

Returning to India: A financial checklist for NRIs

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The Trump administration's stricter visa policies and proposals have created uncertainty for Indian families living in the United States, forcing some to consider returning home.

When returning to India for good, non-resident Indian (NRIs) should take into account financial repercussions of the move.

Job security before returning

It's crucial to prioritise employment. This can be achieved by leveraging social media to build a professional network, reaching out to prospective employers and consulting with human resource experts.

Having at least one person in the family with a confirmed job offer is essential, as it ensures a stable monthly income upon returning to India. This financial security allows NRIs to transition smoothly without dipping into their savings or investments, making the repatriation process much manageable.

Harshil Morjaria, a certified financial planner at ValueCurve Financial Services, said searching for a job after returning to India can weaken negotiation position and lead to unexpected delays in securing an offer.

Settle your credit card dues

Before returning to India, settle all credit card dues and close unused accounts. Unpaid balances can accumulate rapidly due to high interest rates, potentially doubling every 1.5 years if charged 2.5 percent monthly interest by foreign banks. Credit cards often come with annual fees, regardless of usage, making it crucial to manage these accounts to avoid unnecessary charges.

Varun Girilal, Managing partner, Scripbox, said failing to settle credit card debt can have serious consequences. Banks may pursue debtors and recover the full amount, utilising outsourced collection agents in India. Defaulters also risk being blacklisted, potentially restricting future travel to the country where the debt was incurred.

If repaying the full amount is not feasible, consider negotiating with the bank to settle for 50-60 percent of the outstanding balance. Ensure you obtain a closure report from the bank to confirm the settlement. Do note that this may negatively impact your credit score in your country of residence.

Ways to settle home loans overseas

Before returning to India, it's essential to plan for existing financial commitments such as a long tenure home loan. Consider renting out the property to cover instalments, provided the rental income is sufficient.

To facilitate a smooth transition, arrangements can be made to sell the property after relocating to India, potentially through a commissioned agency that can handle the sale process. "This way, you don't have to do a distress sale of your house at a lower price," Girilal said.

Managing bank accounts

NRIs returning to India permanently or planning to stay for one to three years should manage bank accounts wisely to avoid breaking Indian tax norms.

NRIs can benefit from opening a Non-Resident External (NRE) savings account, which offers several advantages. With an NRE account, funds can be repatriated to India in any currency without restrictions and the interest earned is exempt from Indian income tax.

The account balances are not subject to wealth tax, making it an attractive option for managing foreign savings. By opening an NRE account, NRIs can efficiently bring their foreign earnings back to India, taking advantage of the tax benefits and flexibility, it provides.

Besides NRE savings accounts, NRIs can also opt for Foreign Currency Non-Resident (FCNR) deposits to save their foreign earnings. FCNR deposits allow NRIs to earn interest in foreign currency, provided the deposit remains untouched for a minimum of one year. A key benefit is that the interest earned on these deposits is tax-free in India, as long as the NRI holds the "resident but not ordinarily resident" status. This option provides a secure way to manage foreign currency savings while earning interest.

After returning to India, it's essential to review and adjust existing FCNR/NRE accounts within a few months. Consider converting them to Resident Foreign Currency (RFC) accounts or other suitable options to comply with regulations governing resident accounts. This ensures adherence to Foreign Exchange Management Act (FEMA) guidelines, avoiding unintended violations related to debit and credit transactions.

Before returning to India, notify your foreign bank about your change of residence and update your Indian address and contact details. If you plan to keep the account active, ensure you maintain the required minimum balance to avoid monthly or quarterly maintenance fees, which can be debited from your account.

Health insurance

Many NRIs have robust health insurance coverage abroad but securing insurance in India can be tricky, particularly for those with pre-existing conditions. "Delaying health insurance purchase may result in being uninsured when needed most. To mitigate this risk, it's advisable to evaluate and invest in a comprehensive health insurance policy before it's too late," Vishal Dhawan, a certified financial planner and the founder of Plan Ahead Wealth Advisors, said.

Why renting is better

Financial advisers recommend that returning NRIs consider renting a place for six-nine months instead of buying a new home right away. This allows them to secure a stable income by finding a job or establishing a sustainable source of income before making a major purchase. Additionally, renting provides the flexibility to assess their long-term plans and decide whether they want to stay in India permanently or return abroad after a few years, helping them make more informed decisions about their future investments.

Revisit your financial goals and estate planning

After returning to India, consult a financial advisor to help you organize your finances and create a plan tailored to your new circumstances. "Keep your financial goals in mind, considering the significant changes in your life, such as earning in rupees instead of foreign currency. It's crucial to adjust your financial plan accordingly and avoid dipping into your overseas savings to ensure a smooth transition," Dhawan said.

Returning NRIs should be aware of their tax status in both India and the country they were in to avoid dual taxation. It's also essential to review and update estate or succession plan to ensure that in the event of an unfortunate circumstance during this transition, inheritance issues are minimised and managed well.