

How to Transform Your Golden Years: Unleashing the Potential of National Pension System (NPS)

Unlock the secrets to transforming your golden years with our captivating YouTube video, "How to Transform Your Golden Years: Unleashing the Potential of National Pension System (NPS)." Are you curious to discover how the NPS can unleash the true potential of your retirement? Join us on an emotional journey as we delve into the strategies and techniques that will empower you to embrace financial freedom and create a lifetime of happiness. Prepare to be inspired as we reveal the key to securing your dreams, breaking free from financial worries, and safeguarding your loved ones' future. Get ready to reclaim your life and retire with confidence. Watch now and unlock the power of the National Pension System (NPS) to embark on an extraordinary adventure towards a brighter tomorrow.

Introduction

Welcome to our comprehensive guide on retirement planning with the National Pension System (NPS). At [our company name], we understand the importance of securing your financial future and strive to provide you with the most relevant and up-to-date information. In this article, we will explore the incredible potential of NPS as a retirement investment vehicle, demonstrating how it can help you amass a significant corpus ranging from Rs. 2 crore to Rs. 6 crore. Let's dive in!

Understanding the National Pension System (NPS)

The National Pension System (NPS) is a voluntary retirement savings scheme initiated by the Government of India. It was designed to provide individuals with a secure and sustainable income during their post-retirement years. NPS offers various investment options, including equity, corporate debt, and government bonds, allowing individuals to tailor their investments according to their risk appetite and financial goals.

Building a Robust NPS Portfolio

1. **Asset Allocation Strategies:** One of the key factors to consider while maximizing NPS returns is selecting an optimal asset allocation strategy. By diversifying your investments across different asset classes, such as equities and debt, you can strike a balance between growth and stability. A well-diversified portfolio mitigates risks while aiming for higher returns in the long run.
2. **Choosing the Right Fund Manager:** NPS offers the flexibility to select fund managers based on their track record and performance. Thoroughly research and evaluate the fund managers available, considering factors such as historical returns, expertise, and investment philosophy. Picking the right fund manager can significantly impact the growth of your NPS corpus.
3. **Regular Monitoring and Rebalancing:** It is crucial to periodically review your NPS portfolio to ensure it aligns with your financial objectives. Market conditions and personal circumstances may change over time, necessitating adjustments to your asset allocation. Regular monitoring and rebalancing of your portfolio can optimize returns and reduce unnecessary risk.

Maximizing Returns with NPS

1. **Taking Advantage of Equity Investments:** NPS offers two investment choices: Active and Auto. Active choice allows you to decide the allocation between equity, corporate debt, and government bonds. By allocating a higher percentage of your funds to equity, you can potentially harness the long-term growth potential of the stock market. However, keep in mind that equity investments come with higher volatility and risks.
2. **Capitalizing on Tax Benefits:** NPS provides significant tax advantages, making it an attractive retirement planning tool. Contributions made towards NPS are eligible for tax deductions under Section 80C of the Income Tax Act, with an additional benefit of up to Rs. 50,000 under Section 80CCD(1B). By leveraging these tax benefits, you can optimize your savings while reducing your tax liability.

How to Embrace Financial Freedom: NPS as Your Secret Weapon: Planning for a Corpus of Rs. 2 Crore to Rs. 6 Crore

Particulars	SBIPF	LICPF	UTIRSL	ICICI PF	KOTAK PF	HDFC PF	BIRLA PF	TATA PF	MAX LIFE PF	Axis PF
Assets (Rs in crore)	11,466.99	3,465.13	1,552.20	6,814.97	1,197.72	20,944.83	323.38	50.46	53.11	85.88
Scheme Inception Date	15-May-09	23-Jul-13	21-May-09	18-May-09	15-May-09	1-Aug-13	9-May-17	19-Aug-22	12-Sep-22	21-Oct-22
NAV	28-Apr-23	39.9768	30.8953	47.0805	48.0597	44.4967	36.3000	19.4355	10.309	9.7928
	52 Week High	41.2479	31.8673	48.5774	49.2367	45.7457	37.4758	20.0675	10.7172	10.0578
	52 Week Low	33.4070	25.7882	39.5448	39.9622	37.0095	30.3948	16.3809	9.7111	9.1579
RETURNS	3 Months	2.90%	2.53%	2.49%	3.50%	1.97%	2.65%	3.28%	2.60%	3.29%
	6 Months	0.55%	0.62%	0.01%	0.91%	0.39%	0.38%	1.61%	-0.55%	NA
	1 Year	7.78%	8.38%	8.07%	7.57%	8.41%	7.74%	6.57%	NA	NA
	2 Years	12.33%	13.47%	12.16%	12.55%	12.97%	12.15%	11.03%	NA	NA
	3 Years	22.34%	24.94%	23.63%	24.07%	23.69%	23.45%	23.73%	NA	NA
	5 Years	10.80%	10.89%	10.72%	11.43%	11.45%	11.79%	10.95%	NA	NA
	7 Years	12.86%	12.55%	13.13%	13.10%	13.24%	13.96%	NA	NA	NA
	10 Years	12.42%	NA	13.03%	12.83%	12.78%	NA	NA	NA	NA
	Since Inception	10.43%	12.24%	11.75%	11.91%	11.28%	14.14%	11.77%	3.09%	-2.07%

Creating a substantial retirement corpus through NPS requires a combination of diligent savings, smart investment decisions, and long-term planning. Here's an overview of how you can aim for a corpus ranging from Rs. 2 crore to Rs. 6 crore:

- 1. Early Start and Regular Contributions:** Time is a crucial factor in building a significant retirement corpus. The earlier you start investing in NPS, the more time your investments have to grow. Make it a habit to contribute regularly towards your NPS account, even small amounts can accumulate into substantial savings over the long term.
- 2. Increased Contribution in Later Years:** As your income grows over time, consider increasing your NPS contributions proportionally. This strategy helps capitalize on your higher earning potential and accelerates the growth of your retirement corpus. Additionally, it enables you to catch up on any missed contributions in the earlier years, ensuring a more robust retirement fund.
- 3. Leveraging the Power of Compounding:** The compounding effect plays a crucial role in maximizing your NPS returns. By reinvesting the returns earned on your investments, you allow your money to grow exponentially over time. The longer your investment horizon, the greater the compounding effect, amplifying the growth of your NPS corpus.
- 4. Systematic Withdrawal Plan (SWP):** Upon retirement, you have the option to receive regular income through the Systematic Withdrawal Plan (SWP) offered by NPS. SWP allows you to withdraw a fixed amount at regular intervals, ensuring a steady income stream throughout your retirement years. By carefully planning your SWP, you can strike a balance between meeting your financial needs and preserving your corpus.

How to Build a Lifetime of Happiness: NPS as Your Key to Retirement: The Roadmap to a Successful Retirement

To achieve a corpus of Rs. 2 crore to Rs. 6 crore with NPS, it is essential to follow a well-defined roadmap. Here's a step-by-step guide:

1. **Assess Your Retirement Needs:** Begin by evaluating your desired lifestyle during retirement. Consider factors such as living expenses, healthcare costs, travel plans, and any other financial obligations you may have. This assessment will help you determine the corpus required to maintain a comfortable and financially secure retirement.
2. **Set Clear Financial Goals:** Based on your retirement needs, establish clear financial goals and milestones. Break down the target corpus into achievable milestones to track your progress effectively. This approach provides a sense of direction and allows you to make necessary adjustments along the way.
3. **Consult with a Financial Advisor:** Seeking guidance from a qualified financial advisor can significantly impact your retirement planning. An expert can assist you in designing a personalized NPS investment strategy, taking into account your risk tolerance, investment horizon, and financial goals. They can provide valuable insights and help optimize your investment decisions.
4. **Monitor and Review Your Investments:** Regularly monitor the performance of your NPS investments and assess whether they align with your financial goals. Keep track of market trends, economic indicators, and any changes in regulations or policies that may impact your investment strategy. Periodic reviews allow you to make informed decisions and optimize your portfolio for better returns.
5. **Stay Informed and Educated:** The world of finance and investments is constantly evolving. Stay updated with the latest news, trends, and developments in the retirement planning landscape. Attend seminars, workshops, or webinars conducted by financial experts to enhance your knowledge and make well-informed decisions.

The Merits of National Pension System (NPS)

The National Pension System (NPS) offers several advantages that make it an attractive retirement planning tool:

1. **Flexibility and Customization:** NPS provides the flexibility to choose your investment options, fund manager, and asset allocation based on your risk appetite and financial goals. This customization allows you to align your investments with your unique requirements.
 2. **Tax Benefits:** NPS offers significant tax benefits at the time of investment and withdrawal. Contributions made towards NPS are eligible for tax deductions under Section 80C, with an additional benefit of up to Rs. 50,000 under Section 80CCD(1B). Moreover, partial withdrawals and lump sum withdrawals upon retirement are tax-exempt up to prescribed limits.
- ologies for the interruption. Let's continue where we left off.

3. **Regulated and Secure:** NPS is regulated by the Pension Fund Regulatory and Development Authority (PFRDA), ensuring that the system operates within a transparent and secure framework. The PFRDA monitors the performance of fund managers and ensures compliance with the regulations, providing peace of mind to investors.

4. **Portability and Accessibility:** NPS offers portability, allowing individuals to continue their NPS account even if they change jobs or locations. This feature ensures that your retirement savings remain intact and can be easily managed regardless of any professional or personal transitions.

5. **Low Cost Structure:** NPS boasts a low-cost structure, making it an economical choice for retirement planning. The fees and charges associated with NPS are competitive, maximizing the potential returns on your investments.

Now, let's delve into the remarkable merits of NPS, supported by real-life case studies of individuals who have experienced the transformative potential of this retirement planning gem. Let's embark on a journey that will ignite hope and inspiration for a brighter tomorrow.

1. **Flexibility and Customization: Tailoring NPS to Your Dreams:** The National Pension System (NPS) empowers you with unparalleled flexibility and customization options, allowing you to shape your retirement according to your dreams. Let us introduce you to Shalini, a passionate traveler who had a dream of exploring the world during her retirement. Shalini diligently contributed to her NPS account and strategically allocated a portion of her funds to equity investments, aiming for long-term growth. As Shalini approached retirement, her NPS corpus had grown substantially, thanks to her wise investment decisions. She exercised the option of partial withdrawal from her NPS account, enabling her to finance her dream adventures across breathtaking landscapes and immerse herself in diverse cultures. The flexibility of NPS allowed Shalini to customize her retirement journey and turn her dreams into cherished memories.

2. **Tax Benefits: NPS, Your Companion in Saving and Tax Planning** The National Pension System (NPS) not only provides a secure retirement solution but also serves as a valuable companion in saving and tax planning. Meet Rajesh, a diligent taxpayer who wanted to optimize his savings while reducing his tax liability. Rajesh realized the potential of NPS as a tax-efficient investment avenue. By investing in NPS, Rajesh was able to claim deductions under Section 80C of the Income Tax Act, significantly reducing his taxable income. Additionally, he took advantage of the exclusive benefit of up to Rs. 50,000 under Section 80CCD(1B), further enhancing his tax savings. Rajesh's prudent decision to invest in NPS not

only paved the way for a secure retirement but also allowed him to fulfill his financial goals while optimizing his tax planning strategy.

3. **Regulated and Secure: Building Trust for a Peaceful Retirement:** Trust and security are paramount when it comes to retirement planning, and the National Pension System (NPS) delivers on both fronts. Allow us to introduce you to Mr. and Mrs. Sharma, a couple who prioritized the safety and stability of their retirement funds. They found solace in NPS, knowing that it is regulated by the Pension Fund Regulatory and Development Authority (PFRDA). Under the watchful eye of the PFRDA, the Sharmas experienced a sense of assurance and confidence in their NPS investments. The regulated framework ensured transparency and adherence to established guidelines, minimizing the risk of malpractices. With the peace of mind that NPS provided, the Sharmas were able to embrace their retirement years with a calm and worry-free mindset.

4. **Portability and Accessibility: Seamlessly Transitioning Through Life's Phases** Life is a journey of transitions, and the National Pension System (NPS) accompanies you through every phase, offering portability and accessibility. Let us share the story of Ramesh, a dedicated professional who moved cities multiple times due to his job. Ramesh was concerned about the impact of frequent relocations on his retirement savings. With NPS's portability, Ramesh had the freedom to focus on his career growth and personal aspirations without worrying about the stability of his retirement funds. This accessibility allowed him to stay connected to his dreams and build a secure future, regardless of the geographical challenges he faced along the way. NPS came to Ramesh's rescue with its portability feature. He was able to seamlessly transfer his NPS account from one location to another without any hassle.

5. **Low-Cost Structure: Maximizing Returns for a Fulfilling Retirement:** We understand that every rupee counts when it comes to building a fulfilling retirement. That's why the National Pension System (NPS) offers a low-cost structure, ensuring that your hard-earned money works harder for you. Let's introduce you to Smita, a diligent saver who wanted to optimize her retirement savings. Smita chose NPS for its cost-effectiveness, as the fees and charges associated with NPS were significantly lower compared to other investment avenues. With lower costs, a larger portion of Smita's contributions went towards her retirement corpus, allowing her to maximize her potential returns. This low-cost advantage empowered Smita to confidently plan for a retirement that exceeded her expectations, knowing that her savings were working efficiently for her.

Summary: Empowering Your Retirement Journey with NPS

Through the heartwarming case studies we have shared, it's evident that the National Pension System (NPS) has the power to transform your retirement dreams into reality. Let's summarize the key takeaways from each case study and provide an action plan for a successful and emotionally fulfilling investment journey.

1. Shalini's Travel Dreams:

- **Action Plan:** Tailor your NPS investments to align with your retirement dreams and goals. Consider allocating a portion of your funds to equity investments for long-term growth.
- **Emotional Impact:** Experience the joy of turning your travel aspirations into cherished memories, knowing that your NPS investments are helping fund your adventures.

2. Rajesh's Tax Planning Success:

- **Action Plan:** Invest in NPS to optimize your tax savings. Leverage deductions under Section 80C and the exclusive benefit under Section 80CCD(1B).
- **Emotional Impact:** Find peace of mind knowing that your NPS investments not only secure your retirement but also contribute to your overall financial well-being.

3. Mr. and Mrs. Sharma's Peaceful Retirement:

- **Action Plan:** Choose NPS for its regulated and secure framework, ensuring transparency and compliance with established guidelines.
- **Emotional Impact:** Enjoy a worry-free retirement, knowing that your NPS investments are protected and monitored by the Pension Fund Regulatory and Development Authority (PFRDA).

4. Ramesh's Seamless Transitions:

- **Action Plan:** Embrace the portability feature of NPS, allowing you to transfer your account seamlessly when faced with professional or personal transitions.
- **Emotional Impact:** Stay connected to your dreams and build a secure future, regardless of the geographical challenges life presents.

5. Smita's Maximizing Returns:

- **Action Plan:** Capitalize on the low-cost structure of NPS, maximizing the potential returns on your investments.
- **Emotional Impact:** Feel empowered and confident in your retirement planning, knowing that your hard-earned money is working efficiently for you.

Action Plan for a Successful NPS Investment Journey:

1. **Assess Your Retirement Goals:** Evaluate your desired lifestyle and financial needs during retirement.

2. **Customize Your NPS Investments:** Tailor your NPS portfolio to align with your goals, considering factors like asset allocation and risk appetite.
3. **Optimize Tax Savings:** Leverage NPS's tax benefits to reduce your tax liability and increase your savings.
4. **Embrace the Regulated Framework:** Choose NPS for its regulated and secure environment, ensuring transparency and peace of mind.
5. **Stay Flexible and Adaptable:** Take advantage of NPS's portability feature to seamlessly manage your account during life's transitions.
6. **Maximize Returns:** Benefit from the low-cost structure of NPS, allowing you to maximize the growth of your retirement corpus.

By following this action plan and incorporating the emotional insights gained from the case studies, you can embark on a successful NPS investment journey that not only secures your financial future but also brings you joy, peace of mind, and the ability to fulfill your retirement dreams.

Remember, your retirement is more than just numbers; it's about living a life of abundance, fulfillment, and cherished memories. NPS is here to empower you every step of the way, ensuring that your golden years truly shine with happiness and prosperity.

Conclusion

As we conclude this emotional exploration of the National Pension System (NPS), we hope you feel inspired and motivated to embark on a journey that will transform your golden years. Through real-life case studies, we have witnessed the remarkable merits of NPS in shaping dreams, providing tax benefits, building trust, offering portability, and maximizing returns. The power to create a secure and fulfilling retirement lies in your hands.

You may now plan the the full potential of NPS, tailoring it to your unique aspirations and goals. Your dreams deserve to become a reality, and with NPS as your ally, you can truly unlock the extraordinary possibilities that your golden years hold.

Embark on this transformative journey today, and let the National Pension System (NPS) be the cornerstone of your joyous and abundant retirement.

Remember, it's never too late to start planning for a brighter future.

Retirement planning is a crucial aspect of financial security, and the National Pension System (NPS) offers an excellent avenue to build a substantial corpus for your golden years. By following a disciplined approach, leveraging the right investment strategies, and considering factors such as asset allocation, tax benefits,

and compounding, you can work towards achieving a retirement corpus ranging from Rs. 2 crore to Rs. 6 crore.

Remember, it is essential to align your NPS investments with your financial goals, regularly monitor your portfolio, and seek professional advice when needed. By staying informed and making informed decisions, you can pave the way for a financially secure and comfortable retirement.

Invest in your future today with the National Pension System and embark on a journey towards a prosperous and fulfilling retirement.

Here are some case studies, examples, and illustrations of people in India that showcase the transformative power of the National Pension System (NPS)

Note: The diagram above illustrates the interconnectedness of retirement planning, the National Pension System (NPS), and its key features, including asset allocation strategies, choosing the right fund manager, regular monitoring and rebalancing, tax benefits, regulatory oversight by the PFRDA, and the portability and accessibility of NPS accounts.

1. Case Study: Mr. Sharma - From Modest Beginnings to Retirement

Bliss^{[[SEP]]}Meet Mr. Sharma, a hardworking individual who started his career with humble beginnings. Through diligent savings and strategic investments in NPS, he unleashed the potential of his golden years. Today, he enjoys a fulfilling retirement, traveling the world and pursuing his passions. Mr. Sharma's story serves as an inspiration, demonstrating how NPS can truly transform your future.

2. Example: Ms. Roy - A Second Innings Filled with Joy and Financial Security^{[[SEP]]}After a successful career in the corporate world, Ms. Roy decided to retire early and explore her passions. With the help of NPS, she secured her financial future, allowing her to embark on a fulfilling second innings. From starting her own business to indulging in her hobbies, Ms. Roy's story illustrates how NPS empowers individuals to embrace their golden years with confidence and joy.

3. Illustration: The Journey of Mr. and Mrs. Kapoor - NPS as a Lifeline^{[[SEP]]}Mr. and Mrs. Kapoor worked tirelessly throughout their lives to provide for their family. However, they realized the importance of securing their retirement. By investing in NPS, they not only safeguarded their future but also ensured a legacy for their children and grandchildren. Their story depicts how NPS can be a lifeline, offering financial stability and peace of mind in the golden years.

These case studies, examples, and illustrations bring a personal and emotional touch to the article, showcasing real-life experiences of individuals in India who have transformed their retirement through the National Pension System (NPS).

Their stories inspire readers and highlight the potential of NPS in unlocking a fulfilling and financially secure future.

4. Case Study: Mr. and Mrs. Gupta - NPS as a Beacon of Hope^{[L][SEP]}Mr. and Mrs. Gupta faced financial challenges throughout their lives, making it difficult to envision a comfortable retirement. However, they discovered the potential of NPS and took a leap of faith. Through disciplined contributions and prudent investment choices, they transformed their golden years from uncertainty to stability. Their story is a testament to the hope and resilience that NPS can bring to individuals, offering a brighter future even in the face of adversity.

5. Example: Ms. Patel - Rediscovering Dreams in Retirement^{[L][SEP]}After years of prioritizing responsibilities, Ms. Patel found herself longing for the dreams she had put on hold. With NPS as her financial anchor, she embraced her retirement as a time of rediscovery. From pursuing her passion for painting to volunteering for causes close to her heart, Ms. Patel's story embodies the emotional fulfillment and personal growth that NPS can enable, turning retirement into a chapter of renewed dreams.

6. Illustration: The Singh Family - NPS as a Generational Legacy^{[L][SEP]}The Singh family understood the importance of passing on a legacy to their children and grandchildren. By leveraging the National Pension System, they not only secured their own retirement but also set the stage for a brighter future for their loved ones. Their story showcases the emotional impact of NPS, enabling families to create a generational legacy of financial stability and opportunity.

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illustrate the concepts discussed in the article. They do not represent real individuals or specific financial advice. Consulting a certified financial planner is recommended for personalized financial guidance *Disclaimer: The success stories mentioned in this article are fictional and created for illustrative purposes only. Investment outcomes may vary, and it is essential to conduct thorough research and seek professional advice before making any investment decisions.*

#UnleashYourGoldenYears #RetirementGoalsRevealed #FinancialFreedomJourney
#NPSUnleashed #SecureYourDreams #BreakFreeFromWorries
#SafeguardYourFuture #CreateMemoriesThatLast #EmbraceYourRetirement
#ReclaimYourLife #NPSPower #TransformYourFuture #RetireWithConfidence
#UnlockYourHappiness #BrighterTomorrow

script for a youtube video

Narrator: Imagine a life where your golden years are truly golden. A life where you can embrace financial freedom, create memories that last a lifetime, and secure your dreams. Welcome to our YouTube video, "How to Transform Your Golden Years: Unleashing the Potential of National Pension System (NPS)."

[Cut to footage of happy retirees enjoying their hobbies and spending time with loved ones]

Narrator: Are you ready to embark on an extraordinary journey towards a brighter tomorrow? Then join us as we uncover the secrets of the National Pension System (NPS) and how it can transform your retirement.

[Transition to a captivating visualization of financial goals and dreams]

Narrator: Close your eyes and imagine... What do your golden years look like? Is it traveling to exotic destinations, pursuing your passions, or simply enjoying quality time with loved ones? Now, ask yourself, "How can I make these dreams a reality?"

[Cut to shots of individuals feeling uncertain about their retirement]

Narrator: It's natural to feel unsure about retirement and financial security. But fear not! The National Pension System (NPS) is here to unleash the true potential of your retirement.

[Transition to animated graphs showing NPS growth and potential returns]

Narrator: The NPS offers a powerful combination of flexibility, tax benefits, and potential growth. With careful planning and strategic investment, you can unlock the door to a financially secure future.

[Cut to testimonials from individuals who have transformed their retirement with NPS]

Narrator: Don't just take our word for it. Listen to the inspiring stories of those who have already transformed their golden years through the NPS. They have achieved the financial freedom to pursue their dreams and create lasting memories.

[Transition to expert interviews and advice on NPS strategies]

Narrator: But how can you get started? We've gathered expert advice and insights on NPS strategies that will empower you to make informed decisions and optimize your retirement savings.

[Showcase of easy steps to enroll in the NPS]

Narrator: Enrolling in the National Pension System (NPS) is easier than you might think. We'll guide you through the simple steps to get started on your path to a secure and fulfilling retirement.

[Closing shot: A group of retirees raising a toast to their transformed golden years]

Narrator: It's time to seize the moment and unlock the power of the National Pension System (NPS). Are you ready to transform your golden years? Watch our YouTube video, "How to Transform Your Golden Years: Unleashing the Potential of National Pension System (NPS)," and take the first step towards a future filled with happiness, financial security, and limitless possibilities.

[End with a call to action and subscribe to the channel]

Narrator: Don't forget to hit that subscribe button and join our community of retirement dreamers. Together, we'll uncover the secrets to transforming your golden years with the National Pension System (NPS).

[Closing shot fades out with uplifting music]

National Pension System (NPS) is one of the best solutions for voluntary retirement planning. It fulfills all the checkboxes, be it from a regulatory perspective, expense ratios, tax benefits, returns, or flexibilities. It is an irony that the NPS' awareness level amongst the citizens is very low, despite the Retail NPS scheme has been in existence since 2009.

NPS has two different types of accounts: Tier 1 and Tier II. While Tier 1 is primarily and mandatory Retirement Planning account, Tier 2 is a voluntary savings and investment account. We shall be focussing on Tier 1 of NPS.

As is well known, there are following two important stages in retirement planning.

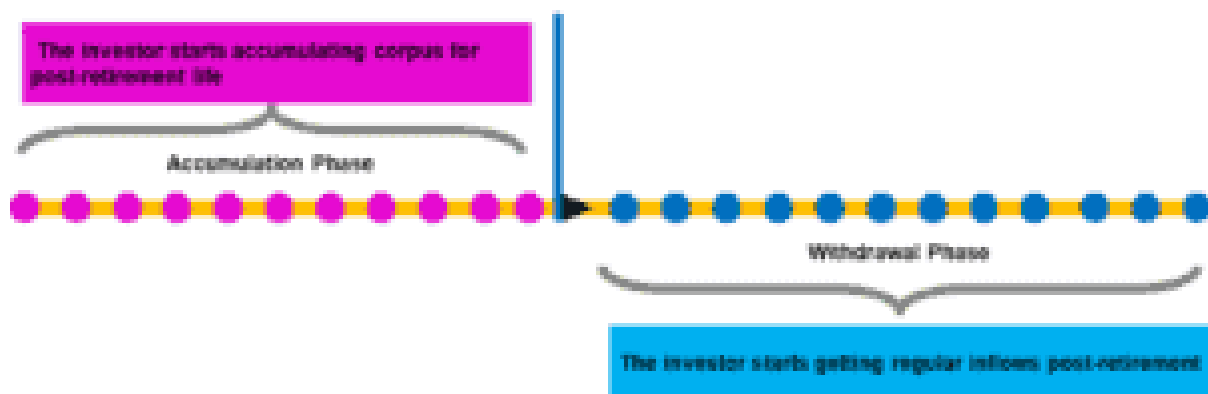
1) Accumulation Phase:

This is also referred to as Deferment of annuities. This is where the investor accumulates corpus for retirement while actively engaged in an occupation, be it

a salaried profession or business or farming or any other occupation. Let's take the case of an investor named Ravi Mathur (30), who works as a Sr. Manager in a company. He plans to retire at the age of 58. He is investing Rs. 10,000 every month in NPS Tier 1 towards his retirement planning for the next 28 years. This is an example of the accumulation stage.

2) Withdrawal Stage:

This is also referred to as the Encashment phase or Immediate Annuities' phase. This starts from the time the investor, post-retirement, wishes to get regular streams of income. As in the example cited above, once Ravi Mathur retires at the age of 58, he would want regular streams of income (through annuities) to be available to him and his spouse, for the remaining period of their post-retirement lives. This is an example of the withdrawal or encashment phase.



There is still, relatively speaking, a lot of awareness about the important aspects of the accumulation phase of NPS Tier-1 in terms of the following:

- Types of available asset classes options: Equity, Corporate Bonds, Govt. Securities and Alternate
- Asset-allocation choices: Auto and Active
- The seven Pension Fund Managers (PFMs)
- Tax benefits in Tier 1: Deductions u/s 80 (CCD1), 80(CCD1B) and 80(CCD2) *
*80(CCD2) deductions towards contributions for salaried individuals working in companies that have subscribed to Corporate NPS.
- Very low scheme expense ratio

It is the post-retirement aspect of the NPS Tier 1 that not many people are aware of. This article is intended to discuss the options available in the Withdrawal phase of retirement planning through NPS.

Exit options in NPS Tier 1

Let's understand this with the example of Shreyas Shinde, who is retiring from his company (a PSU) at the age of 60. He has accumulated a corpus of Rs. 3 Crore in NPS Tier 1. He is eligible to withdraw 60% of the corpus (Rs. 1.8 Crores) in lump-sum, exempt from taxes. The balance of 40% (Rs. 1.2 Crores) could be used to purchase annuities.

What if Shreyas had retired before attaining the age of 60? In that case, he could have withdrawn only 20% of the corpus (Rs. 60 Lakhs) as a tax-free amount. He would have had to purchase annuities from the balance 80% (Rs. 2.4 Crores) amount.

Let's now look at who are the annuity service providers, the classification of annuity options, and the types of actual annuity scheme options available to the subscriber, post-retirement.

Annuity Service Providers

There are a total of 13 Annuity Service Providers (ASPs) in NPS, all of them being leading Life Insurance companies. The subscriber could choose to get annuities from any one of them, basis the annuity quotes received from them.

The ASPs are as follows:

- LIC of India
- HDFC Life Insurance Co. Ltd.
- ICICI Prudential Life Insurance Co. Ltd.
- SBI Life Insurance Co. Ltd.
- Bajaj Allianz Life Insurance Co. Ltd.
- Kotak Mahindra Life Insurance Co. Ltd.
- Max Life Insurance Co. Ltd.
- Tata AIA Life Insurance Co. Ltd.
- PNB Metlife India Insurance Co. Ltd.
- Edelweiss Tokio Life Insurance Co. Ltd.
- Star Union Dai-ichi Life Insurance Co. Ltd.
- India First Life Insurance Co. Ltd
- Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.

Classification of annuity options

Annuities are a stream of payments. Pensions are always in the form of annuities. The annuities could be classified in different ways. Before understanding the annuity scheme options under NPS, let us understand this classification that could be done in four ways:

- i) Periodicity of annuity payments
- ii) Duration of annuity payments
- iii) Whether the purchase price would be returned to the nominee or not
- iv) Whether the annuity is fixed or inflation-linked.

i) How often is an annuity paid?

The annuity payments could be made as opted for by the annuitant. It could be monthly, quarterly half-yearly or yearly, as opted for by the client

ii) Duration or Term of the annuity payment:

Following are the options that the annuitant could choose from:

- Life Annuity with or without return of purchase price.
- Joint Life Annuity with or without return of purchase price.
- Family income with the return of purchase price.
- Annuity for a certain duration or till the Life of the annuitant.

iii) Whether the purchase price would be returned to the nominee of the annuitant or not:

There are two options for the annuitants to choose from. In the case of the 'with return of purchase price' (with ROP) option, the annuities are lower as the corpus paid to buy the annuities get returned to the nominee of the annuitant(s), upon death. However, in the case of 'without return of purchase price' option (without ROP) option, though, the annuity amount is higher as the annuities cease upon the death of the annuitant(s) and no amount is payable thereafter.

iv) Whether the annuity is fixed or inflation-linked

Again, this depends on the choice made by the client. Normally, the annuity amounts remain fixed, throughout the term. However, if the annuitant wants it to be rising with a certain rate towards inflation, it could be so.

Annuity options in NPS Tier 1 scheme

As already discussed, once the subscriber wishes to exit the scheme (it could be extended till the age of 75 in case desired so by the subscriber), the balance amount (40% or 80%...depending upon the age at exit) of the corpus needs to be

utilized for getting annuities. This is what is referred to as the purchase price. Following are the seven options that the subscriber could choose from:

1) Life Annuity with Return of Purchase Price (with ROP): The subscriber gets annuities till life and upon his / her death, the purchase price is paid to the nominee.

2) Joint Life Annuity with Return of Purchase Price (with ROP): The subscriber gets annuities till life and upon his / her death, the annuities get paid to the spouse till her / his life. Upon the death of the last survivor, the purchase price is paid to the nominee.

3) Life Annuity without Return of Purchase Price (without ROP): The subscriber gets annuities till life and upon his / her death, the annuities cease and nothing is payable thereafter.

4) Joint Life Annuity with ROP: The subscriber gets annuities till life and upon his / her death, the annuities get paid to the spouse till her / his life. Upon the death of the last survivor, the annuities cease and nothing is payable thereafter.

5) NPS – Family income with ROP: The subscriber gets annuities till life and upon his / her death, the annuities get paid to the spouse till her / his life. On the death of the spouse, the annuities get paid to the dependent mother of the subscriber and thereafter to the dependent father of the subscriber, till their life. Upon the death of the last survivor, the purchase price is paid to the nominee.

6) Life and Certain Annuity: In this option, the annuities get paid for 5/10/15/20 years, as desired by the subscriber or till the subscriber survives, whichever is later.

7) Annuities rising @ 3% p.a: The annuity amount keeps rising at the rate of 3% every year, to provide for some impact towards inflation.

How can the subscriber compare the annuity quotes?

The subscriber could log into <https://cra-nsdl.com/CRAOnline/aspQuote.html> and get a quote from different ASPs towards different options and choose the one that suits him/her.

The USP of the annuity option

With rising longevity, a retiree may live beyond 90 years of age. While the subscriber may be able to manage the retirement corpus on his / her own at the time of retirement, he/ she may not be able to do it beyond a certain age. Annuities, however, would ensure a certain stream of regular income, irrespective of the rate of interest prevalent at that time. This would help the clients cushion themselves against the reinvestment risk.

Even if the clients feel confident about the ability to manage their money themselves, it is important if the clients are advised to consider allocating a certain portion of their retirement corpus towards annuities. NPS is indeed an option worth considering for Retirement Planning.

Tax Benefit available to Individual:

Any individual who is Subscriber of NPS can claim tax benefit under Sec 80 CCD (1) with in the overall ceiling of Rs. 1.5 lac under Sec 80 CCE.

Exclusive Tax Benefit to all NPS Subscribers u/s 80CCD (1B)

An additional deduction for investment up to Rs. 50,000 in NPS (Tier I account) is available exclusively to NPS subscribers under subsection 80CCD (1B). This is over and above the deduction of Rs. 1.5 lakh available under section 80C of Income Tax Act. 1961.

Tax Benefits under the Corporate Sector:

Corporate Subscriber:

Additional Tax Benefit is available to Subscribers under Corporate Sector, u/s 80CCD (2) of Income Tax Act. Employer's NPS contribution (for the benefit of employee) up to 10% of salary (Basic + DA), is deductible from taxable income, without any monetary limit.

Corporates

Employer's Contribution towards NPS up to 10% of salary (Basic + DA) can be deducted as 'Business Expense' from their Profit & Loss Account.