

# STUDY OF NATIONAL PENSION SCHEME



## STUDY GUIDANCE & MENTORSHIP

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# **NATIONAL PENSION SCHEME**

## **BASIC PRINCIPLES**

### 1. What is NPS?

National pension scheme. It is a scheme by Govt. of India. It was launched in 2004. It is voluntary defined contributory pension system. Initially it was for central Govt. employees; later on in 2009 it was opened for all citizens of India.

### 2. What is GOAL?

It was started with the decision of Govt. of India to stop pension for its all employees joined after Jan 2004. It is an attempt by Govt. to form pensioned society.

### 3. Who can join?

Any citizen of India resident or non-resident.

Age 18 to 65 years

KYC compliant

### 4. Who administers it?

It is administered and regulated by PFRDA means pension fund regulatory and development authority of India.

## **STRUCTURE OF NPS ADMINISTRATION**

1. NPS TRUST - safeguards subscribers' interest.
2. Central record keeping agency CRA - maintains data and records.
3. Point of presence POP - collection distribution and servicing arm.
4. Pension fund managers - manages the investment
5. Custodian - takes care of assets.
6. Trustee bank - manages banking operations.

# **NPS LOGISTICS**

## **A. WHO IS ELIGIBLE?**

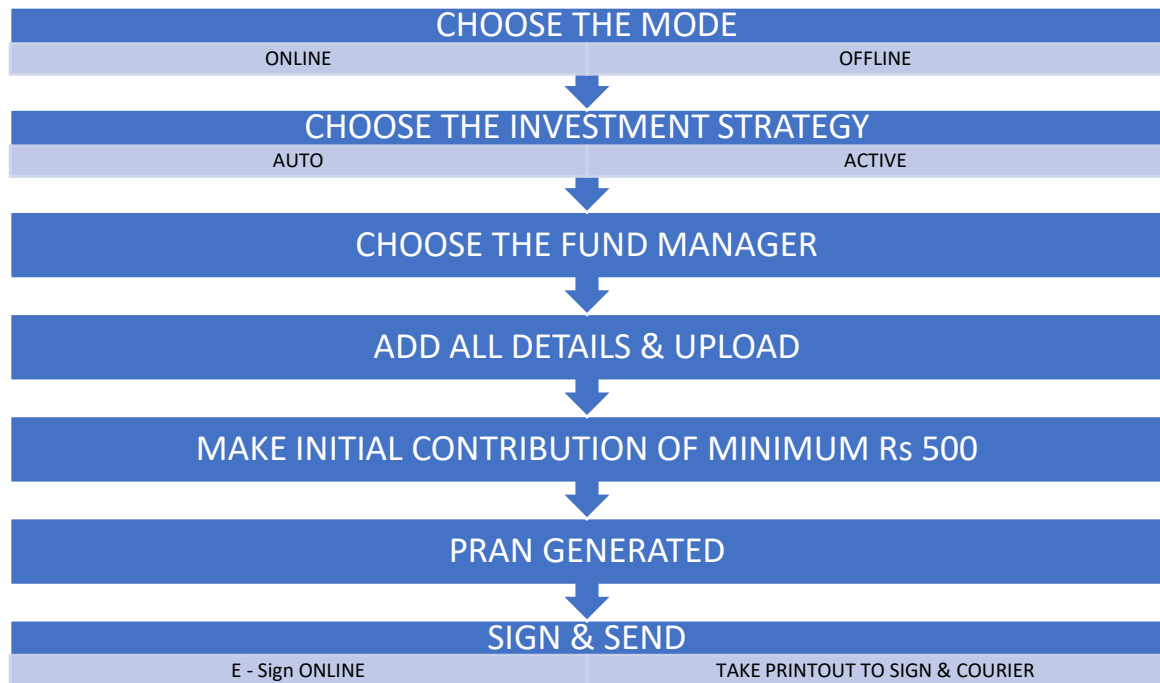
- All Indian citizens between 18 to 65 years of age including NRIs.
- Indian citizens can open Tier I or Tier I and Tier II both types of account, but an NRI/OCI individual can open only Tier I account.

## **B. WHAT DO YOU NEED?**

**LET ALL THESE BE READY BEFORE REGISTRATION PROCESS STARTS.**

- PAN Scanned Copy
- A mobile number,
- Email ID
- Active bank account with the net-banking facility enabled.
- Cancelled Cheque scanned Copy
- Passport Photo in required Format
- Scanned Copy of Bank Signature
- Aadhaar is no longer mandatory to open an NPS account.

## C. WHAT IS THE PROCESS?



### 1. CHOOSE THE MODE

- Offline: NPS account opening through designated branches of the 26 banks.
- Online: opening of NPS ( E-NPS): This can be done through

**Option 1** - Registration using Aadhaar Offline e-KYC (No commission like POP method)

OR

**Option 2** - Registration using PAN (KYC verification by Bank/Non Bank POP)

## **POP: Points of Presence- Banks and other financial agencies**

***Disadvantage of POP:*** POP Trail Commission will be applicable on the contribution amount @ 0.10% (subject to minimum of ₹ 10 and maximum of ₹ 10,000 per transaction).

**Note:** While opening E-NPS account online, third party cookies must be accepted beforehand so as to seamless transactions.

## **2. CHOOSE THE INVESTMENT STRATEGY**

**A. Active-** Allows to decide the percentage of monthly contribution to

- E-equity,
- G- government bonds,
- C-corporate and
- A-alternative assets (REIT/InVIT),not offered by all, best if it is ignored
- Maximum percentage you can allot to equity is 75%.

**B. Auto-**According to your age the relative ratio of equity, corporate bonds and the government securities keep on changing automatically.

## **3. CHOOSEWHO WILL MANAGE THE FUND**

**PFM or pension-fund manager-** You need to specify your choice, from a list of Seven (1)HDFC PF, (2)ICICI PF,(3)UTI RSL, (4)Birla PF,(5)Kotak PF (6)LIC PF (7)SBI PF.These financial institutions have been approved by PFRDA as of now, likely to be revised in future for more players, more competitive field.

**\*\*\*YOU CAN CHANGE THE INVESTMENT OPTIONS OR PFM LATER**

- 4. FILL THE DETAILS as PROMPTED at each step AND UPLOAD. Save the acknowledgement number in process, because with same number, you can restart registration if abandoned for some reason before it is finalised.**

Nominee details have to be filled along with a **cancelled cheque** from chosen bank account, a **photograph** and **specimen signature** have to be uploaded.

#### **5. INITIAL CONTRIBUTION**

- Contribution to NPS to be started with minimal Rs. 500 through net banking.

#### **PRAN IS YOUR PERMANENT RETIREMENT ACCOUNT NUMBER**

- When all the above processes get successful, a PRAN (permanent retirement account number) is generated.

#### **6. THE LAST STEP**

- Finally to complete the account opening, following options are available
  - Through **eSign** option online authentication can be done using Aadhar based OTP method. Service charge for eSign: Rs. 29.5 (including UIDAI charge of Rs. 20)
- OR
- Completed form should be printed and couriered to Central Record keeping Agency (CRA) after pasting the photograph and signing.
- Once everything done, then deposit at least Rs. 1000 per year to prevent the PRAN becoming inactive.

## D. REGULAR CONTRIBUTION

### 1. How can a Subscriber contribute to NPS?

To contribute in Tier I and Tier II account, the Subscriber needs to deposit the contribution amount along with duly filled NCIS (NPS Contribution Instruction Slip) to any POP-SP or alternatively can visit E-NPS website to make contribution in NPS. Following are the three ways to contribute in NPS:

- a. Fill contribution slip and submit it to any POP-SP  
**To find the nearest POP-SP, you may visit "Find your nearest POP-SP" under "Important Links" section available on Home page of this website.**
- b. Visit E-NPS website (<https://enps.nsdl.com>)  
**Submit your PRAN & DOB to get OTP on your Mobile to contribute online by Net banking / Debit Card / Credit Card.**
- c. Download NPS Mobile App and contribute anytime and anywhere  
**For Android and IOS users**

### Contribution in NPS using UPI:

With a UPI-enabled bank account, you can simply create a UPI ID (Virtual Payment Address) which can be used to send/ transfer money.

Steps for Activating UPI:

- ✓ Download the UPI application from the App Store/Banks website
- ✓ Register UPI ID (VPA) of your choice e.g., abc@upi

**[www.wealthconindia.com](http://www.wealthconindia.com)**

- ✓ Set MPIN for authentication of transaction
- ✓ Link the bank and account number with the VPA

#### Steps for transaction using UPI:

1. User has to select UPI as mode of payment option. **Payment through your UPI is only up to Rs.2000/- (Including Charges).**
2. Provide the Virtual Payment Address (VPA)
3. Payment notification will be received on UPI application
4. User has to login to UPI application and confirm the transaction within the defined time limit
5. User needs to enter the MPIN to authenticate the transaction

Contribution can be done through UPI mode of payment by selecting UPI as mode of payment option. **Payment through your UPI is only upto Rs.2000/- (Including Charges).**

***Best option is Direct Remit by adding virtual account as beneficiary account in your bank. It is discussed in detail later on***

#### 2. What are the minimum contribution criteria under NPS?

A Subscriber is required to make initial contribution (minimum of Rs. 500 for Tier I and a minimum of Rs. 1000 for Tier II) at the time of registration.



Subsequently, a Subscriber can make contribution subject to the following conditions:

**Tier I:**

- a. Minimum amount per contribution - Rs. 500
- b. Minimum contribution per Financial Year - Rs. 1,000
- c. Minimum number of contributions in a Financial Year – one

Over and above the mandated limit of a minimum of one contribution in Tier I, a Subscriber may decide on the frequency of the contributions across the year as per his / her convenience.

**Tier II:**

- a. Minimum amount per contribution - Rs. 250
- b. No minimum balance required

**3. When will the units be credited to my NPS account?**

Units will be credited to the subscriber's account on the day contribution is invested by the **PFM (Pension Fund Manager)**. It takes T+2 days to get unit credited in subscriber account, wherein T being the date of fund receipt at **Trustee bank**. This activity is called settlement in CRA system wherein, contribution is transferred from POP to PFM for investment in predefined scheme of subscriber and accordingly, the PFM declares NAV of the day and Units are allotted to the subscriber.

We can understand this with an example as follow: POP who as an interface for the subscriber in NPS, collects NPS contribution

from subscriber and uploads the contribution details in the CRA system and at the same time deposits the contribution to Trustee Bank (Bank designated for collection of NPS contribution from NPS intermediaries such as POP). The Trustee Bank, on receipt of contribution, uploads the contribution receipt details on CRA system. On receipt of these two information (contribution details from POP and contribution receipt information from Trustee Bank), the settlement process is initiated in the CRA system.

4. Can a Subscriber make contributions in his / her NPS account before receipt of the PRAN Card?

Yes. To contribute in NPS, only Permanent Retirement Account Number is required. Once PRAN is allotted to a Subscriber, contribution can be made irrespective of whether PRAN card is received or not.

# ALL ABOUT NPS TIER 2 ACCOUNT

**Tier 2 is an add-on account which provides you the flexibility to invest and withdraw from various schemes available in NPS without any exit load.**

- If you have an active NPS TIER 1 account with PRAN number, you are few clicks away from activating NPS Tier 2 account.
- <https://enps.nsdl.com/eNPS/submitTier2Request.html>
- Copy above link in your browser
- Open it
- There are 2 options **Regular & Tax saving (TTS)**
- Tax saving is permitted as of now, only for government employees. It works like ELSS with LOCKED period of 3 years.
- Regular has no locked period, full liquidity. One can withdraw like open ended mutual funds.
- Opt for Regular & Go ahead; be ready with scanned copies of PAN Card & Cancelled Bank Cheque of relevant bank to upload as asked.
- One can keep bank details, nominee details same as Tier 1 or modify.

- Same applies to selection of pension fund manager & investment options.
- It is desirable to have different PFM for diversification.
- End process with contribution through designated bank

### ***ADVANTAGES OF NPS TIER 2 ACCOUNTS.***

Any time withdrawals is permitted,unlike NPS Tier 1 account.

NPS Tier 1 is for long term goal of Retirement Planning,while NPS Tier 2 is for short & intermediate term goals like,kid education,festival expenses,big ticket assets purchase,exotic vacations,kid marriage etc.

Single platform for multiple goals reduces assets management charges & eliminates duplication efforts.

It is possible to partial lumpsum or total withdrawl of desired fixed amount,that too,specifically,scheme wise, if so desired

Explore following You Tube Link to learn more

<https://www.youtube.com/watch?v=eGNPaWPryIQ&feature=youtu.be>

## **HOW TO REGISTER FOR SAME DAY NAV BENEFITS BY DIRECT REMIT FACILITY**

- Copy & paste below link in your browser

<https://enps.nsdl.com/eNPS/NationalPensionSystem.html>

- Open it
- Go to Register for D Remit / Get same day NAV.
- Follow steps.
- Your request will be registered.
- You will get Acknowledgement Receipt
- After a day or two, you will get email, with Virtual account numbers for both tier accounts
- Go to your bank, add these accounts as beneficiary accounts, following detailed steps in email to add specified bank, account type, its IFSC code.
- If you have downloaded NPS mobile app & still not availed of Direct Remit facility, once you log in, there is a dialogue box prompting you to register for direct remit facility, by clicking that link, in less than 5 minutes you will complete registration by following steps as advised.
- Now whenever you pay to these beneficiary accounts, before 9:30 am, you will get same day NAV instead of T+3 days protocol when done through routine portal.

There is no need to go to E-NPS for contribution. Beauty is this one time procedure, works life time of NPS Account.

- Share a short video that guides how to create Virtual account ID for NPS Tier 1 & 2 accounts, it is a You Tube Link.

<https://www.youtube.com/watch?v=ps11ky5oua4>

- D Remit facility can be used to initiate SIP in NPS, just like as in Mutual Funds. Only job to do is to make use of standing instruction facility of bank to pay respective NPS Beneficiary account at desired interval & date. To understand it well, explore following You Tube Link

<https://www.youtube.com/watch?v=8goHejhh2DY>

**FOR WEALTHCON, NPS means Direct NPS (NO INTERMEDIARIES & LOWEST CHARGES)**

**ONLY, that is E-NPS only & contribution means Direct Remit facility only, by adding virtual**

**NPS tier 1 & 2 accounts as beneficiary accounts in related bank. Always invest before 9:30**

**am to get benefits of same day NAV.**

**Source:**

[A DIY guide to the NPS | Value Research \(valueresearchonline.com\)](#)

[NPS ki Pathsala & you tube videos](#)

[NSDL NPS website:](#)

**[www.wealthconindia.com](http://www.wealthconindia.com)**

# **LIQUIDITY**

## **Exit as per PFRDA Regulations 2015**

1. Premature Exit
2. Superannuation
3. Upon Death of Subscriber

### **1. Pre-mature Exit**

Definition: - exit before attaining the age of superannuation/attaining 60 years of age

One can exit from NPS only after completion of 10 years.

#### **A. Withdrawal guidelines**

- At least 80% of the accumulated pension has to be utilized for purchase of an Annuity for regular monthly pension.
- The remaining funds can be withdrawn as lump sum.
- If total corpus up to Rs. 1 lakh, 100% lumpsum withdrawal allowed

#### **B. Claim Id**

- In case of Pre-mature Exit, the Subscriber needs to contact the POP for generation of Claim ID for Withdrawal of NPS funds.
- Generation of Claim ID is not required if Withdrawal request is initiated by POP.

#### **C. Documents Needed**

- PRAN card
- Advanced stamped receipt, to be duly filled and cross-signed on the Revenue stamp by the Subscriber.
- KYC documents (address and photo-id proof)
- 'Cancelled Cheque' or 'Bank Certificate' or 'Copy of Bank Passbook'
- Withdrawal form

#### **D. Conditions which need to be fulfilled for premature withdrawal**

- Only after At least 3 years of investment
- Only 25% of self investment
- Only 3 times in the total tenure

#### **E. Conditions in which premature withdrawal allowed**

- Critical illness of self
- Children marriage
- Children higher education
- Buying or building a house

## **2. Upon Death**

The entire accumulated pension corpus (100%) would be paid to the nominee/legal heir of the subscriber.

#### **A. In case of multiple nominees**

- Withdrawal form needs to be submitted by all the nominees registered in CRA system.
- If any nominee/s doesn't not want to claim the NPS corpus:
  - Relinquishment deed (on Rs 100 stamp paper, notarized) is to be submitted by the nominee/s who doesn't want to claim the NPS benefits.
  - Indemnity Bond (on Rs 100 stamp paper, notarized) is to be submitted by the nominee who is claiming the NPS benefits.
- In case one nominee is a major and other is a minor,
  - Major nominee will submit Withdrawal form.
  - Guardian (on behalf of minor) will submit the Withdrawal form along with the birth proof of the minor.

#### **B. Documents Needed**

Same as above. + Death Certificate



### 3. Superannuation

- Subscriber will have to use at least 40% of accumulated pension corpus to purchase an annuity. Rest 60% can be withdrawn as lump sum.
- If the total accumulated pension corpus is less than or equal to Rs. 2 lakh, Subscriber can opt for 100% lump sum withdrawal.

#### Options of exit at 60 yrs age

1. **Continuation** of NPS account: can continue to contribute to NPS account Up to 70 years. This is also eligible for tax benefits.

\*\* Prefer this option {If you need neither lumpsum withdrawal nor annuity, better to continue account with contribution(min 1000/yr) Active account permits you freedom e.g. changing PFM, Investments schemes etc. Corpus will grow & you get higher annuity funds. Liberty to discontinue at your convenience is present.}

2. **Deferment**: defer Withdrawal and stay invested in NPS up to 70 years of age. Subscriber can defer only lump sum Withdrawal, defer only Annuity or defer both.

3. **Start** your Pension: Initiate exit request and start receiving pension.

### 4. Withdrawal Claim

- CRA generates a Claim ID six months prior to the date of superannuation
- Claim ID is intimated to the subscriber vides e-mails, letters, SMS to enable Subscriber six months before to make any changes (eg DOB, address ) before initiating withdrawal request.
- Can initiate Online Withdrawal request. Such request needs to be verified and authorized by POP
- Withdrawal status can be checked online.

## **A. Documents Needed**

Same as above

## **B. Withdrawal of Lumpsum**

1. Complete

2. Phased:

Up to 10 installments over the period from 60 years to 70 years are permitted. Subscriber has to buy Annuity prior to Phased Withdrawal.

## **5. Annuity Schemes**

**A. Annuity for life**– On death of the annuitant, payment of Annuity ceases.

**B. Annuity for life with return of purchase price on death**– On death of the annuitant, payment of Annuity ceases and the purchase price is returned to the nominee

**C. Annuity payable for life with 100% Annuity payable to spouse on death of annuitant**– On death of the annuitant, Annuity is paid to the spouse during life time. If the spouse predeceases the annuitant, payment of Annuity will cease after the death of the annuitant.

**D. Annuity payable for life with 100% Annuity payable to spouse on death of annuitant with return on purchase of Annuity**– On death of the annuitant, Annuity is paid to the spouse during life time and purchase price is returned to the nominee after the death of the spouse.

## **NPS withdrawal from Tier 2 account**

No limit and no restrictions. No lock in, no tax benefits

Only government employees are eligible to claim NPS Tier 2 contributions also as tax deduction under Section 80C provided the investment remains locked-in for 3 years.

# NPS- Taxation

As per Union Budget 2019----**EEE status** (Tax saving is at time of investing, during earnings & at exit on lump sum amount.)

## EEE Exempt at entry, earning and exit

t

TIER 1	TIER 2
Pension account Mainly for retirement planning Mandatory account No limit on maximum amount.	Savings account Safe investment purpose Voluntary account (Only after Tier 1)
Tax benefit  1.5 Lakhs----Section 80 C (similar to PPF)  Additional 50,000---Section 80 CCD(1b) (For 30% slab rate-15,600 tax saved)  Over and above this 2 lakhs: For salaried individuals: for contributions made by employer:80CCD (2) -14% Govt sector -10% private sector	Two types: -Regular  -TTS (Tax saving scheme)-needs to be activated at enrollment stage After three-year lock in— tax deduction benefit under 80 C can be claimed for central govt employees. Currently not available for non govt employees.
At maturity (60 years)	After three years lock in

<p>60% corpus—tax free and can be withdrawn lumpsum</p> <p>40% mandatory to buy an annuity- Series of payments at equal intervals</p>	<p>Entire amount can be withdrawn/premature exit possible.</p> <p>Taxed as per slab rate.</p>
<p>If exit before 60 years—80% to buy annuity. 20% withdrawable, but taxed as per income tax slab.</p>	
<p>Three partial withdrawal (Maximum of total 25%) can be made after three years of account opening.</p>	<p>Logically only appreciation will be taxed.</p> <p>If investment &gt; 36 months—long term. (20% after indexation)</p> <p>If &lt; 36 months--- short term capital gain.</p> <p>Till date no specific provision is made by govt in income tax act about Tier II investments</p>

## NPS Tier 2- 2 Types

(1)Regular- like other open ended mutual funds

(2) Tax saving (TTS) benefits: (currently for government employees)

for 80 C benefits

TTS activation needed from NSDL website.

New variant of NPS known as National Pension Scheme Tier- II -Tax Saver Scheme, 2020

(NPS - TTS).

- Lock-in period of three years.
- Investments eligible for deduction under Section 80C.
- Only for central government employees.
- free to choose a pension fund manager of their choice at the time of investing.
- Premature withdrawal not allowed.

Shorter lock-in period compared to National Savings Certificate & PPF ,but ELSS give superior returns. Also not open for general public at present.

### **ADVANTAGE FOR NPS INVESTORS ON PURCHASE OF ANNUITY PRODUCTS**

18% GST is not charged, this amount is significant benefit, considering huge corpus accumulated at age 60 for compulsory annuity purchase. All other annuity products are subjected to 18 % GST

Switching from one scheme to another:

For e.g. Equity to debt funds, it will be considered as redemption from one scheme and hence will attract capital gain tax as per holding period.

How to avail tax benefit?

- Submit transaction statement as investment proof.
- Or Receipt of voluntary contribution made in Tier 1 account.

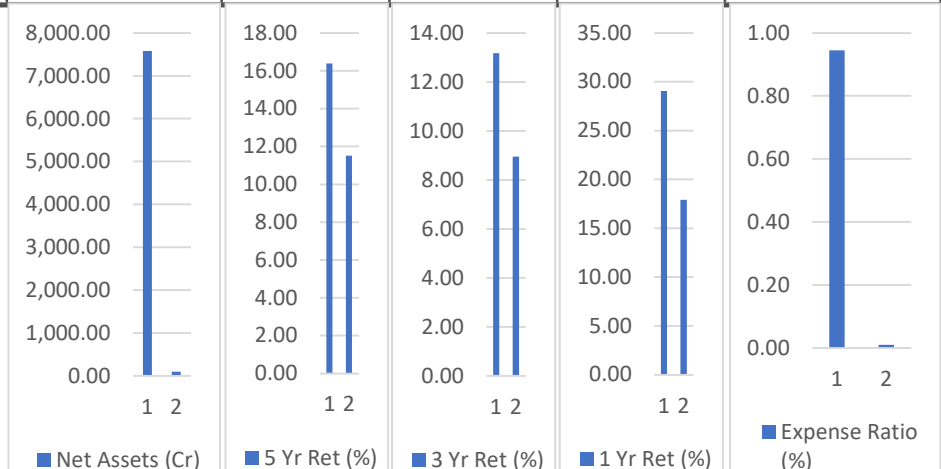
## COMPARISON OF NPS 2 SCHEME E with CAARE COMPLIANT MULTICAP EQUITY FUNDS

Fund Name	Launch	Net Assets (Cr)	5 Yr Ret (%)	3 Yr Ret (%)	1 Yr Ret (%)	Expense Ratio (%)
Axis Focused 25 Fund - Direct Plan	2013-01-01	13,359	18.54	13.47	26.73	0.65
Canara Robeco Equity Diversified Fund - Direct Plan	2013-01-02	2,784	14.94	13.15	27.48	0.86
IIFL Focused Equity Fund - Direct Plan	2014-10-30	1,210	18.38	15.72	29.94	0.90
DSP Equity Fund - Direct Plan	2013-01-01	4,314	15.01	10.20	25.07	0.96
Aditya Birla Sun Life Equity Fund - Direct Plan	2013-01-01	12,109	15.25	8.14	22.17	0.98
Parag Parikh Long Term Equity Fund - Direct Plan	2013-05-28	5,757	16.18	15.29	34.53	1.00
UTI Equity Fund - Direct Plan	2013-01-01	13,546	16.37	16.20	37.36	1.26
ICICI Prudential Pension Fund - Scheme E - TIER II	11/1/2010	126.27	13.6	9.53	18.82	0.01
UTI Retirement Solutions - Scheme E - TIER II	14/12/2009	35.07	13.66	9.11	17.53	0.01
LIC Pension Fund - Scheme E - TIER II	3/7/2013	41.86	11.78	7.14	15.73	0.01
HDFC Pension Fund - Scheme E - TIER II	1/8/2013	221.81	14.88	10.32	19.68	0.01
SBI Pension Fund - Scheme E - TIER II	14/12/2009	182.51	13.51	9.25	17.72	0.01
Birla Sun Life Pension Scheme - Scheme E - TIER II	5/5/2017	9.97	0	9.3	19.42	0.01
Kotak Pension Fund - Scheme E - TIER II	1/12/2009	34.89	13.13	7.98	16.34	0.01

### AVERAGE

Fund CATEGORY	Launch	Net Assets (Cr)	5 Yr Ret (%)	3 Yr Ret (%)	1 Yr Ret (%)	Expense Ratio (%)
MULTICAP Equity Funds		7,582.71	16.38	13.17	29.04	0.94
NPS Funds		93.20	11.51	8.95	17.89	0.01

.25% charges levied on each contribution by POP/ Bank

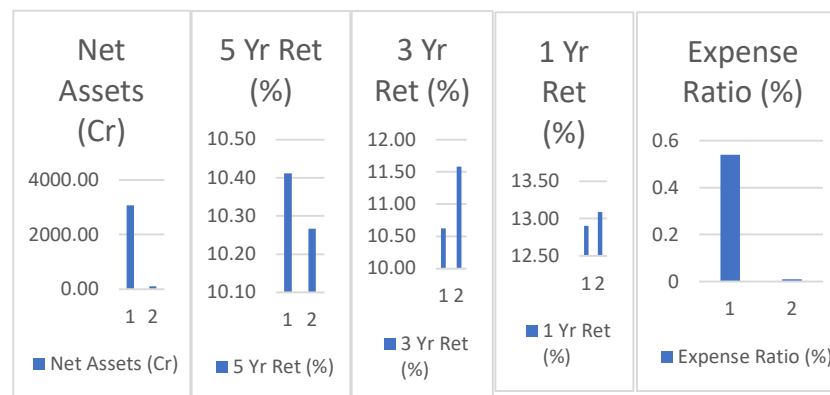


## COMPARISON OF NPS G SCHEMES WITH CAARE COMPLIANT GOVERNMENT DEBT FUND SCHEMES

Fund Name	Category	Launch	Net Assets (Cr)	5 Yr Ret (%)	3 Yr Ret (%)	1 Yr Ret (%)	Expense Ratio (%)
Nippon India Gilt Securities Fund - Direct Plan	DT-GL	2013-01-01	1,777	11.37	11.49	12.53	0.62
IDFC Government Securities Fund - Investment Plan - Direct Plan	DT-GL	2013-01-01	2,215	10.86	12.16	14.88	0.61
ICICI Prudential Gilt Fund - Direct Plan	DT-GL	2013-01-01	4,841	10.51	10.54	13.43	0.61
SBI Magnum Gilt Fund - Direct Plan	DT-GL	2013-01-01	4,396	10.44	10.4	12.40	0.47
HDFC Gilt Fund - Direct Plan	DT-GL	2013-01-01	2,132	8.88	8.53	11.28	0.39
SBI		Dec-09	214.43	10.65	11.28	13.12	0.01
LIC		Aug-13	111.35	11.96	13.42	13.23	0.01
UTI		Dec-09	33.91	10.42	11.25	12.9	0.01
ICICI		Dec-09	125.93	10.62	11.35	13.4	0.01
KOTAK		Dec-09	30.80	10.41	10.93	12.7	0.01
HDFC		Aug-13	220.48	7.54	11.64	13.4	0.01
BIRLA		May-17	9.77		11.22	12.86	0.01

Fund Name	Category	Launch	Net Assets (Cr)	5 Yr Ret (%)	3 Yr Ret (%)	1 Yr Ret (%)	Expense Ratio (%)
GOVERNMENT SECURITIES FUNDS			3072.20	10.41	10.62	12.90	0.54
NPS TIER 2 G SCHEMES			106.67	10.27	11.58	13.09	0.01

\*0.25% charges deducted on each contribution by POP/ Bank

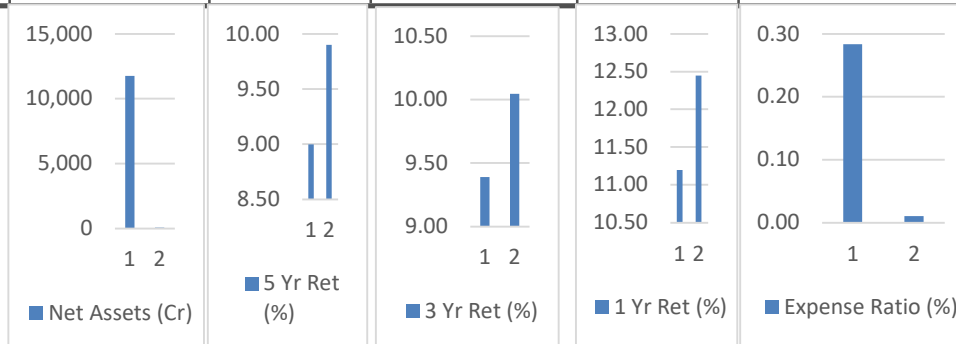


## COMPARISON OF NPS 2 C SCHEME WITH CAARE COMPLIANT CORPORATE DEBT FUNDS

Fund Name	Launch	Net Assets (Cr)	5 Yr Ret (%)	3 Yr Ret (%)	1 Yr Ret (%)	Expense Ratio (%)
L&T Triple Ace Bond Fund - Direct Plan	1/1/2013	6,557	9.44	10.61	13	0.3
HDFC Corporate Bond Fund - Direct Plan	1/1/2013	29,220	9.27	9.7	12.2	0.3
Sundaram Corporate Bond Fund - Direct Plan	5/13/2013	1,274	9.17	9.35	11.15	0.28
Aditya Birla Sun Life Corporate Bond Fund - Direct Plan	1/1/2013	24,940	9.15	9.62	12.03	0.2
ICICI Prudential Corporate Bond Fund - Direct Plan	1/1/2013	18,155	8.87	9.22	10.73	0.29
Kotak Corporate Bond Fund - Standard Plan - Direct Plan	1/1/2013	8,181	8.89	9.27	10.07	0.32
Invesco India Corporate Bond Fund - Direct Plan	1/1/2013	3,279	8.76	8.87	10.47	0.3
Nippon India Corporate Bond Fund - Direct Plan	1/1/2013	2,355	8.44	8.48	9.91	0.28
<b>AVERAGE</b>						
Fund Name	Launch	Net Assets (Cr)	5 Yr Ret (%)	3 Yr Ret (%)	1 Yr Ret (%)	Expense Ratio (%)
LIC	Aug-13	29.69	10.25	10.67	15.47	0.01
HDFC	Aug-13	131.22	10.21	10.32	12	0.01
ICICI	Dec-09	88.32	9.92	9.98	11.52	0.01
SBI	Dec-09	123.45	9.73	9.81	11.87	0.01
KOTAK	Dec-09	19.7	9.68	9.66	11.9	0.01
BIRLA	May-17	6.04		10.18	11.96	0.01
UTI	Dec-09	19.94	9.61	9.7	12.42	0.01
<b>Corporate Bond Debt Funds</b>		11,745	9.00	9.39	11.20	0.28
<b>NPS TIER 2 C SCHEMES</b>		60	9.90	10.05	12.45	0.01

\*0.25% is charge levied by POP BANK on all contributions.

\*1 = CORPORATE BOND DEBT FUNDS, \*2 = NPS TIER 2 C SCHEMES





## **RESULTS**

### **RESULTS OF RETURN ANALYSIS OF NPS FUNDS AND THEIR COMPARISON WITH ROUTINE MUTUAL FUNDS OF SIMILAR CATEGORY:**

If we compare returns of tier 2 NPS with that of corporate bond debt funds in 1 year, 3 year, and 5 year category then returns of NPS are marginally on higher side though expense ratio of both is near about same.

When we compare multicap equity funds to NPS funds, returns of equity funds are much higher than NPS funds in all 1 year, 3 year and 5 year category. Multicap equity funds are giving returns almost one and half times that of NPS. Despite the fact that expense ratio of NPS is much lower.

## **CONCLUSION**

### **PROs of NPS Tier 2 funds.**

1. Marginally Higher ROI in Debt funds Scheme C & Scheme G. The difference is more significant in Scheme C than Scheme G.
2. In Active choice, one can individualize his allocation to Equity, Corporate bonds, Government securities according to his own risk appetite & risk tolerance.

### **Cons of NPS Tier 2 funds**

1. At present only 7 Mutual fund options. Less Choice of Funds in NPS as compared to routine Mutual funds where best fund can be chosen from 100s of funds.
2. We Can change Pension fund Manager (Funds) only once in a financial Year.

3. In Scheme E the best performing is ICICI Pension Fund.

In Scheme C the best performing is LIC Pension fund.

In Scheme G the best performing is SBI Pension fund

However at the time of fund investment in NPS 2 we can choose only one fund house (Pension Fund Manager) for all three schemes which is a big disadvantage.

4. If we are partly investing in equity and partly in Debt through NPS then we lose taxation benefit that is otherwise applicable to equity component of the investment.

5. No reason to believe that NPS 2 funds have any special lower risk as compared to routine mutual funds.

### **NOTE ABOUT TIER 1 FUNDS**

There is no alternative to 80CCD 1B for 50000 Tax benefits & most Doctors being in 30% slab, NPS MUST be utilized, as Default investments, for accumulation phase of Retirement planning as one of different asset classes.

Based on one's experience & exposure to these investments over years, one can decide utility of NPS 2 as practically both are same, from investments perspectives.

Corporate & Government securities of NPS 1/2 can be a good alternative to one's Debt Exposure, in old age, that is, distribution phase of Retirement. It being fully liquid; one can individualize his withdrawal strategy. Always better than Bank FDs in this respects.

It is essential to note that

**NPS CANNOT BE USED FOR WEALTH CREATION FOR AGGRESSIVE YOUNG INVESTORS. IT IS ONLY A TOOL FOR WEALTH PROTECTION.**

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However Investing in NPS 1 while selecting >90% in Scheme G & C ONLY will give adequate DEBT exposure which is lacking in most of the aggressive portfolios of young investors.

Investing through Scheme G & C instead of routine Debt funds will also keep in check the tendency to exit every time there is a market opportunity for equity.

Also 15600 is additional tax saving which can be used for further investment. Adding the returns of this tax saved amount to the returns of Tier 1 Debt funds should give a ROI of approx 13-15% which is very good for any capital safe product. And if we add the lump sum amount that our next of kin gets after us then the returns will increase even further.

These figures will definitely not compare to equity but will definitely beat routine Debt funds.

GRED allocation teaches us that all asset classes have a role to play & NPS should be used accordingly in line with GRED allocation based on the results of this study.

Basically what Team WealthCon expects from us, is, to graduate from KG level knowledge in Personal Finance, when, teacher asks us to follow, & we follow as well,

To a PhD level student, who explores all options objectively, collects data & concludes for himself.

It is a quality one should strive to develop.