

Aditya Birla Sun Life  
Pension Management Ltd.



ADITYA BIRLA  
CAPITAL

PENSION FUNDS

Enjoy  
a **stress free**  
Retirement with

**National Pension  
System (NPS)**












# INTRODUCTION

National Pension System (NPS) is a defined contribution scheme specially designed as a sustainable financial solution to provide adequate retirement income. It was launched by the Government of India and regulated by Pension Fund Regulatory & Development Authority (PFRDA).

It allows individual to contribute periodically towards their NPS account through their working life, which later can be used to purchase an annuity.

## BENEFITS OF NPS

-  Exclusive tax benefits
-  Flexibility to choose investment options
-  Affordable as its one of the low-cost product
-  Power of compounding
-  Portable across geographies & organization
-  Digital onboarding, maintenance & exit
-  Systematic Investments (SIP)
-  Systematic Lump sum Withdrawals (SLW)
-  Annuity options

## Tax Benefit under NPS

### Exclusive tax benefits (beyond 80C limits)

#### Under Section 80CCD (1B)

NPS subscriber can claim tax deduction on an additional self-contribution upto ₹ 50,000/-

### Tax Benefit for Salaried Individuals under Corporate NPS

#### Under Section 80CCD (2) (\*applicable under both tax regimes)

- Old Tax Regime - Up to 10% of salary (Basic + DA)
- New Tax Regime - Up to 14% of salary (Basic + DA)

\*The total deduction for all retirement benefit made by employer including Provident Fund, Superannuation Fund and NPS cannot exceed ₹ 7.5 lacs in a FY

### Within 80C limits

#### Under section 80CCD (1)

The NPS subscriber: Self employed can claim up to 20% of their gross income and salaried can claim 10% of their basic+DA within the overall limits of ₹ 1.50 lacs u/s 80C

# How NPS Work

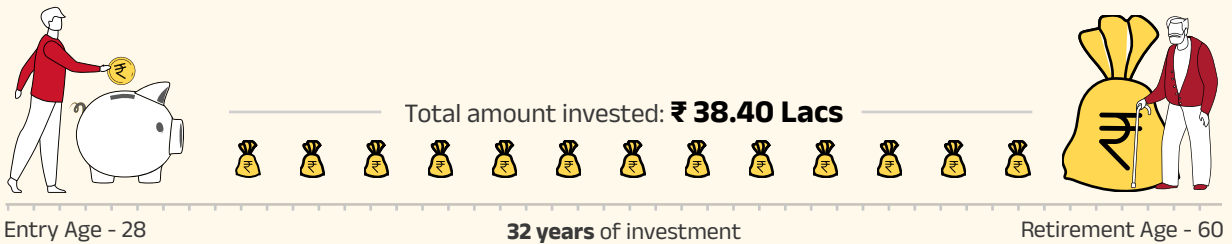
## Illustration 1

Ronit is 28 years happily married to an IT professional with a futuristic approach to life. He wishes to retire with financial independence and achieve all his life goals. He actively invested in NPS to create a corpus for his retired life and claim the tax benefits yearly.

He started contributing to NPS.

Monthly investment: ₹ 10,000

Total Corpus at retirement: ₹ 2.80 CR\*



\*Rate of return: 10%

At 60 years of age, he gets 60% lump sum i.e ₹ 1.68 cr and 40% invested in annuity i.e ₹ 1.12 cr to receive guaranteed regular income of approx. ₹ 66,331\*\* for him & his spouse lifetime.

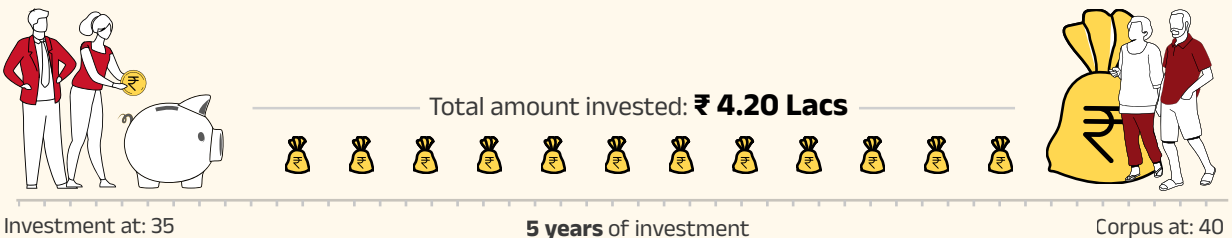
## Illustration 2:

Shobhit (35) & Shreya (32) are happily married for 2 years. They both are marketing professionals and love travelling. They have set a 5-year travel goal for a Europe tour (expected cost of trip to be approx. 5 lacs after 5 years). They are planning their investments and have decided to use NPS as an investment tool apart from retirement planning. They already have a Tier I NPS account for retirement planning.

They opened Tier II<sup>A</sup> NPS account:

Monthly investment: ₹ 7,000

Total Corpus at retirement: ₹ 5.46 CR\*



\*Rate of return: 10%

Tier II account provides complete flexibility on withdrawals, up to 100% exposure to equity, lower fund allocation charges & seamless online process.

\*Rate of return given in above illustration is indicative in nature and not guaranteed or provided any assurance in future. Investments are subject to market risk.

\*\*As per prevailing annuity rate for joint life annuity without ROP.

<sup>A</sup>It is mandatory to have an active Tier I account to invest in Tier II account.

# Investment choices & asset allocation in Tier I






## Asset Class

- » E - Equity Market Instruments  
Max exposure up to 75%
- » G - Government Securities  
Max exposure up to 100%
- » C - Corporate Bonds  
Max exposure up to 100%
- » A - Alternate Investment Fund  
Max exposure up to 5%

## Asset Allocation (Can be changed four times every year)

- » Active – Subscriber decides % age of allocation among asset classes
- » Auto – Investments will be made in a life-cycle fund (Aggressive - LC75, Moderate - LC50, Conservative - LC25)

# Exit & Withdrawals Options

-  **Exit on Retirement** - Allowed at 60 years for individual subscribers & for corporate subscribers retirement age is as per corporate. Max 60% Tax-free can be withdrawn in lumpsum & min 40% to be invested in annuity. The exit can be extended up to 75 years of age.
-  **Pre Mature Exit** - 20% Tax-free can be withdrawn in lumpsum & minimum 80% to purchase annuity.
-  **Systematic Lumpsum Withdrawal (SLW)** - Withdraw the lumpsum portion is equated instalments up to 75 years and earns a higher corpus.
-  **Incense of Death** - Entire corpus is given to the nominee. Nominee can opt for full corpus withdrawal taxfree or can opt for an annuity plan.
-  **Partial Withdrawal while in service** - Allowed after completing 3 years of holding NPS PRAN. Tax-free withdrawal of 25% of subscriber's own contribution. Only for specific reasons. Max 3 times withdrawals are allowed in lifetime.

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## Aditya Birla Sun Life Pension Management Ltd.

Toll Free: (Mon to Fri: 9am-11pm)  
**1800-270-7000** (Sat & Sun: 9am-9pm)

To connect, give a missed call:  
**76690 03333**

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