

## Is it good to Keep high amounts in Savings Accounts?

Recently, there has been an incident of fraud where there were no OTPs taken from the person... There were just a flurry of missed calls and about 50L was withdrawn within minutes from the bank account. For details about this incident, please refer to the link below.

<https://timesofindia.indiatimes.com/city/delhi/cybercrooks-pull-off-rs-50-lakh-heist-with-just-blank-calls/articleshow/96155811.cms>

There have been incidents in the past as well where the hacker asks for OTPs. They were also scary but that seemed a little in our control, where the investor thought that 'I am not that naïve, so this won't happen to me'. This particular recent case, though, is pretty alarming.

One of the solutions suggested for this include but is not limited to getting OTP on emails instead of SMS. While this might work to a certain extent, we all know that emails are not immune to hacking either.

We, at Mutual Vision, have always maintained that we should NOT keep huge amounts in bank accounts. This applies to those bank accounts as well, where the amount in the account is actually not significant, but the account is linked to an FD by sweep-in facility. We would like to re-iterate that the amounts in bank account should be minimal. This might vary from person to person. Around 2-month expenses to about 6 months of expenses should be the range for this amount. This way, even if our account gets hacked in the worst-case scenario, the amount at risk is not huge.

If not bank then where is the question that is asked often. Short or ultra-short-term debt mutual funds is the answer. A few benefits of keeping money in these debt funds:

- Safety of the money – Hacking of mutual fund folio is a much more difficult for hacker than a bank account. Plus, the money can ONLY go back to the Investors Bank account in 1-2 working days.
- Liquidity – The money in these debt funds is available in the bank account in 1-2 working days. Most of the times, if it is redeemed before 3 p.m., it is available in the bank account on the next working day.
- Returns – These debt funds offer 4% - 6% annualized returns, as opposed to the savings account which typically give 2.5% - 3%. This takes us closer to the 'Every penny should work towards wealth accumulation' strategy.

With the above logic, preferring Ultra-short-term funds over the traditional savings bank accounts is a no-brainer.