TAX BENEFITS OF INVESTMENT OPTIONS

Scheme	Returns (%)	Deduction up to ₹1.5 lakh	Taxable at maturity	Features	Suitable for income bracket (₹ lakh)
PPF	8.7	Yes	No	1. Maximum yearly contribution ₹1.5 lakh 2. Less liquidit, as only partial withdrawal is allowed after six years	**above 10**
National Savings Certificate (10 yrs)	8.8	Yes	Yes	1. Interest reinvested during the lock-in period is eligible for deduction and, hence, only last year's interest will be taxable 2. Pre-mature withdrawal not allowed.	**above 5**
Bank term deposit	8 - 8.5	Yes	Yes	1. Taxation at applicable slab rates. 2. TDS at 10% for interest over ₹10,000 a year Form 15H can be submitted for lower or no TDS	**above 5**
Senior Citizen Savings Scheme	9.30	Yes	Yes	1. Maximum contribution ₹15 lakh a year 2. Maturity period is five years. Can be extended for another three years. 3. TDS at 10% for interest over ₹10,000 a year 4. Taxation at applicable slab rate 5. Conditional premature closure allowed	**above 5**
ELSS/Ulip	Market driven	Yes	No	1. Lock-in period is 3-5 years. 2. SIP options available 3. Gains are exempt.	**above 10**
Tax-free bonds	6 - 8	No	No	Lock in period up to 10 years.	**above 10**
Pension plans	Depends on the scheme	Yes	Yes	Monthly pension received is taxable.	**up to 5**

Senior citizens get special benefits in bank term deposits and Senior Citizen Savings Scheme. The benefits available on other investments like Ulip, mutual funds, etc. are at par with normal individuals.
For individuals in the lower income bracket, investment in term deposits, NSC, infrastructure bonds is a viable option, whereas for individuals in the higher income bracket, investment in PPF is suitable.
Budget 2015 has also provided additional tax benefits on medical premiums and medical expenses incurred for senior citizens effective April 1, 2015.
Senior citizens need to weigh the features of the scheme in alignment with their flexibility and risk appetite before investing. For example, PPF could be a good option with decent returns and tax exemptions on maturity but has 15-year lock-in, where as individuals with high risk appetite may invest in ELSS or ULIP.
Source: EY