

## NATIONAL PENSION SYSTEM (NPS)

### *Market-Linked Retirement Savings Scheme*

### SCHEME OVERVIEW

National Pension System (NPS) is a voluntary, defined contribution retirement savings scheme regulated by PFRDA (Pension Fund Regulatory and Development Authority). NPS offers market-linked returns with flexibility in investment choices and attractive tax benefits. It's designed to help individuals build a retirement corpus through systematic savings.

### KEY FEATURES

Feature	Details
Returns	Market-linked returns (typically 8-12% p.a. historically) Returns depend on chosen asset allocation
Investment Amount	Minimum: Rs. 500 per contribution Minimum: Rs. 1,000 per year No maximum limit
Account Types	Tier-I (Pension Account): Mandatory, tax benefits Tier-II (Savings Account): Optional, no tax benefits
Tax Benefits	Tier-I: Up to Rs. 1.5 lakhs (80C) + Rs. 50,000 (80CCD(1B)) Tier-II: No tax benefits
Withdrawal	Tier-I: 60% withdrawal at 60 years (taxable) 40% must be used to buy annuity (tax-free) Tier-II: Flexible withdrawal
Risk Profile	Market-linked - returns vary based on asset allocation Equity exposure up to 75% (till 50 years), 50% (after 50 years)
Pension	60% can be withdrawn, 40% used to buy annuity for regular pension

### ELIGIBILITY CRITERIA

- **Age:** 18 to 70 years (for opening new account)
- **Residency:** Indian citizens (resident and NRI) can open NPS account
- **Documents:** PAN card (mandatory), Aadhaar card, address proof, and photographs
- **KYC:** Complete KYC verification required
- **Multiple Accounts:** Only one NPS account per person (PRAN - Permanent Retirement Account Number)

## INVESTMENT OPTIONS & ASSET ALLOCATION

### Asset Classes:

- **Equity (E):** Investment in stocks - higher risk, higher returns potential
- **Corporate Bonds (C):** Investment in corporate debt - moderate risk
- **Government Securities (G):** Investment in government bonds - lower risk
- **Alternative Investment Funds (A):** REITs, InvITs - up to 5% allocation

### Investment Choices:

- **Auto Choice (Lifecycle Funds):** Asset allocation automatically adjusted based on age
- **Active Choice:** You decide asset allocation (Equity: 0-75% till 50 years, 0-50% after 50 years)
- **Default Option:** If no choice made, Auto Choice is selected

## TAX BENEFITS

- **Section 80C:** Contributions up to Rs. 1.5 lakhs per year qualify for deduction (Tier-I only)
- **Section 80CCD(1B):** Additional deduction of Rs. 50,000 per year (over and above 80C limit)
- **Employer Contribution:** Employer contribution up to 10% of salary is tax-free (80CCD(2))
- **Maturity:** 40% of corpus used to buy annuity is tax-free
- **Withdrawal:** 60% withdrawal at 60 years is taxable as per income tax slab
- **Premature Withdrawal:** 20% withdrawal allowed after 3 years (80% must buy annuity)

## WITHDRAWAL RULES

Scenario	Withdrawal Amount	Annuity Requirement	Tax Treatment
At 60 years (Normal)	60% of corpus	40% must buy annuity	60% taxable, annuity tax-free
Premature (After 3 years)	20% of corpus	80% must buy annuity	20% taxable, annuity tax-free
Death	100% to nominee	No annuity required	Tax-free for nominee
Tier-II Account	100% anytime	No annuity required	No tax benefits

## ACCOUNT OPENING PROCESS

### Step 1: Choose POP

Select Point of Presence (POP) - Sun National Bank branch or online.

### Step 2: Fill Form

Fill NPS account opening form (Form CS-S1) with personal details.

### Step 3: Submit Documents

Submit KYC documents (PAN mandatory, Aadhaar, address proof, photographs).

### Step 4: Choose Scheme

Select Auto Choice or Active Choice and asset allocation.

### Step 5: Initial Contribution

Make initial contribution (minimum Rs. 500 for Tier-I).

### Step 6: PRAN Generation

PRAN (Permanent Retirement Account Number) is generated and sent to you.

### Step 7: Online Access

Activate online access using PRAN and OTP for account management.

## FREQUENTLY ASKED QUESTIONS

### **Q1: What is the difference between Tier-I and Tier-II?**

Tier-I is mandatory pension account with tax benefits but withdrawal restrictions. Tier-II is optional savings account with no tax benefits but flexible withdrawals.

### **Q2: Can I change my asset allocation?**

Yes, you can change asset allocation twice per financial year. Changes can be made online or through POP.

### **Q3: What happens if I don't contribute regularly?**

Account remains active. No penalty for missing contributions, but you lose that year's tax benefit.

### **Q4: Can I withdraw before 60 years?**

Yes, after 3 years, you can withdraw up to 20% of corpus. Remaining 80% must be used to buy annuity.

### **Q5: Is NPS better than PPF?**

NPS offers potentially higher returns (market-linked) and additional Rs. 50,000 tax deduction, but has market risk. PPF is safer with fixed returns.

### **Q6: What is annuity?**

Annuity is a pension product bought from insurance companies. It provides regular monthly/quarterly pension payments after retirement.

### **Q7: Can I have multiple NPS accounts?**

No, only one NPS account per person. PRAN is unique and linked to PAN.

### **Q8: What are the charges?**

Account opening: Rs. 200 (one-time), Annual maintenance: Rs. 95, Transaction charges: Rs. 3.75 per contribution, Fund management: 0.01% of AUM.

## IMPORTANT NOTES

- NPS returns are market-linked and not guaranteed - returns can vary based on market conditions.
- Equity allocation reduces automatically after 50 years to manage risk.
- PRAN is portable - can be used across all POPs and fund managers.
- Nomination is mandatory - ensure nomination details are updated.
- NPS account cannot be closed before 60 years except in specific circumstances.
- Regular contributions help build a substantial retirement corpus through compounding.
- Review and rebalance portfolio periodically based on age and risk appetite.
- NPS is ideal for retirement planning due to tax benefits and long-term wealth creation.