FD"

That holds only when your need lines up with a maturity date. Emergencies don't check your calendar. If one hits in month 8, you will still break an FD. The difference is you break one ₹1 lakh FD, not all ₹3 lakh. Part 4 shows what that saves.

3 So why bother?

Because most people don't lose money on FDs through low rates. They lose it by breaking a big FD for a small need, or by keeping everything in a savings account "just in case". The ladder fixes both. It gives you FD-level interest on all ₹3 lakh, and a part of it comes free every year.

WHAT FINALLY SETTLED IT FOR ME

A ladder is not a return trick. It is a way to stop choosing between earning interest and keeping money within reach.

The ladder, *year by year*

Each bar is one FD. When a bar ends, that money matures and starts a new 3-year bar.

FD	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
FD A	1 yr	New 3-year FD		New 3-year ...		
FD B	2 yrs		New 3-year FD			New ...
FD C	3 yrs			New 3-year FD		
Matures	₹1,06,398	₹1,13,540	₹1,20,626	₹1,28,344	₹1,36,959	₹1,45,507

Amount that comes free at the end of each year, if every maturity is reinvested for 3 years at 6.30%. Before tax.

4 Three things to see in this picture

- The 1-year and 2-year FDs are only for the start.** They exist to stagger the dates. From year 3 onwards, every FD in the ladder is a 3-year FD.
- You earn the 3-year rate on everything, but wait only 1 year.** Once built, all your money sits in 3-year FDs, yet one of them matures every 12 months.
- Rate changes get averaged.** You never lock all ₹3 lakh at one moment's rate. If rates rise, the next rung catches it. If they fall, the older rungs still hold the earlier rate.

THIS TOOK ME A WHILE TO GET

Using a matured FD does not break the ladder. It just makes it shorter. You can add a new rung whenever you have savings again.

Where the ladder *actually* wins

Same ₹3 lakh, same bank, three ways to hold it. First when nothing goes wrong, then when an emergency hits.

5 When nothing goes wrong

HOW YOU HOLD ₹3 LAKH	AFTER 3 YEARS	AFTER 6 YEARS	MONEY FREE EACH YEAR?
Ladder (1, 2, 3 years)	₹3,62,057	₹4,36,736	Yes, one FD every year
One 3-year FD, renewed	₹3,61,879	₹4,36,521	No, only every 3 years
One 1-year FD, renewed	₹3,61,345	₹4,35,234	Yes, but always at the 1-year rate

Value of all FDs on that date if held to term (interest earned so far included). Rates held constant at 6.25% (1 yr), 6.40% (2 yrs), 6.30% (3 yrs), quarterly compounding, before tax.

6 When you need ₹1 lakh in month 8

WHAT YOU BREAK	INTEREST YOU WERE DUE	INTEREST YOU GET	INTEREST LOST
Ladder: only FD A (₹1 lakh)	₹4,221	₹3,641	₹580
One big FD (₹3 lakh)	₹12,766	₹10,922	₹1,844

8 months of interest. Early-exit rate = the bank's rate for the period you actually stayed (5.90% for 211 days to under 1 year) minus a 0.50% penalty, so 5.40%. This follows the rule one large public-sector bank publishes for deposits up to ₹5 lakh. Penalties differ by bank.

With one big FD, most banks close the whole deposit. You take ₹1 lakh, and the other ₹2 lakh also loses interest and has to be booked again at whatever rate is on offer that day.

THE ONE THING TO NOTICE

In normal years, the ladder and the big FD earn almost the same. The ladder pulls ahead the day life does something unplanned.

Make the ladder *fit your life*

The ₹3 lakh, 3-rung version is just the example. Here are the dials you can turn.

7 The five dials

DIAL	OPTIONS	HOW TO THINK ABOUT IT
Number of rungs	3, 4, 5 ...	More rungs means smaller amounts maturing. With 5 rungs of 1 to 5 years, one FD still matures every year, and once built, every rung earns the 5-year rate.
Gap between rungs	1 year, 6 months, 3 months	If you want money free more often, space the dates closer, e.g. four 1-year FDs opened 3 months apart.
Size of each rung	Equal or unequal	Equal is simplest. Unequal works when you know a big expense is coming in a certain year.
Interest type	Cumulative or payout	Cumulative grows the FD. Payout (monthly or quarterly) sends interest to your account, useful for retirees. Monthly payout is usually at a slightly lower rate.
Where you keep it	One bank or several	Once your deposits in one bank cross ₹5 lakh, spreading rungs across banks keeps each within the insurance limit.

GOOD FIT FOR

- Money you want safe and within reach, but not idle in savings
- Parents and retirees who need a steady, known cash flow
- Money set aside for goals 1 to 5 years away

NOT THE RIGHT TOOL FOR

- Your first few months of emergency money: keep that instantly available
- Long-term goals 10+ years away, where FD returns after tax may not beat inflation
- Very small amounts, where one FD is enough

A SHORTCUT I USE NOW

Pick the longest tenure first (the rung everything will roll into), then work backwards. If you want a 5-year rate with money free every year, you need 5 rungs: 1, 2, 3, 4 and 5 years.

Set up your ladder *this week*

You can do all of this in net banking or the bank app in about 15 minutes. No new account needed if you already bank there.

8 Opening the ladder

- 1 **Keep your emergency buffer aside first.** Decide how much must stay instantly available in savings. Ladder only the money above that.
- 2 **Check the rate card for 1, 2 and 3 years.** Every bank publishes it. Note the exact tenure bands, e.g. "1 year to less than 2 years". Rates can differ by a few days of tenure.
- 3 **Open three separate FDs, not one.** Same day, ₹1 lakh each, tenures of 1, 2 and 3 years. Separate FDs are what let you break one without touching the others.
- 4 **Choose cumulative or payout.** Cumulative if you don't need the interest now. Payout if you want regular income.
- 5 **Set the maturity instruction carefully.** If you give no instruction, many banks auto-renew for the *same* tenure. Your 1-year FD would renew for 1 year again and the ladder never forms. Either ask for renewal for 3 years, or set it to pay into savings and rebook it yourself.
- 6 **Add a nominee to every FD.** It takes a minute and saves your family a lot of paperwork later.

9 Every time an FD matures

- 1 **Ask: do I need this money in the next year?** If yes, use it. If no, rebook it for 3 years.
- 2 **Compare rates again.** The rate card will have changed. Pick the tenure band that pays best within your plan.
- 3 **Keep one simple list:** FD number, amount, start date, maturity date, rate. A note on your phone is enough.

THE ONE THING TO NOTICE

Step 5 is where most ladders quietly fail. Check the maturity instruction on every FD before you confirm.

The rules *behind the ladder*

An FD ladder follows the same tax and safety rules as any FD. Here they are in plain words, as of October 2026.

10 Tax on FD interest

RULE	WHAT IT MEANS FOR YOU
Taxed at your slab rate	FD interest is added to your income and taxed at your normal slab. There is no special lower rate.
Taxed every year	Even in a cumulative FD, where you get interest only at maturity, the interest is taxable year by year as it builds up.
TDS above a limit	The bank deducts 10% TDS once your FD interest from that bank crosses ₹50,000 in a year (₹1,00,000 for senior citizens). 20% if the bank doesn't have your PAN.
No TDS is not no tax	₹3 lakh earns roughly ₹19,000 a year, below the TDS limit. You still show it in your return and pay tax at your slab.
Form 121	From 1 April 2026, Form 121 replaces Form 15G and 15H. If your total tax for the year is nil, you can give it to the bank so it doesn't deduct TDS.

11 Safety

RULE	WHAT IT MEANS FOR YOU
Deposit insurance	DICGC insures up to ₹5 lakh per depositor per bank, principal and interest together. Above that, spread across banks.
Higher rate, higher check	Some smaller banks pay more. Check that the bank is covered by DICGC and stay within the limit there.
Before you break an FD	Ask your bank about a loan or overdraft against the FD. For a short need, it can cost less than breaking it.

ABOUT TAX-SAVER FDS

5-year tax-saver FDs have a lock-in and cannot be broken early, so they don't work as ladder rungs. Keep them separate from your ladder.

The glossary, *in plain words*

Every term in this guide, with the Tanglish version I'd use with a friend.

FD

FIXED DEPOSIT

Money kept with a bank for a fixed time at a fixed interest rate.

"Bank la fix panni vechirukkura panam."

FD ladder

STAGGERED DEPOSITS

Splitting one sum into several FDs that mature on different dates.

"Ore FD illa, padi padiya pirichu podradhu."

Payout FD

PERIODIC INTEREST

Interest is paid to your account monthly or quarterly.

"Interest regular ah account ku varum."

Penalty

EARLY-EXIT CUT

A lower rate, often 0.50% to 1% less, paid when you break early.

"Seekiram edutha, interest konjam kammi."

Form 121

NIL-TAX DECLARATION

Tells the bank your tax is nil so it skips TDS. Replaced 15G and 15H.

"Tax illa nu bank ku solra form."

Tenure

TERM OF THE DEPOSIT

How long the FD runs before it matures.

"Evlo naal lock aagum."

Rung

ONE STEP OF THE LADDER

Each separate FD in your ladder.

"Ladder la oru padi."

Compounding

INTEREST ON INTEREST

Banks usually add interest to the FD every quarter, so it earns too.

"Interest ku um interest varum."

Auto-renewal

DEFAULT MATURITY ACTION

The bank rebooks the FD on maturity, often for the same tenure.

"Neenga sollalana, bank thaane thirumba podum."

DICGC

DEPOSIT INSURANCE

RBI subsidiary that insures bank deposits up to ₹5 lakh per depositor per bank.

"Bank pochunaalum ₹5 lakh varaikkum safe."

Maturity

END OF THE TERM

The date the FD ends and the bank pays out principal plus interest.

"Time mudinjachu, panam kaila varum."

Cumulative FD

REINVESTMENT PLAN

Interest is added back to the FD and paid out at maturity.

"Interest ellam kadaisila serthu varum."

Premature withdrawal

BREAKING AN FD EARLY

Closing an FD before its maturity date.

"Time mudiyaradhukku munnadiye edukkuradhu."

TDS

TAX DEDUCTED AT SOURCE

Tax the bank cuts from your interest before paying you.

"Bank tax ah munnadiye pidichidum."

Nominee

WHO RECEIVES IT

The person the bank pays if something happens to you.

"Unga apram yaarukku panam poganum."

How the *numbers* were worked out

Every figure in this guide came from a published source or a calculation you can repeat.

1. **FD rates:** State Bank of India retail domestic term deposit rates (below ₹3 crore), general public, as listed in October 2026: 6.25% for 1 to under 2 years, 6.40% for 2 to under 3 years, 6.30% for 3 to under 5 years, 5.90% for 211 days to under 1 year. One large public-sector bank was used only so the numbers are real. It is not a recommendation. Rates at your bank will differ, and change often.
2. **Maturity amounts:** $\text{amount} \times (1 + \text{rate} \div 4)$ raised to $(4 \times \text{years})$, i.e. quarterly compounding, as banks use for cumulative FDs. Every figure was computed in a script and rounded to the nearest rupee. Before tax.
3. **Years 4 to 6 and the comparison table:** every maturity reinvested for 3 years at an unchanged 6.30%. The 1-year option renewed every year at 6.25%. Values shown as if every FD is held to term. Real future rates will be different.
4. **Early exit:** SBI's published rule for retail deposits up to ₹5 lakh: interest at 0.50% below the rate for the period the deposit actually ran, or 0.50% below the contracted rate, whichever is lower. Month 8 example at 5.90% – 0.50% = 5.40%. Other banks use 0.50% to 1%.
5. **Tax:** Income-tax Act, 2025 (in force from 1 April 2026), Section 393: TDS on bank interest above ₹50,000 a year, ₹1,00,000 for senior citizens. Form 121 (Income-tax Rules, 2026) replaces Forms 15G and 15H.
6. **Deposit insurance:** DICGC cover of ₹5 lakh per depositor per bank, principal plus interest. The government has discussed raising it, so check dicgc.org.in for the current limit.

DISCLAIMER

This guide is for education only. It is not investment, tax or legal advice, and it does not recommend any specific bank or deposit scheme. I am not a SEBI-registered investment adviser. Bank names and rates are used only to make the example real. FD rates, penalties, tax rules and insurance limits change, and the figures here are examples worked out on the assumptions stated above, not promised returns. Returns shown are before tax, and the after-tax return depends on your slab. Check your bank's current terms and speak to a SEBI-registered investment adviser or a qualified tax professional before acting.

Built your first FD ladder? *Tell me how many rungs* on Instagram.

Free to share. Made by Abinash at [@buildwithabinash](#). Send this to a friend who keeps all their savings in one big FD.