





# Future Perfect- ICAI

1 December, 2021

# Agenda

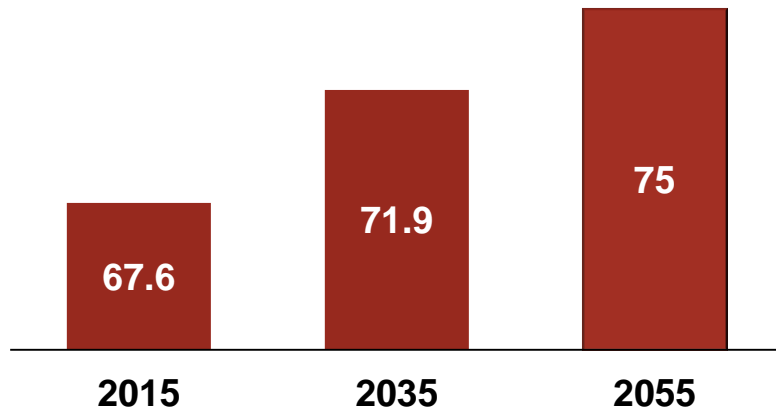
- **Importance and need for retirement planning**
  - **How a retirement plan works?**
  - **Important factors for choosing a retirement plan**
  - **Popular options for retirement planning**
  - **Our recommendation**
  - **Q&A**
- 

# Agenda

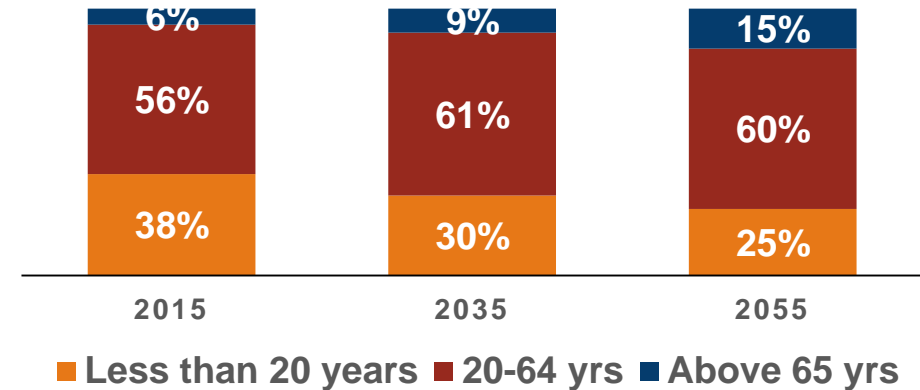
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- 

# Retirement planning customer context - India

## Increasing life expectancy<sup>1</sup>



## Population composition (in bn)<sup>1</sup>



## Better health care at a cost

Medical expenses set to rise at 10% p.a.<sup>2</sup>

2009                      2017                      2019



## Nuclearization of families<sup>3</sup>



## Vanishing Traditional Support System

<sup>1</sup> United Nations World Populations Prospects Report (2017)

<sup>2</sup> <https://info.mercer.com/rs/521-DEV-513/images/2018-mmb-medical-trends-survey-report.pdf>

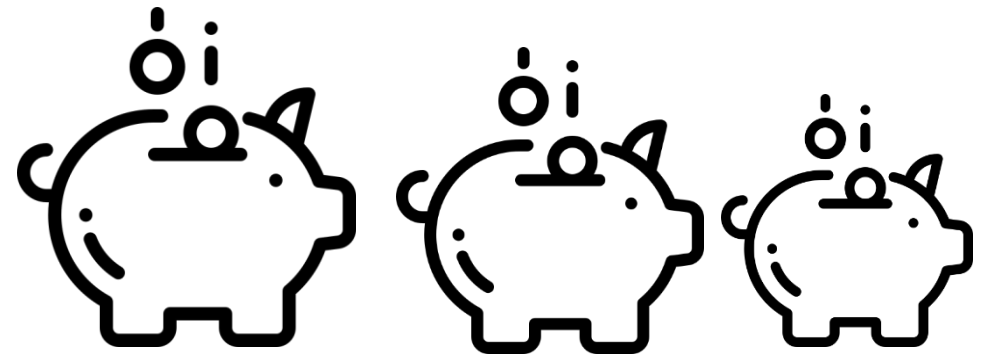
<sup>3</sup> <https://www.crisil.com/content/dam/crisil/our-analysis/reports/Research/documents/2018/march/securing-lifes-second-innings.pdf>

# Impact of inflation

**We will retire, but inflation won't!**

**₹1 lakh saved today will be worth only  
₹61,391 after 10 years.**

**What you can buy today for ₹1 lakh will  
cost ₹1.63 lakhs 10 years later.**



**Inflation eroding the value of money**

# LIFE

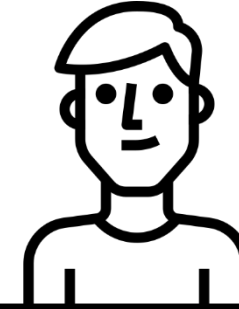
Big “IF” in LIFE that we have to be prepared for

# Importance and need for retirement planning

?????



## WHAT IF???



?????



Will I be able to pay for my **basic necessities**



Will I be able to pay for my **Medical costs**



I am **isolated** and alone in life



Will I be living in my **home?**

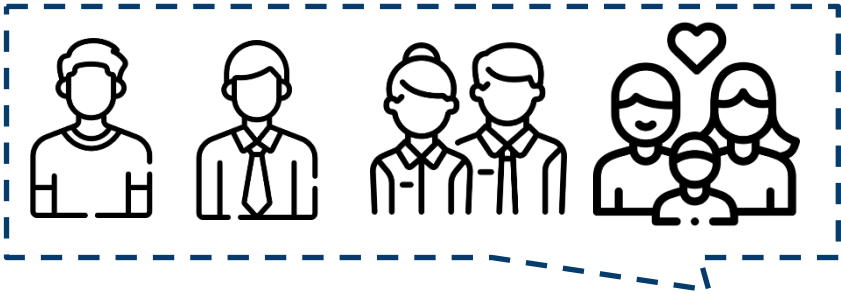
Will I be able to maintain the same standard of living?

# Agenda

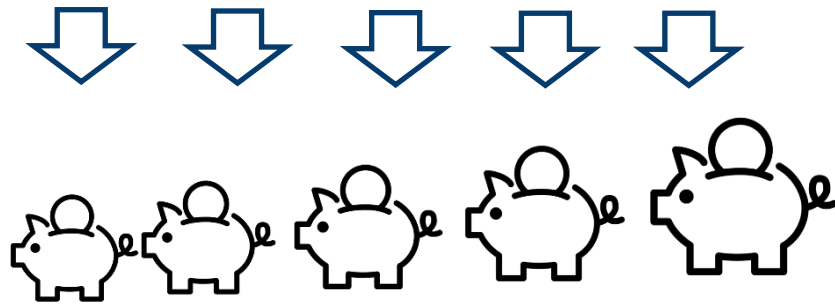
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# How a retirement plan works?

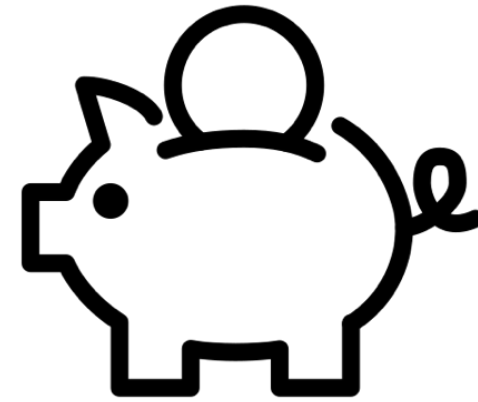


**Saving until retirement**



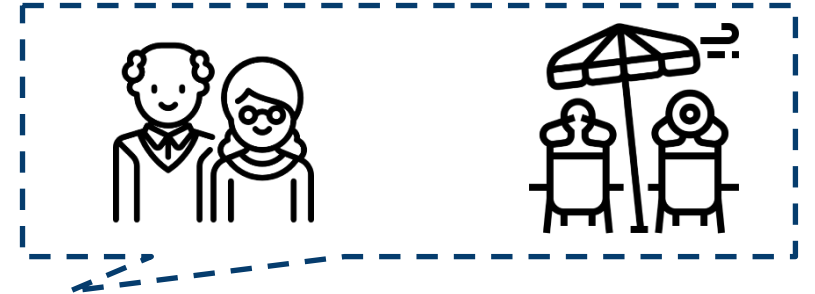
**Accumulation phase**

25y

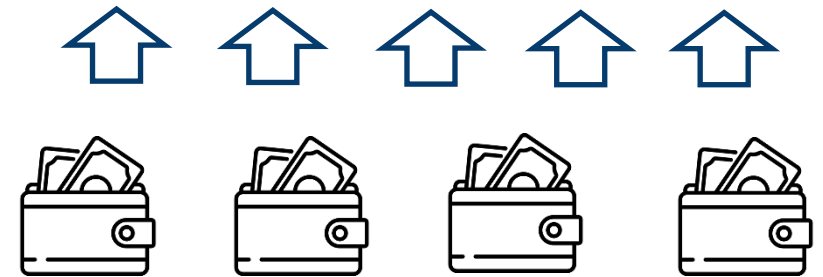


**Retirement corpus**

60y



**Guaranteed income for life**



**Payout phase**

# Agenda

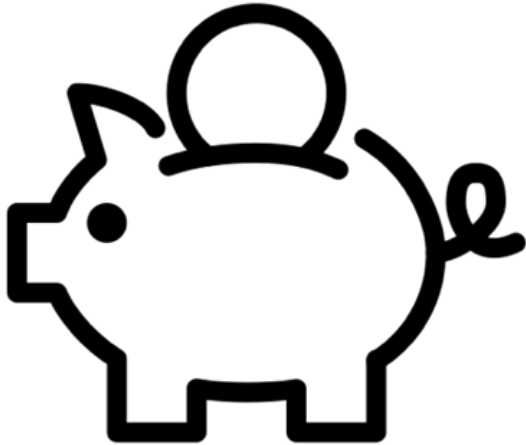
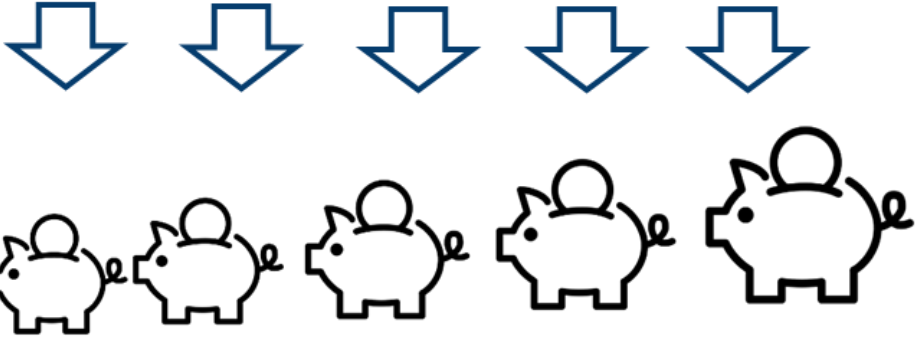
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# Factors under accumulation phase



*— HAPPY —  
Retirement*

Saving until retirement



— Accumulation phase — Retirement corpus

25y

60y

# Factors under Accumulation phase



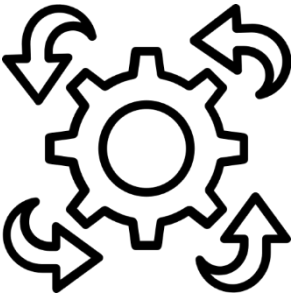
Safety



Liquidity



Returns



Flexibility



Transparency



Tax impact

# Factors under Accumulation phase



Safety



How safe is my investment?



Can I choose my asset allocation?

High risk instruments not suitable for retirement planning

# Factors under Accumulation phase



Liquidit



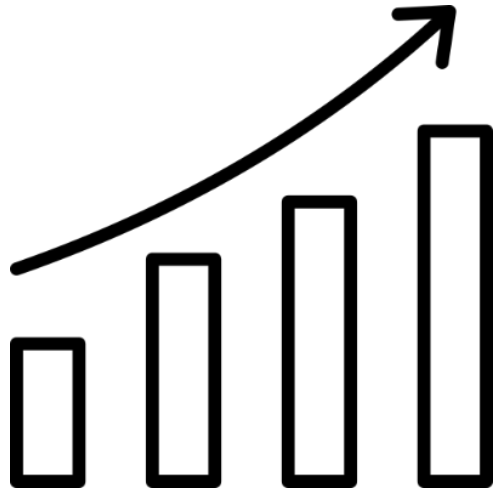
Is withdrawal allowed?  
If yes, then when and  
how much?



What is the tax  
implication of  
withdrawal?

Very high liquidity might also lead to non fulfilment of end objective

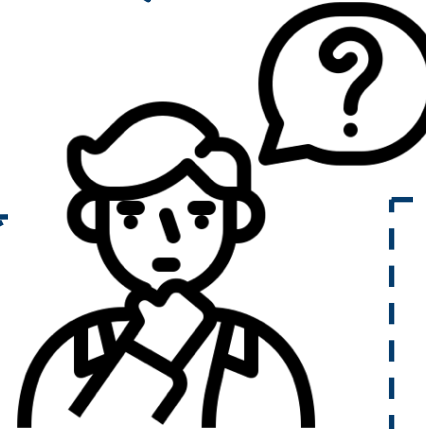
# Factors under Accumulation phase



Returns

Are the returns able to beat the inflation?

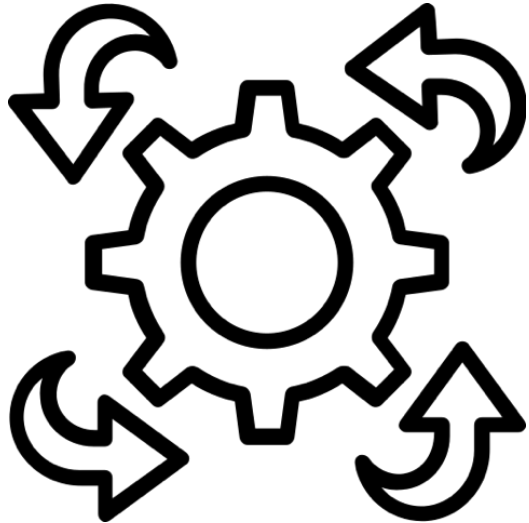
Are the returns comparable with other available investments?



Does the investment option adhere to my risk appetite?

Invest in instruments that suit your risk taking capability

# Factors under Accumulation phase



**Flexibility**

Can I modify asset classes to suit my risk appetite?

Do I have to invest a fixed amount every month / year?

What if I miss my investment schedule?

Can I operate my pension account online?

Can I carry my pension with me across job & location?



**Have full control of your investments**



# Factors under Accumulation phase

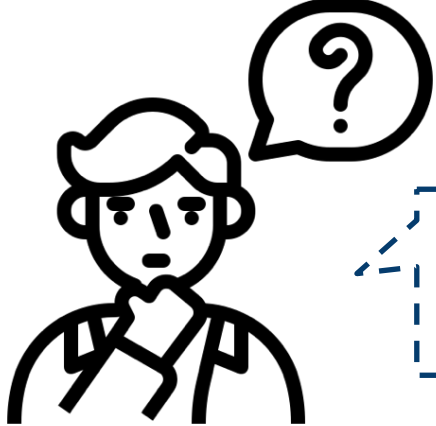


Transparenc



Where are my funds getting invested?

What are the charges?



Can I check the asset allocation?

Know how you investment works.

# Factors under accumulation phase



**Tax impact**

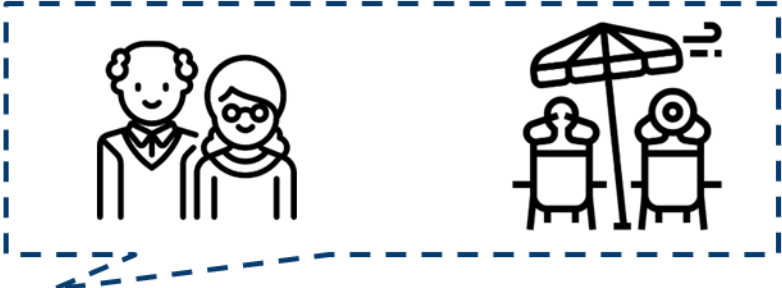
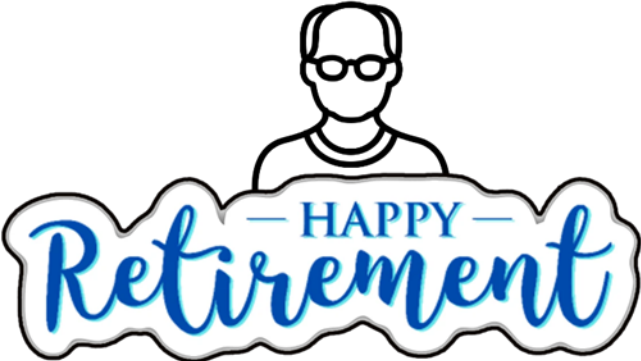
What are the tax benefits I get from the scheme?

What are income tax sections in which I would get rebate?

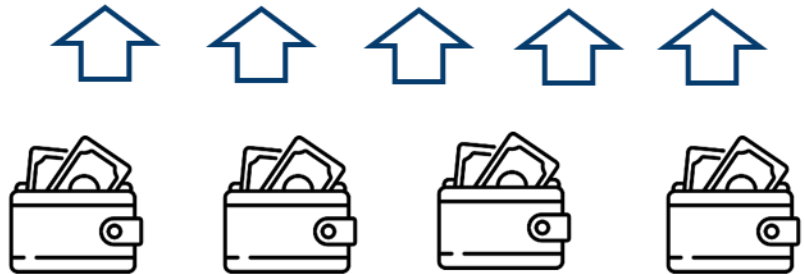
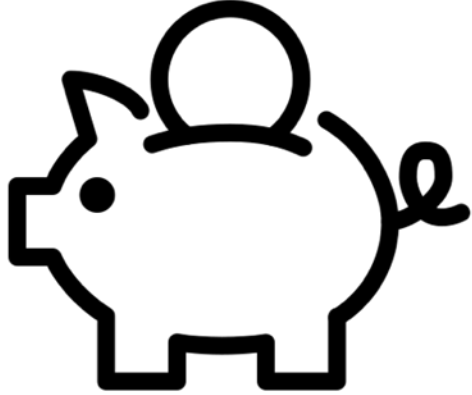


Are there any additional tax benefit over and above 80C?

# Factors under Payout phase



Guaranteed income for life



Retirement corpus

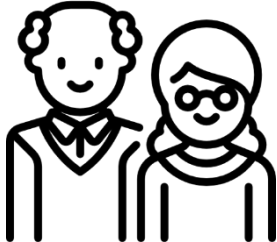
Payout phase

60y

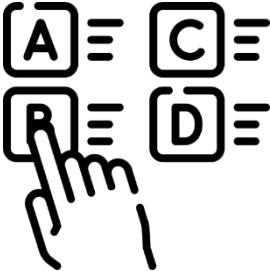
# Factors under Payout phase



Safety of funds



Sufficient Income for my family



Options of Pension Providers\*



Can I increase my pension?



Living benefit

\*Annuity service providers

# Factors under Payout phase



Safety of funds

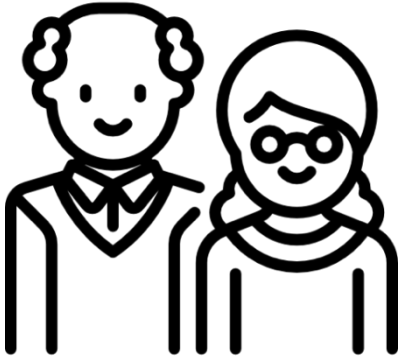


Is my investment in safe ?



Will I get guaranteed regular income for life?

# Factors under Payout phase



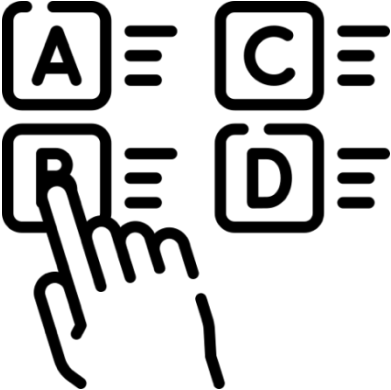
Sufficient income  
for my family

Will annuity be enough  
me & my family



Will the money take care of me & my family

# Factors under Payout phase



Options of Pension Providers\*

How to choose the best Pension provider



Choose a sustainable annuity service provider

\*Annuity service providers

# Factors under Payout phase



Can I increase the pension?



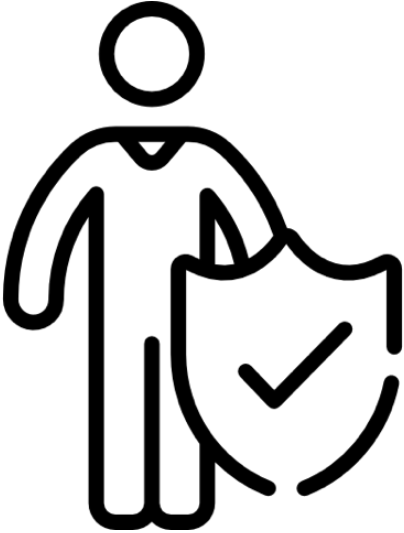
Will it beat inflation?



Can I maintain my standard of living



# Factors under Payout phase



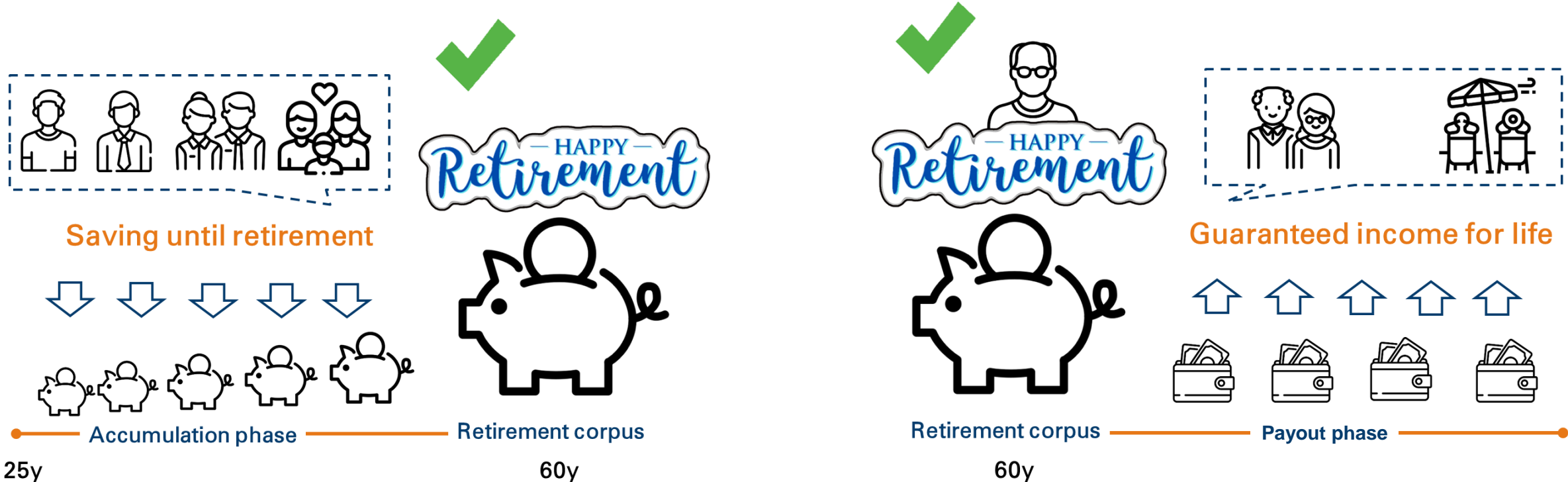
Living benefit

Will I get any lumpsum benefit in my life time?



Want to get benefit of my savings in my lifetime

# Question we need address



Does the pension plan cover both the phases?

# Agenda

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- Our recommendation
- Q&A

# Popular options for retirement planning

Provident Fund  
(PF)

Public Provident  
Fund (PPF)

Life Insurance  
solutions

NPS

Mutual Funds

Fixed deposits  
(Banks)

Atal Pension  
Yojana

Superannuation  
plans

# Popular options for retirement planning

	Returns	Transparency	Charges	Safety	Phases covered	Fixed periodic investment	Liquidity	Tax Benefits
<b>Provident Fund (PF)</b>	Low – Moderate	Low	Low	High	Accumulation	Yes	Partial	80 (C)
<b>Public Provident Fund (PPF)</b>	Low – Moderate	Low	Low	High	Accumulation	No	Partial	80 (C)
<b>Life Insurance solutions</b>	Moderate – High	Moderate	Moderate	Moderate	Both	Yes	Partial	80 (C)
<b>NPS</b>	Moderate – High	High	Low	High	Both	No (Min 500 / year)	Partial	80 (C) ; 80 CCD (1B); 80 CCD (2)
<b>Mutual Funds</b>	Moderate – High	High	Moderate	Low – Moderate	Accumulation	No	Yes	80 (C)
<b>Fixed deposits (Banks)</b>	Low	Low	Low	High	Accumulation	No	Yes	80 (C)
<b>Superannuation Scheme</b>	Low – Moderate	Low	Low	Moderate – High	Both	Yes	No	80 (C)



# Popular options for retirement planning

	Returns	Transparency	Charges	Safety	Phases covered	Fixed periodic investment	Liquidity	Tax Benefits
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NPS	Moderate – High	High	Low	High	Both	No (Min 500 / year)	Partial	80 (C) ; 80 CCD (1B); 80 CCD (2)
Mutual Funds	Moderate – High	High	Moderate	Low – Moderate	Accumulation	No	Yes	80 (C)
Fixed deposits (Banks)	Low	Low	Low	High	Accumulation	No	Yes	80 (C)
Superannuation Scheme	Low – Moderate	Low	Low	Moderate – High	Both	Yes	No	80 (C)

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# Our recommendation – Accumulation phase





# What is NPS?

## About NPS

- **National pension system (NPS) is a retirement solution launched by Govt. of India for pension planning through safe and reasonable market based returns.**

## Types of NPS

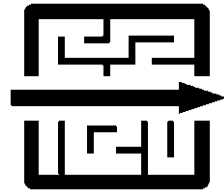
- **NPS Corporate: Contribution made by employer**
- **Retail NPS: Contribution made by employee**

# NPS features & benefits



**Portable**

Carry your account across employers, location etc



**Simple**

Standard product regulated by PFRDA



**Flexible**

Choose your fund manager, investment option & annuity options



**Economical**

Lowest cost investment product currently available in the market



**Unique tax benefits**

Multiple tax benefits u/s 80CCE, 80CCD(1B) & 80CCD(2)

**Single plan with Multiple benefits**

# Key customer touch points

## Point of Presence (POP)

- Acts as first point of interaction for customer and is responsible for account opening, receiving contributions and instructions from customers

## Central record keeping agency (CRA)

- Responsible for recordkeeping, administration and customer service functions for all customer of NPS

## Pension fund manager (PFM)

- Pension Fund Manager appointed by PFRDA, are responsible for managing the retirement savings of customers under NPS



# Multiple tax benefits

Reduce taxable salary



**NPS Contribution  
by Employer\***

Save up to 10% of  
your salary from  
taxable income

U/S 80CCD(2)



Claim tax deduction



**NPS Contribution by  
Employee**

Deduction up to  
₹50,000

U/S 80CCD(1B)



Tax Deduction up to  
₹1,50,000

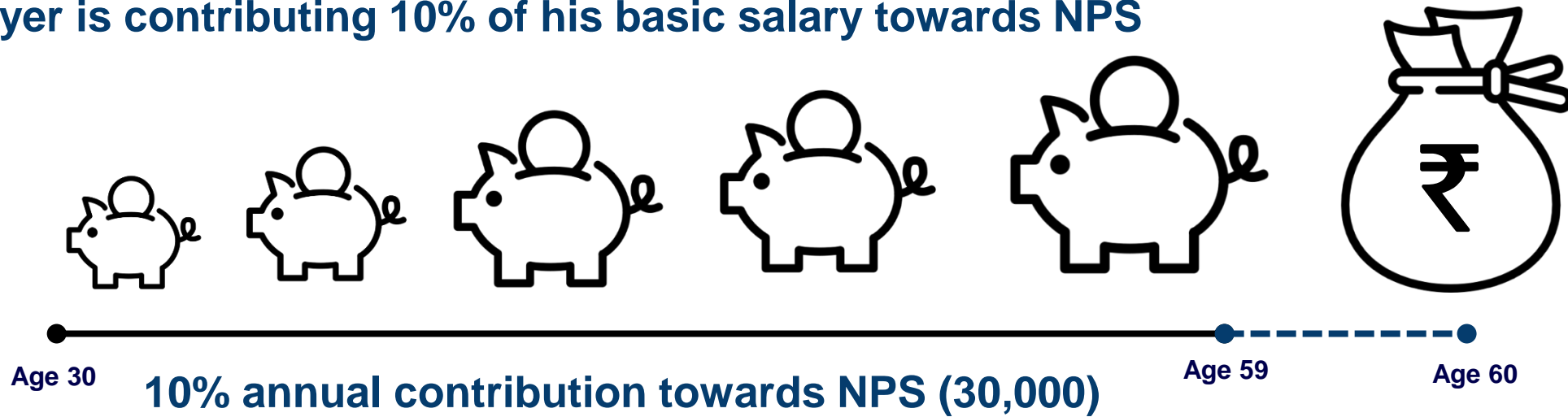
U/S 80CCE

# Sample illustration – Reduce your taxable salary

<b>Annual salary</b>	<b>1,549,996</b>	(a)
Basic salary	4,65,000	
House rent allowance	2,32,500	
Special allowance	7,56,696	
Leave travel allowance	40,000	
Employer (PF contribution)	55,800	(b)
<b>NPS Employer contribution (10%)</b>	<b>46,500</b>	(c)
<b>Taxable salary</b>	<b>14,47,696</b>	<del>((a - b) - c)</del>

# Estimated tax benefits

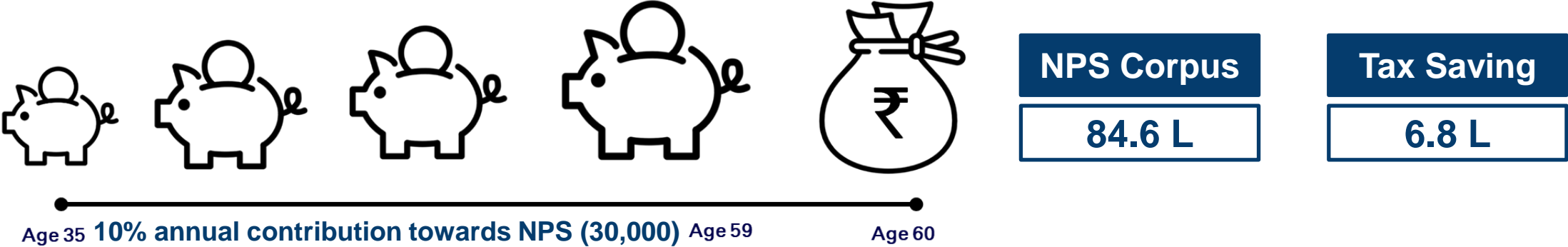
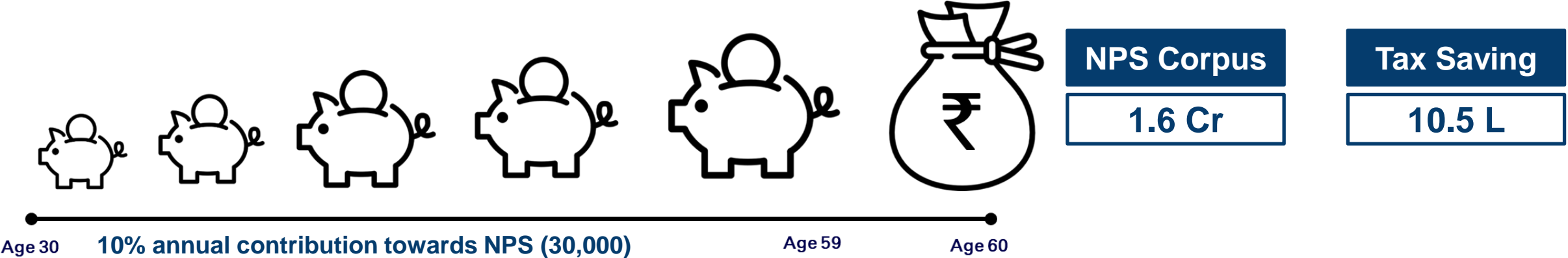
Ashish is a 30 year old Marketing manager, with an annual basic salary of ₹ 3,00,000/- His employer is contributing 10% of his basic salary towards NPS



<b>Total investment</b>	<b>Investment growth</b>	<b>NPS kitty</b>	<b>Tax savings</b>
33.9 L	13.18 L	1.65 Cr.	10.5 L



# Why start early?



# Types of NPS accounts

	<b>Tier 1</b>	<b>Tier 2</b>
<b>Nature</b>	<b>Mandatory</b>	<b>Voluntary</b>
<b>Withdrawal</b>	<b>No</b>	<b>Yes</b>
<b>Tax benefits</b>	<b>Yes</b>	<b>No</b>
<b>A/C opening</b>	<b>Min ₹500/-</b>	<b>Min ₹1,000/-</b>
<b>Yearly contribution</b>	<b>Min ₹1000/-</b>	<b>-</b>
<b>Objective</b>	<b>Tax + retirement</b>	<b>Investment</b>

**Both accounts can be opened simultaneously**



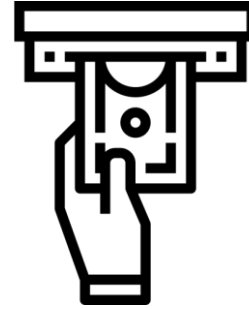
# Advantages of Tier II account



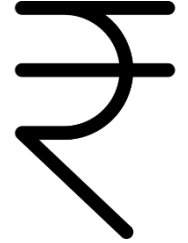
Open simultaneously with a single tick with Tier I a/c



Investment account



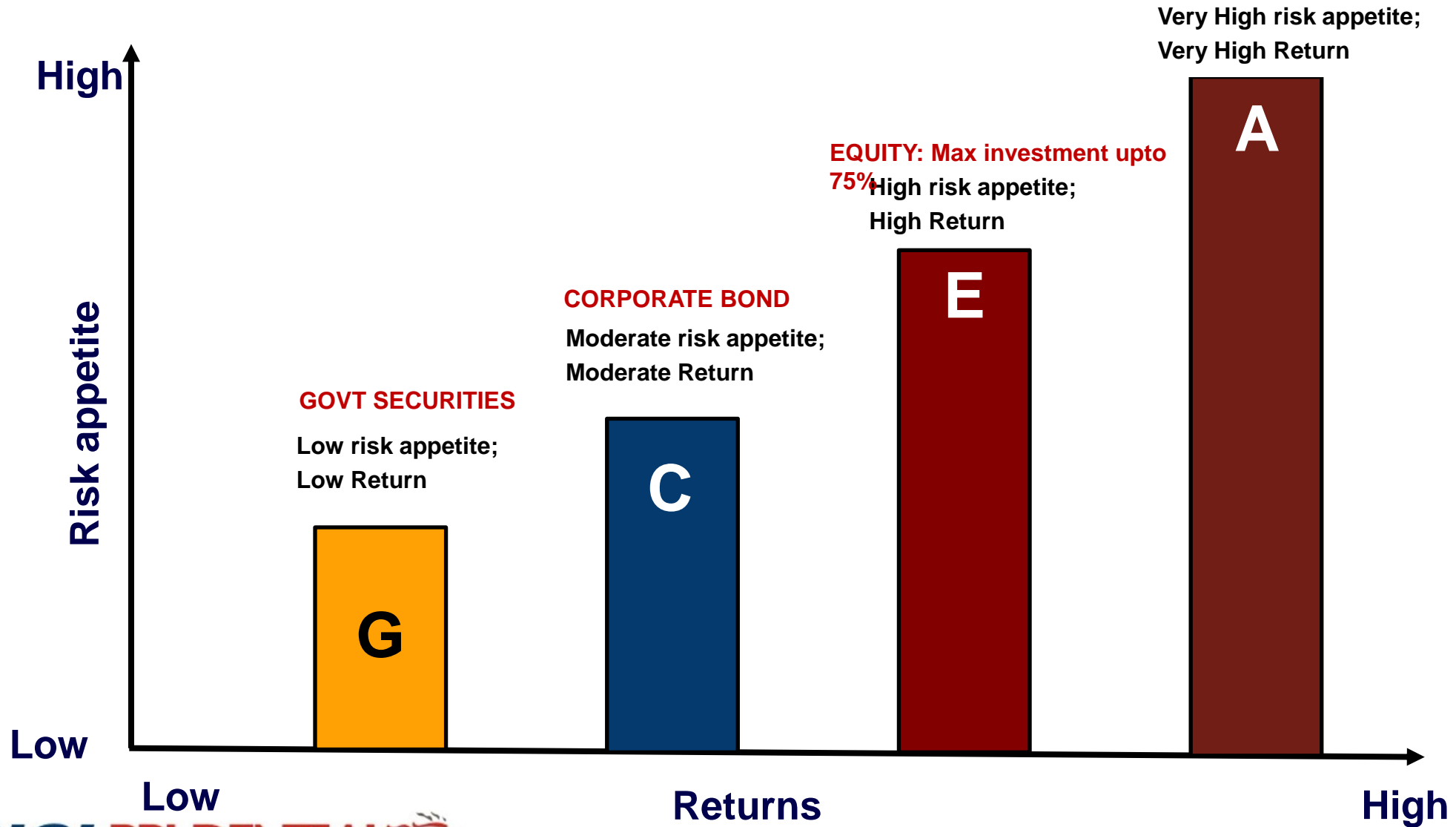
Liquidity available through multiple withdrawals



Lowest cost mutual fund with **0.09% FMC** in the market

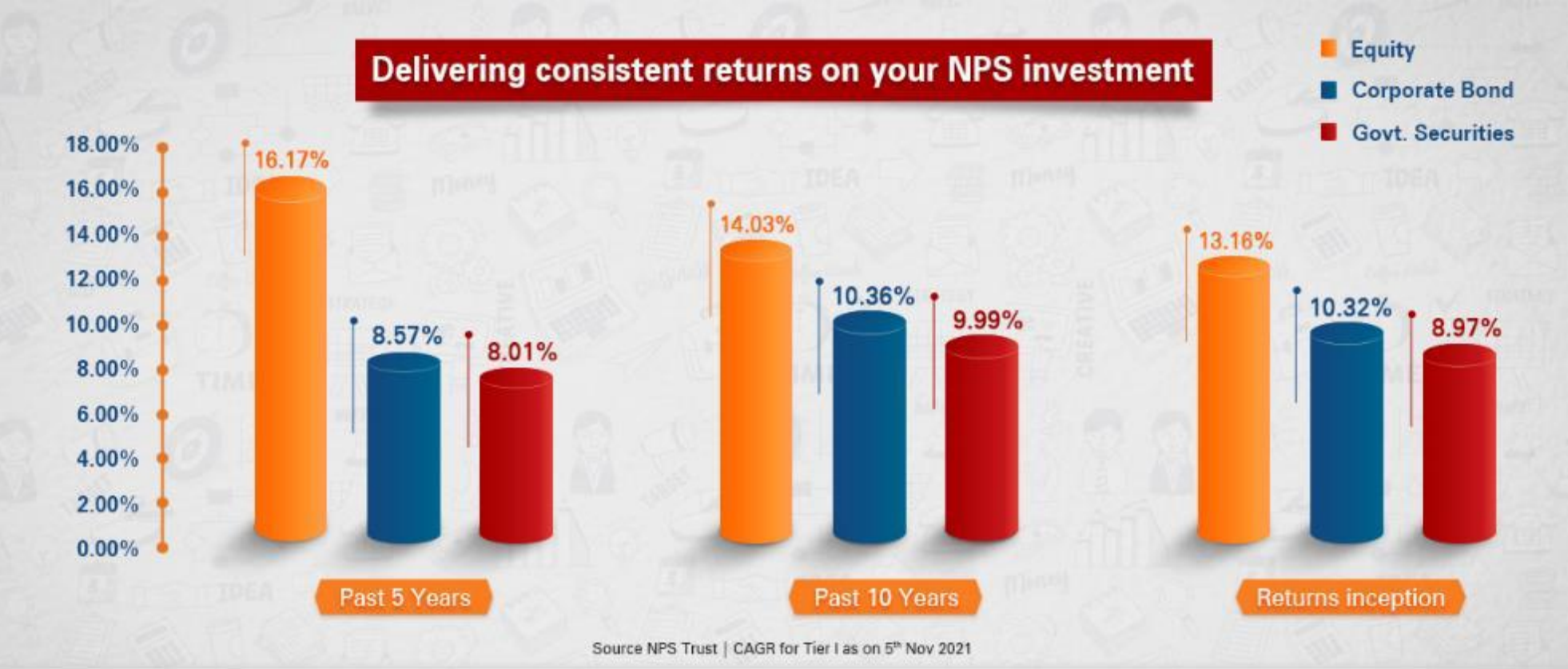
# Investment options

ALTERNATE FUND: Max 5% investment



\*New fund Scheme A – Infrastructure Trust Bonds & Real Estate.

# ICICI Pru PFM Returns



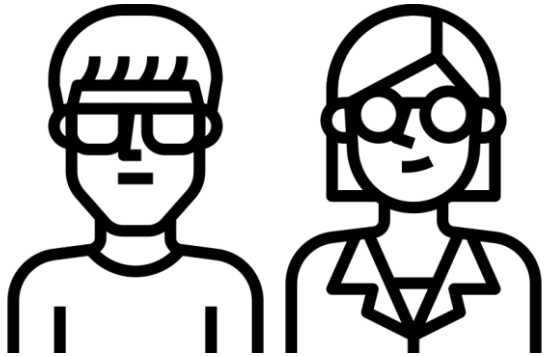
For more information, visit [www.icicirupensionfund.com](http://www.icicirupensionfund.com)

OTH/61/2021-22



# Investment choices

## Follow the markets?

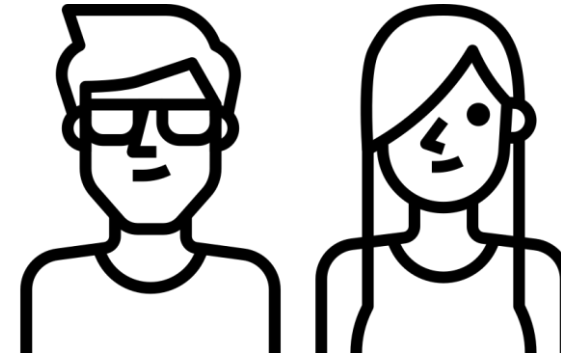


### Active choice

Choose your fund allocation

Up to 75% can be invested in Equity  
5% in alternate assets

## Don't follow the markets?



### Auto choice

Age and risk appetite based  
investment options

Aggressive (LC 75);

Moderate (LC 50);

Conservative (LC 25)

# Can you do partial withdrawal in NPS?

- You can now withdraw 3 times from NPS corpus after completing 3 years in the system.
- You can withdraw 25% of contribution made by them; excluding contribution made by employer & interest generated, adhering to below condition
  - Education of self & children
  - Marriage of children
  - Due to critical illness of self / spouse / children
  - Construction / purchase of residential property
  - For starting a business

# Exiting from NPS



## On Retirement

Annuitized Min 40%

Tax free withdrawal  
balance 60%

<₹ 5 Lacs can withdrawn



## Before Retirement

Annuitized Min 80%

Tax free withdrawal  
balance 20%

<₹ 2.5 Lacs can withdrawn

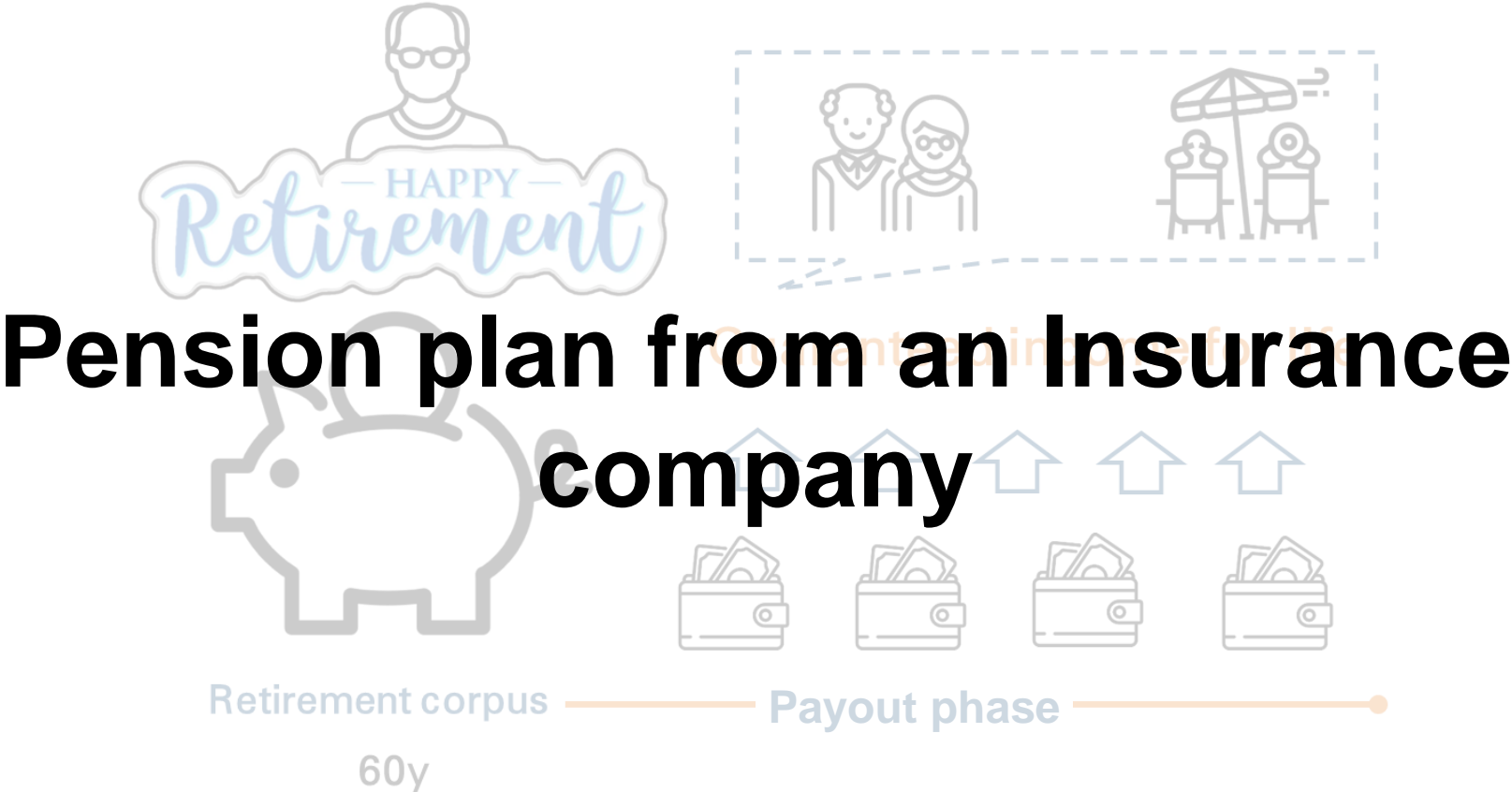


## On Death

100% paid to nominee

Option of annuity  
available to nominee

# Our recommendation – Payout phase



# Pension/ Annuity options

Life Annuity

Life Annuity with  
Return of Purchase  
Price

Joint Life, Last  
Survivor with Return  
of Purchase Price

Joint Life, Last  
Survivor without  
Return of Purchase  
Price

Annuity for life with  
ROP at 80

Annuity for life with  
ROP from age 76

Annuity for life with  
50% ROP at 80

Life Annuity with  
return of Purchase  
Price on Critical  
illness (CI)/PD or  
Death

Saral Pension



# ICICI Pru Annuity features for NPS Subscribers

<b>1% Discount</b>	We offer 1% discount to all NPS Subscribers
<b>No minimum amount</b>	There is no minimum amount capping for NPS Subscribers
<b>Provide cover for entire family</b>	In case of Joint life, the secondary annuitant can be the spouse/child/parent or sibling of the NPS Subscriber
<b>ROP as survival benefit</b>	ROP can be used as living benefit instead of death benefit. The purchase price can be used for legacy planning.
<b>Easy claim process</b>	We settle claims just in 3 easy and quick steps
<b>Life Verification</b>	Generate your Life Certificate in comfort of your home in 3 easy steps.

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**Thank you**

# Popular options for retirement planning - Returns

Provident Fund  
(PF)

8.5%

Public Provident  
Fund (PPF)

7.1%

Life Insurance  
solutions

7% - 12%

NPS

9% - 13%

Mutual Funds

8.5% - 11%

Fixed deposits  
(Banks)

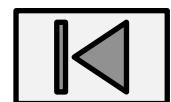
4.5% - 6.2%

Atal Pension  
Yojana

8%

Superannuation  
plans

5% - 7%



# NPS auto choice

Age	Aggressive			Moderate			Conservative		
	Equity	Corp. Bonds	Govt. Sec	Equity	Corp. Bonds	Govt. Sec	Equity	Corp. Bonds	Govt. Sec
< = 35 Yrs	75%	10%	15%	50%	30%	20%	25%	45%	30%
36	71%	11%	18%	48%	29%	23%	24%	43%	33%
37	67%	12%	21%	46%	28%	26%	23%	41%	36%
38	63%	13%	24%	44%	27%	29%	22%	39%	39%
39	59%	14%	27%	42%	26%	32%	21%	37%	42%
40	55%	15%	30%	40%	25%	35%	20%	35%	45%
41	51%	16%	33%	38%	24%	38%	19%	33%	48%
42	47%	17%	36%	36%	23%	41%	18%	31%	51%
43	43%	18%	39%	34%	22%	44%	17%	29%	54%
44	39%	19%	42%	32%	21%	47%	16%	27%	57%
45	35%	20%	45%	30%	20%	50%	15%	25%	60%
46	32%	20%	48%	28%	19%	53%	14%	23%	63%
47	29%	20%	51%	26%	18%	56%	13%	21%	66%
48	26%	20%	54%	24%	17%	59%	12%	19%	69%
49	23%	20%	57%	22%	16%	62%	11%	17%	72%
50	20%	20%	60%	20%	15%	65%	10%	15%	75%
51	19%	18%	63%	18%	14%	68%	9%	13%	78%
52	18%	16%	66%	16%	13%	71%	8%	11%	81%
53	17%	14%	69%	14%	12%	74%	7%	9%	84%
54	16%	12%	72%	12%	11%	77%	6%	7%	87%
> = 55 Yrs	15%	10%	75%	10%	10%	80%	5%	5%	90%



# NPS charges

Intermediary	Charge head	Service Charges		Deduction Method
POP	Initial subscriber registration and contribution upload	Rs. 200		To be collected upfront
	Any subsequent transactions	0.25% of contribution, Min. Rs 20 Max. Rs 25000		
	Non-Financial	Rs 20		
	Contribution through eNPS	0.10% of contribution, Min. Rs 10 Max. Rs 10000		
CRA		<b>NSDL</b>	<b>Karvy</b>	Through cancellation of units
	PRAN Opening charges	Rs 40	Rs 39.36	
	Annual PRA Maintenance cost per account	Rs 95	Rs 57.63	
	Charge per transaction	Rs 3.75	Rs 3.36	
Custodian	Asset Servicing charges	0.0032% of AUM for Electronic segment & Physical segment		Through adjustment in NAV
PF charges	Investment Management Fee	0.09% of AUM		
NPS Trust	Reimbursement of Expenses	0.01% of AUM		

# Here is why Customers choose us

## Strong performance on customer metrics

We are highly sensitive towards claim settlements, claim payout times, grievances settlement. We constantly strive to excel in our ability to service customers.

## Safe and stable returns

We continuously work to ensure that we secure the future of customers by investing in portfolio that provides safe and stable returns

## Digital processes

We continuously invest in digital to enhance customer experience and ease. Our digital self-service transactions ensure that processes are in accordance with your future lifestyle

# Annuity Rates

Annuity options	Rate of Return	Monthly	Quarterly	Half-Yearly	Yearly
Life Annuity	7.57%	3063	9282	18747	37861
Life Annuity With ROP	6.07%	2457	7446	15039	30373
Joint Life Last Survivor	6.53%	2643	8008	16174	32665
Joint Life Last Survivor With ROP	6.06%	2455	7438	15022	30340
Single Life with ROP at 80	4.97%	2013	6101	12322	24886
Single Life with ROP on CI or PD or death	5.90%	2390	7241	14626	29539
NPS Family Income	6.06%	2455	7438	15022	30340

Rates for purchase price 5 lakhs

Age of primary annuitant is 60 years and secondary annuitant is 55 years