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About NPS:

Retirement planning - how to secure your life post retirement?

Retirement planning involves disciplined saving, careful investment strategies to build a sufficient retirement corpus and its prudent drawdown in the post-retirement life. This can become true by signing up for a pension / retirement plan at an early stages of your life such that when you retire from work, you get a regular stream of income in the form of pension or annuity.

National Pension System (NPS) which is administered and regulated by Pension Fund Regulatory and Development Authority (PFRDA) created by an Act of Parliament. Besides the NPS, some mutual funds and insurance companies also offer Pension plan or retirement plan, which are not under the jurisdiction of PFRDA. Apart from this the normal retirement plan options include EPFO, Retirement gratuity etc. is offered by employers to their workers and employees.

National Pension System (NPS) is a voluntary, defined contribution retirement savings scheme designed to enable the subscribers to make optimum decisions regarding their future through systematic savings during their working life. NPS seeks to inculcate the habit of saving for retirement amongst the citizens. It is an attempt towards finding a sustainable solution to the problem of providing adequate retirement income to every citizen of India.

Under the NPS, individual savings are pooled in to a pension fund which are invested by PFRDA regulated professional fund managers as per the approved investment guidelines in to the diversified portfolios comprising of government bonds, bills, corporate debentures and shares. These contributions would grow and accumulate over the years, depending on the returns earned on the investment made.

At the time of normal exit from NPS, the subscribers may use the accumulated pension wealth under the scheme to purchase a life annuity from a PFRDA empanelled life insurance company apart from withdrawing a part of the accumulated pension wealth as lump-sum, if they choose so.

Advantages:

Opening and tracking of account - Many banks are registered with Pension Fund Regulatory and Development Authority (PFRDA) to provide NPA-related services to individuals. NPS account can be opened to anyone from 18 years to 60 years of age. All transactions as well as the current fund value can be tracked online.

NPS structure - The scheme is structured into two tiers: Tier-I and Tier II accounts. The Tier-I account is the non-withdrawable account meant for savings for retirement. The contribution to Tier-I account is only eligible for tax benefits.

Tier-I account - This is the non-withdrawable permanent retirement account into which the accumulations are deposited and invested as per the option of the subscriber.

Tier-II account - This is a voluntary withdrawable account which is allowed only when there is an active Tier I account in the name of the subscriber. The withdrawals are permitted from this account as per the needs of the subscriber as and when claimed.

Simple - Opening an account with NPS provides a Permanent Retirement Account Number (PRAN), which is a unique number and it remains with the subscriber throughout his lifetime.

Flexible - NPS offers a range of investment options and choice of Pension Fund Manager (PFMs) for planning the growth of your investments in a reasonable manner and see your money grow. Individuals can switch over from one investment option to another or from one fund manager to another subject, of course, to certain regulatory restrictions. The returns being totally market - related.

Fund options - NPS offers a range of investment options and choice of pension fund manager who will manage subscribers' funds. Individuals also have an option to switch over from one investment option to another or from one fund manager to another.

Tax savings - The extra deduction of Rs. 50,000 on NPS can help those in the highest tax bracket of 30 % save an additional Rs. 16,000 in taxes. Those in 20 % tax bracket can save over Rs. 10,000 while those in 10 % can save over Rs. 5,000.

More tax-saving options - This extra deduction of Rs. 50,000 on NPS will increase the total deduction allowed under Section 80C and 80CCD of Income Tax Act to Rs. 2 lakhs. The limit on deduction on 80CCD, including contribution to the New Pension Scheme was also increased in the Budget to Rs.1.5 lakh from Rs.1 lakh. This will help investors have more tax-saving options.

Portable - NPS provides seamless portability across jobs and across locations, unlike all current pension plans, including that of the EPFO. It would provide hassle-free arrangement for the individual subscribers.

Regulated - NPS is regulated by PFRDA, with transparent investment norms, regular monitoring and performance review of fund managers by NPS Trust