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

- Affordability
- Flexibility
- Power of compounding
- Portability
- Online access
- Systematic savings

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)**
Maximum of 10% of the salary (Basic Salary + Dearness Allowance).
Please Note: The total deduction for all retrial benefit made by employer including Provident Fund, Super Annuation Fund and NPS cannot exceed ₹ 7.5 lacs.

Within 80C limits

**Under section 80CCD (1)**
The NPS subscriber : Self employed can claim up to 20% of their gross taxable income and salaried can claim 10% of their basic salary or ₹ 1.50 lacs whichever is less.
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. ₹ 74,889** 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^ NPS account:

- **Monthly Investment:** ₹ 7000
- **Total Corpus at retirement:** ₹ 5.46 Lacs*
- **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.

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*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.

^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%

- **C - Corporate Bonds**
  - Max exposure up to 100%

- **G - Government Securities**
  - 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% 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** – Maximum 20% can be withdrawn in lumpsum & minimum 80% to purchase annuity.

- **In Case of Death** – Entire corpus is given to Nominee.

- **Partial Withdrawal while in service** – Allowed after 3 years 25% of subscriber’s contribution. Only for specific reasons. Max 3 withdrawals allowed.

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