STUDY NOTES · BASIC CONCEPT

Difference between EPF, PPF, NPS and mutual fund

Indian Economy

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1. EPF (Employees' Provident Fund)

Meaning: A retirement savings scheme for salaried employees.

Definition: EPF is a government-backed fund where both the employee and employer contribute a fixed percentage of salary every month for retirement.

Key Details:

- Mandatory for most salaried employees
- Employee + employer contribute (usually 12% each)
- Safe investment with fixed annual interest
- Withdrawable at retirement or under specific conditions
- Suitable for risk-averse investors

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2. PPF (Public Provident Fund)

Meaning: A long-term personal savings scheme.

Definition: PPF is a government savings scheme open to all individuals, offering tax-free returns and long-term wealth creation.

Key Details:

- Anyone can open (salaried or self-employed)
- Lock-in period of 15 years
- Completely tax-free (EEE status)
- Safe but lower returns compared to equity
- Ideal for conservative long-term savers

3. NPS (National Pension System)

Meaning: A market-linked pension scheme.

Definition: NPS is a retirement investment plan regulated by PFRDA, allowing partial exposure to equity and bonds.

Key Details:

- Voluntary for most citizens
- Higher return potential than EPF/PPF
- Partial equity exposure
- At retirement, part of corpus must be used to buy pension (annuity)
- Suitable for disciplined retirement planning

4. Mutual Fund (□□□□□□□□ □□□)

Meaning: Professionally managed investment fund.

Definition: A mutual fund pools money from many investors and invests it in stocks, bonds, or other assets.

Key Details:

- Market-linked returns (can be high or low)
- Different types: equity, debt, hybrid
- Best for long-term wealth creation
- Higher risk but higher return potential
- SIP option allows small monthly investments

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