

An RBI bond that pays 8.05% from ₹1,000.

The full picture of the Floating Rate Savings Bond from my video, and exactly how to buy one.

You commented "PDF", so here it is. In the video I told you about the RBI Floating Rate Savings Bond: ₹1,000 to start, 8.05% a year, interest every six months, seven years. This guide adds what a one-minute reel can't hold. How the rate moves, what the numbers look like for your amount, the rules on exiting early, tax, and the step-by-step to apply.

- 1 It's backed by the Government of India.** RBI runs it on the government's behalf, so your principal and interest carry sovereign safety.
- 2 The rate floats with NSC.** It's always NSC rate + 0.35%, reset every 1 January and 1 July. Today that works out to 8.05%.
- 3 It's a seven-year, income-style bond.** Interest lands in your bank account twice a year, and the principal comes back at the end.

START WITH

₹1,000

RATE NOW

8.05%

INTEREST PAID

6-monthly

TENURE

7 yrs

What your money *actually earns*

I put the 8.05% into rupees, because a percentage alone never told me much. These are payouts at today's rate.

1 Interest at 8.05%, by amount invested

YOU INVEST	EVERY 6 MONTHS	PER YEAR	OVER 7 YEARS	TOTAL BACK
₹1,000	₹40.25	₹80.50	₹563.50	₹1,563.50
₹10,000	₹402.50	₹805	₹5,635	₹15,635
₹50,000	₹2,012.50	₹4,025	₹28,175	₹78,175
₹1,00,000	₹4,025	₹8,050	₹56,350	₹1,56,350
₹5,00,000	₹20,125	₹40,250	₹2,81,750	₹7,81,750
₹10,00,000	₹40,250	₹80,500	₹5,63,500	₹15,63,500

Interest = amount × 8.05% ÷ 2 per half-year. Before tax. Assumes the rate stays at 8.05% for all 14 payouts; the real figure moves with each reset (see Part 2).

THE ONE THING TO NOTICE

Interest is paid out, not added back. ₹1 lakh gives you ₹4,025 every January and July as income, and your ₹1 lakh comes back in year seven.

ABOUT "RBI'S BOND" IN THE VIDEO

I called it RBI's bond, which is how most people know it. To be exact, the bond is issued by the **Government of India**, and RBI manages it on the government's behalf. That's the reason it's so safe: the guarantee comes from the government itself.

ABOUT "INVEST ANY AMOUNT, EYES CLOSED"

Safety-wise, yes. There's no upper limit, and the backing is sovereign. Before you put in a big amount, good to know three things: the money is committed for seven years (early exit is only for senior citizens), the rate can change every six months, and interest is taxed at your slab. Parts 2, 4 and 6 cover each one.

Why it's called "floating"

The rate isn't fixed for seven years. It's tied to another government scheme and follows it, every six months.

2 The formula

<small>NSC RATE NOW</small> 7.70%	+	<small>FIXED SPREAD</small> 0.35%	=	<small>BOND RATE</small> 8.05%
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NSC is the National Savings Certificate, a post office scheme. The government reviews its rate every quarter. On **1 January** and **1 July**, RBI takes whatever the NSC rate is and adds 0.35%. That becomes your bond's rate for the next six months. This took me a while to get: it applies to **everyone holding the bond**, including people who bought years ago. Nobody gets locked into an old rate.

3 The rate so far

PERIOD	NSC RATE	BOND RATE
Jul 2020 to Dec 2022	6.80%	7.15%
Jan to Jun 2023	7.00%	7.35%
Jul 2023 to Dec 2026	7.70%	8.05%
From 1 Jan 2027	NSC then	NSC + 0.35%

RBI announces the rate each half-year by press release. The 8.05% for Jul to Dec 2026 is from RBI's 1 July 2026 release. NSC stayed at 7.70% for Oct to Dec 2026.

WHAT FINALLY SETTLED IT FOR ME

If NSC goes up, your bond pays more. If NSC comes down, it pays less. The 0.35% extra over NSC stays the same for all seven years.

A SHORTCUT I USE NOW

Want to guess the next rate? Look at the small savings rates the government announces at the end of each quarter. Take the NSC number, add 0.35, and you have it.

The rules, *in one table*

Everything you'd ask the bank before filling the form. Official name: Floating Rate Savings Bonds, 2020 (Taxable), or FRSB.

FEATURE	WHAT IT MEANS FOR YOU
Who can invest	Resident Indians (single or joint), parents or guardians on behalf of a minor, and HUFs. NRIs can't buy new bonds.
Minimum	₹1,000, then in multiples of ₹1,000 (₹2,000, ₹3,000 and so on).
Maximum	No upper limit.
Interest	Paid every 1 January and 1 July straight to your bank account. No "cumulative" option where interest is added back.
Tenure	7 years from the date of issue. No interest is paid after maturity, so the money should move on that day.
How you hold it	Electronically, in a Bond Ledger Account (BLA). You get a Certificate of Holding as proof. No paper bond.
Nomination	Allowed. A sole holder or all joint holders can name one or more nominees. Not available when the bond is in a minor's name.
Selling or transferring	Not transferable and not traded on any exchange. You hold it till maturity (or early exit, Part 4).
Loans against it	Can't be pledged as collateral for a loan.
If you become an NRI later	You can keep holding it till maturity.

THE ONE THING TO NOTICE

This bond is built for steady income. Interest comes out twice a year, every year, and you can't sell it on a market. Plan to hold it the full seven years.

When can you *take the money out*?

For most people, the answer is at the end of year seven. Senior citizens get an earlier door.

4 Early exit is for senior citizens

HOLDER'S AGE	EARLIEST EXIT AFTER
Below 60	7 years (maturity)
60 to 70	6 years
70 to 80	5 years
80 and above	4 years

Lock-in counts from the issue date. In a joint holding, it's enough if any one holder meets the age condition on the exit date. Proof of date of birth is needed. Exit is for the full amount; partial exit isn't allowed.

5 What early exit costs

The bank keeps back **half of the interest for the last six months** you held the bond. The redemption money is paid on the next interest date (1 January or 1 July).

EXAMPLE: ₹1,00,000, HOLDER AGED 65, EXITS AFTER 6 YEARS	AMOUNT
Interest for the last six months at 8.05%	₹4,025
Half of that, held back	₹2,012.50
Interest already received in 6 years (12 payouts)	₹48,300

Assumes 8.05% throughout. Your actual figures depend on the rate in each half-year.

6 At maturity

After seven years your full principal comes back to the bank account linked to the bond. The bond stops earning from that date, so it helps to decide in advance where the money goes next.

GOOD TO KNOW

If you're below 60, put in only money you won't need for seven years. Emergency money is better kept in something you can take out any day, like a savings account or a liquid fund.

Two ways *to buy it*

You can't get it on a trading app. It's sold through RBI's own portal and through authorised bank branches.

OPTION A · ONLINE, RBI RETAIL DIRECT

- RBI's own portal for retail investors
- Opening the account is free
- Pay by net banking or UPI
- Good if you're comfortable online

OPTION B · BANK BRANCH

- SBI, nationalised banks, and HDFC, ICICI, Axis, IDBI
- Fill a paper form at the branch
- Pay by cheque, DD, transfer, or cash up to ₹20,000
- Good for parents who prefer in person

7 Online, step by step

- 1 Register on rbiretaildirect.org.in.** Keep your PAN, Aadhaar-linked mobile, email and bank details ready. KYC is done online with OTPs.
- 2 Get your Retail Direct Gilt (RDG) account.** This is your free account with RBI where the bond will sit.
- 3 Go to the primary market section and pick Floating Rate Savings Bonds.** Enter your amount in multiples of ₹1,000 and add a nominee.
- 4 Pay and save the confirmation.** The bond is issued once the money is realised, and interest dates count from the issue date.

8 At a bank branch

- 1 Ask for the FRSB 2020 (Taxable) application form** at a branch that handles RBI bonds. Many banks also have it as a PDF online.
- 2 Attach your documents:** PAN, address and ID proof, bank account details for interest, and date-of-birth proof (needed later if you want senior-citizen early exit).
- 3 Submit with payment and keep the receipt.** Your Certificate of Holding comes after the bond is issued.

Under RBI's April 2026 guidelines, agency banks had to offer online applications by 30 September 2026, and online servicing (nominee changes, early exit requests, interest and TDS statements) by 31 December 2026. Check your own bank's net banking first.

What you keep *after tax*

The "(Taxable)" in the name is there for a reason. Here's how to plan for it.

9 How it's taxed

The interest is added to your income and taxed at your slab rate, the same as FD interest. There's **no tax deduction** for the amount you invest. TDS (tax cut at source) is deducted when interest is paid. If your income is below the taxable limit, declare it on the application form so TDS isn't cut.

YOUR TAX SLAB	RATE YOU EARN	EFFECTIVE AFTER TAX	₹1 LAKH, YEARLY, AFTER TAX
No tax	8.05%	8.05%	₹8,050
5%	8.05%	7.63%	₹7,631
10%	8.05%	7.21%	₹7,213
20%	8.05%	6.38%	₹6,376
30%	8.05%	5.54%	₹5,538

Includes 4% health and education cess. Ignores surcharge and rebates. Your slab depends on your total income and the tax regime you choose.

WHERE IT FITS WELL

- Retirees and parents who want income twice a year
- People in the no-tax or lower slabs
- Money set aside for seven years or more
- Anyone who wants zero default risk

PLAN FOR THESE

- Seven-year commitment if you're under 60
- The rate can change every six months
- Higher slabs keep less after tax
- Payouts don't compound on their own

THIS TOOK ME A WHILE TO GET

Because payouts don't compound inside the bond, park each payout somewhere useful (an RD, a SIP, or your monthly expenses) instead of letting it sit idle in savings.

The glossary, *in plain words*

Every term from the video and this guide, with a one-line Thanglish version.

Bond

A LOAN YOU GIVE

You lend money to the issuer. They pay you interest and return the money at the end.

"Neenga government-kku kadan kudukkureenga."

FRSB

FLOATING RATE SAVINGS BOND

The bond in this guide. Issued in 2020, taxable, rate linked to NSC.

"Video-la sonna andha RBI bond idhu thaana."

RBI

RESERVE BANK OF INDIA

India's central bank. Manages government borrowing and runs this bond.

"Namma naatoda central bank."

Floating rate

A RATE THAT CAN CHANGE

Reset every six months based on a benchmark, here the NSC rate.

"Aaru maasathukku oru thadavai rate maarum."

NSC

NATIONAL SAVINGS CERTIFICATE

A post office savings scheme. Its rate sets this bond's rate.

"NSC rate-oda 0.35% extra."

Spread

THE FIXED EXTRA

The 0.35% added on top of the NSC rate. It never changes.

"Indha 0.35% eppavume fixed."

bps

BASIS POINTS

One basis point is 0.01%. So 35 bps is 0.35%.

"100 bps na 1%."

Coupon

BOND INTEREST

The interest rate a bond pays. Here it's paid every 1 January and 1 July.

"Bond-oda interest-a thaana coupon-nu solluvaanga."

Non-cumulative

INTEREST PAID OUT

Interest is sent to your bank, not added back to the bond.

"Interest unga account-kku vandhudum, ulla serthu valaraadhu."

Tenure

HOW LONG IT RUNS

Seven years from the issue date for this bond.

"Eazhu varusham panam ulla irukkum."

Premature redemption

EXITING EARLY

Taking money out before maturity. Allowed only for holders aged 60 and above.

"Seekiram edukkanumna, 60 vayasu mela irukkanum."

BLA

BOND LEDGER ACCOUNT

The electronic account where your bond is recorded. No paper bond.

"Unga bond digital-aa record aagura account."

RDG account

RETAIL DIRECT GILT ACCOUNT

Your free account on RBI's Retail Direct portal for buying government bonds.

"RBI-la neengale open pannura free account."

TDS

TAX DEDUCTED AT SOURCE

Tax cut from your interest before it reaches you.

"Interest varradhukku munnaadiye tax pidichiduvaanga."

Sovereign

BACKED BY THE GOVERNMENT

The Government of India guarantees the repayment. The safest category in India.

"Government-e guarantee kudukkuradhu."

How the *numbers* were worked out

Every rule and rate here was checked against official or bank sources in October 2026.

1. **Issuer:** Government of India notification S.O. 2123(E), 26 June 2020. RBI runs the scheme.
2. **Current rate (8.05%, Jul to Dec 2026):** RBI press release 2026-2027/587, 1 July 2026. Rate = NSC rate (7.70%) + 35 bps, reset every 1 January and 1 July.
3. **NSC rate for Oct to Dec 2026 (7.70%, unchanged):** Ministry of Finance small savings rate notification for Q3 FY 2026-27, as reported by StudyCafe and Free Press Journal.
4. **Rate history (7.15%, 7.35%, 8.05%):** RBI half-yearly press releases, compiled by StableInvestor (July 2026).
5. **Eligibility, ₹1,000 minimum, no maximum, BLA, nomination, not transferable or tradeable, not eligible as collateral, cash limit ₹20,000:** SBI "RBI Bonds" page and IDBI Bank "Floating Rate Savings Bond, 2020 (Taxable)" page.
6. **Senior citizen early exit (6/5/4 years) and 50% of last half-year interest held back:** SBI and IDBI Bank product pages.
7. **Buying through RBI Retail Direct:** RBI press release 2023-2024/1164, 23 October 2023. Free account, net banking or UPI payment: RBI Retail Direct FAQ.
8. **Online application (30 Sep 2026) and online servicing (31 Dec 2026) deadlines, joint-holder age rule, no partial exit:** RBI circular RBI/2026-27/06, 2 April 2026, revised operational guidelines for FRSB 2020 (T).
9. **Method:** half-yearly interest = principal $\times$ 8.05% $\div$ 2. Seven-year totals assume the rate stays at 8.05% for all 14 payouts. After-tax rate = 8.05% $\times$ (1 - slab $\times$ 1.04). All figures computed in a script and rounded to the rupee or paisa.

DISCLAIMER

This guide is for education only. It is not investment, tax or legal advice, and it does not recommend any specific bank or product. I am not a SEBI-registered investment adviser. The bond's interest rate resets every six months, so the payouts shown are illustrations at today's 8.05% and will change with the rate. Rules and figures are as of October 2026. Check the latest terms with RBI or your bank, and speak to a SEBI-registered adviser before acting.

Bought your first RBI bond? *Tell me the amount* in the comments.

Questions? Comment "RBI" on the video and my team will help you through it. Free to share. Made by Abinash at @buildwithabinash. Send this to someone in your family who wants safe, regular income.