



ALL INDIA BANK RETIREES' FEDERATION

D-1/1, Sector-C, Scheme-71,
Near Kasara Bazar School, Indore – 452 009.

Ref: 2014/143

Date: 21.11.2014

The Office Bearers/ Central Committee Members/ State Body Chiefs A.I.B.R.F

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Treasurer

Sri M.S.Chourey

Dear Sir,

Re: Likely Interest Rate cuts Re: Impact on Retirees

There are strong indications that in coming months RBI may announce series of rate cuts in REPO and Reverse Repo rates to accelerate industrial and economic growth which will affect rate of interest on deposits and advances. As per the opinion being expressed by experts, the rate cut could be in the region of 100 to 150 basis points. It is certainly not a good news for the saver class to which we all retirees belong. Most of the retirees are net savers. The expected rate cut on deposits may reduce interest income of savers from 15 to 20 percent affecting purchasing power of this group adversely as we do not anticipate corresponding reduction in price level of commodity/ service common men are required to buy, in particular of services like doctor fees, electricity bills, telephone bills, travelling expenses etc.

2. In view of this likely scenario, we request our affiliates to advise our members to plan their investments on long term basis right now to insulate them from the forthcoming rate cuts. For example, the retiree may consider to go for 10 years term deposits at present rate to ensure stable higher rate of interest income for the given period. Such investment will neither affect the liquidity as well as advantage of higher rate of interest if such situation arises as the term deposits has unique feature of pre mature payment in favour of the depositors.

3. This circular is being issued in proactive manner to educate our members to do effective financial planning at the right time.

With Regards,

Yours Sincerely,

(S.C.JAIN)
GENERAL SECRETARY