Topic: Saving and Investment

What is Saving?

- Saving is the difference between income and expenditure
  Saving = Income – Expenses

What is the need to save?

We need to save for the following reasons:

- For the days when the income is less than the expense or the income is zero
- To have money for emergency or opportunity

Similarly, there can be various situations in life where one may need money. If there are savings, the money can be used to reform. However, if there are no savings, one has to take help from friends and relatives or one may have to borrow money. In this case, interest cost is also borne by the borrower.

What is Investment?

Investment is money put in the hope of earning profit, reducing cost or appreciating in value in future.

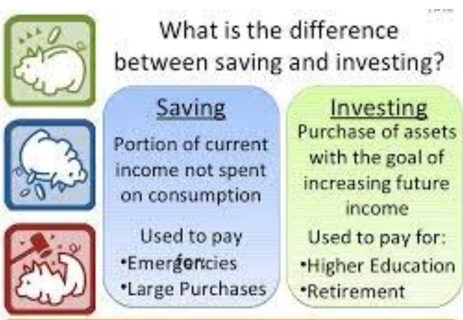
What is the importance of Investment?

When we invest, we use money we have, called principal, to buy assets that have the potential to increase in value, provide regular income, or do both.

As we accumulate these assets — typically stocks, bonds, and mutual funds — our net worth and our financial security grow.

Difference between Saving and Investment

- Saving is money kept idle for a long period of time, usually in the bank without any risk of loss or profit
  Example: Depositing money in Saving Account is saving
- Investment is money put in the hope of earning profit, reducing cost or appreciating in value in future
  Example: Depositing money in RD, FD, Mutual Funds etc is termed as Investment



How can we save?

- Saving Account

How can we invest?

- Fixed Deposits
- Recurring Deposits
- Mutual Funds – Systematic Investment Plans (SIP) & One time
- Post office Saving schemes
- Govt Bonds/ Infrastructure Bonds