

# Withdrawals & Annuity (Pension) Options under NPS





# National Pension System

Pension Fund Regulatory and Development Authority (PFRDA)

## SUMMARY

National Pension System (NPS), Regulated By PFRDA, is an important milestone in the development of a sustainable and efficient voluntary defined contribution pension system in India. It has the following broad objectives:

- Provide old age income
- Reasonable market based returns over the long term
- Extending old age security coverage to all citizens

## NPS ACCOUNTS

NPS provides you two types of accounts:

Tier I and Tier II.

Tier I is mandatory retirement account, whereas Tier II is a voluntary saving.



# INVESTMENT CHOICES IN NPS:

Maximum Age to subscribe to NPS 70.

**Maximum Age to Exit 75**

**Active choice:** Subscriber selects the allocation percentage in assets classes

**Auto choice:** funds are automatically allocated amongst asset classes in a pre-defined matrix, based on the age of the subscriber

Following are the 4 **Asset Classes** are available under Active choice:

- Equity or E
- Corporate Debt or C
- Government Securities or G
- Alternative Investment Funds or AIF



# NPS Rules for Partial Withdrawal

- I. The applicant should be an NPS subscriber for at least three years
- II. Withdrawal amount cannot exceed 25% of the total investment at that point

Specific reasons under which one can apply for partial withdrawal:

1. Marriage of children
2. Higher education of children
3. Purchasing a house or flat by your name or sharing with your spouse. However, if the applicant already has a house/flat under his/her name, then it is not possible
4. Severe medical conditions like MS, organ transplant, cancer, kidney failure, etc
5. Life-threatening or serious accidents
6. Other illnesses as updated by PFRDA



# NPS Withdrawal Rules - Retirement

Currently, a person can:

- withdraw up to 60% of the total corpus as a lump sum
- to subscribe to an annuity plan with the remaining 40%.

(subscribers can withdraw the entire corpus if it is less than or equal to ₹5 lakhs without purchasing an annuity plan).



# Withdrawal Rules for VRS

One needs to hold an NPS account for a minimum of 10 years to be eligible for NPS withdrawal before retirement.

If the corpus is less than or equal to ₹2.5 lakhs, a subscriber can withdraw the entire amount.

In case the corpus exceeds ₹2.5 lakhs, he/she can only withdraw a maximum of 20% of the corpus and purchase an annuity plan with the remaining 80%.





# NPS Withdrawal Rules Death Case

In the event of the death of the NPS subscriber, the legal nominee/heir can withdraw the entire NPS corpus of the deceased subscriber in the case of private-sector employees.

For government employees, purchasing an annuity plan is mandatory.



# What is an Annuity?

An annuity is a type of financial investment that pays out a fixed and regular dividend.

Like NPS, EPS.

- Help creating flexible retirement plan.
- Create an income stream or to supplement an existing income.

## 2 Types of Annuities

Deferred and Immediate. With an immediate annuity, you can create an instant income stream, but with a deferred annuity, you can time the annuity for a later date.



# Types of Annuities



## Annuity Types

## Variants

Frequency of Premium

Single  
Regular

Type of Payouts

Fixed  
Variable

Time Payouts Start

Immediate  
Deferred

Duration of Payouts

Monthly, Yearly Etc

No. of People Benefitting

Single Life  
Joint/Survivor

Nature of Purchaser

Individual  
Group



### Common Annuity Options

Life Annuity	Pays uniform rate of pension till subscriber survive
Life and Certain	Pays 5, 10, 15 or 20 years of certain pension & then till the time subscriber survive.
Life and Repurchase	Pays for life and then return the purchase price to nominee
Inflation-Linked	Pays for life with increase in pension amount @ 3% p.a.
Life and Survivor	Spouse is also covered. Pension paid till the life of subscriber, and post-death also paid to the spouse



# Annuity Providers

LIC of India

Tata AIA Life Insurance Co. Ltd.

HDFC Life Insurance Co. Ltd.

PNB Metlife India Insurance Co. Ltd.

ICICI Prudential Life Insurance Co. Ltd.

Edelweiss Tokio Life Insurance Co. Ltd.

SBI Life Insurance Co. Ltd.

Star Union Dai-ichi Life Insurance Co. Ltd.

Bajaj Allianz Life Insurance Co. Ltd.

India First Life Insurance Co. Ltd

Kotak Mahindra Life Insurance Co. Ltd.

Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.

Max Life Insurance Co. Ltd.

Frequency: Monthly, Quarterly, Half-Yearly, Annually

# Annuity Options in NPS

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.

Annuity Quotes: <https://cra-nsdl.com/CRA/>



# Annuity Taxation

There is no tax incentive with annuities, as the annuity that one received is treated as *income and taxed according to the slab rate* that one falls in.

60% Commutation in NPS is Tax Free.





# NPS Performance 31 Jan 2022

## TIER I: Equity Plans

Fund	NAV	Returns(%)			Assets (₹ cr)
		1-Year	3-Year	5-Year	
Birla Sun Life Pension	18.23	13.35	17.50	–	217.82
HDFC Pension Fund	34.11	14.43	19.07	15.08	11163.63
ICICI Prudential Pension	44.96	15.10	18.14	13.97	4273.16
Kotak Pension Fund	41.90	15.41	18.89	14.40	818.93
LIC Pension Fund	28.72	16.55	17.76	13.01	2081.44
SBI Pension Fund	37.63	13.79	16.93	13.60	7792.26
UTI Retirement Solutions	44.18	14.40	17.26	13.78	1173.01
Nifty 50 Index	–	14.27	17.51	14.37	–

## TIER I: Government Bond Plans

Fund	NAV	Returns(%)			Assets (₹ cr)
		1-Year	3-Year	5-Year	
Birla Sun Life Pension	14.69	5.20	9.57	–	148.20
HDFC Pension Fund	22.00	4.78	9.74	8.46	8055.22
ICICI Prudential Pension	29.39	4.95	9.40	8.24	3728.77
Kotak Pension Fund	29.39	5.41	9.63	8.38	657.63
LIC Pension Fund	23.72	5.18	10.00	9.14	2112.78
SBI Pension Fund	31.87	5.11	9.52	8.40	8824.61
UTI Retirement Solutions	28.38	4.77	9.26	7.97	1036.14
CCIL All Sovereign Bond - TRI	–	4.46	8.95	7.91	–

## TIER I: Corporate Debt Plans

Fund	NAV	Returns(%)			Assets (₹ cr)
		1-Year	3-Year	5-Year	
Birla Sun Life Pension	15.34	6.86	10.17	–	104.55
HDFC Pension Fund	22.76	7.29	10.51	8.77	4980.48
ICICI Prudential Pension	34.47	6.85	9.81	8.40	2217.27
Kotak Pension Fund	33.15	6.69	8.94	7.66	395.15
LIC Pension Fund	22.38	6.59	10.25	8.34	1206.03
SBI Pension Fund	34.67	6.65	10.00	8.50	4380.52
UTI Retirement Solutions	30.65	6.05	9.42	7.95	582.01
CCIL Bond Broad - TRI	–	6.30	9.49	8.36	–

Returns as on Feb 18, 2022. Assets as on Jan 31, 2022 Source: Value Research



# Thank You...



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