

## Frequently Asked Questions

### 1. What is pension and why do I need it?

A **pension** provides people with a monthly income when they are no longer earning.

Need for Pension:

- ❑ One is not as productive in the old age as in youth.
- ❑ The rise of nuclear family –Migration of younger earning members.
- ❑ Rise in cost of living
- ❑ Increased longevity

***Assured monthly income ensures dignified life in old age***

### 2. What is NPS - Swavalamban and why is it the right pension scheme for me?

"NPS -Swavalamban Model" is designed to ensure ultra-low administrative and transactional costs, so as to make small investments viable.

**Swavalamban Yojana** is a scheme announced by the Government of India under which Government will contribute Rs. 1000 per year to each NPS – Swavalamban account opened in year 2010-2011,2011-2012 ,2012-2013 for five years as under .

- Account opened in 2010-2011 will get the benefit till 2014-2015
- Account opened in 2011-2012 will get the benefit till 2015-2016
- Account opened in 2012-2013 will get the benefit till 2016-2017

NPS – Swavalamban account opened in the period 2013-2014 to 2016-2017 will get the Swavalamban benefit up to 2016-17.

#### *Distinguishing Features of NPS -Swavalamban:*

**Voluntary** - Open to eligible citizens of India, in the age group of 18–60 years. Subscriber is free to choose the amount he/she wants to invest every year.

**Simple** – Eligible individuals in the unorganized sector can open an account through their Aggregator and get an Individual subscriber (NPS - Swavalamban) Account.

**Safe** - Regulated by PFRDA, with transparent investment norms, regular monitoring and performance review of fund managers by NPS Trust.

**Economical** – Ultra-low cost structure with no minimum amount required per annum or per contribution.

### **3. Why should I contribute for such a long period in this pension scheme?**

The contribution into NPS - Swavalamban is an investment for the future income for you & your family. When you contribute a part of your current income, you get pension out of this long term savings when you are not working. A longer period of investment would ensure a larger corpus being invested and hence higher pension returns during your old age. Longer duration of investment in NPS –Swavalamban ensures that high benefits accrue for long periods.

### **4. How different is NPS - Swavalamban from other products like savings in the bank?**

NPS - Swavalamban is a pension product to ensure a monthly income after the retirement age has been attained.

NPS - Swavalamban invests a portion of the contributions in the equity (stock) market and hence there are possibilities of returns much higher than what banks & similar financial institutions are able to offer. A portion of the corpus is invested in equity markets which enables the corpus to grow quickly. However, unlike other equity based investment schemes where risk of losing the money is high, in NPS - Swavalamban; the risk is reduced considerably as up to 55% of money is invested in Government securities and up to 40% in corporate bonds.

### **5. NPS -Swavalamban invests my contributions in the equity markets. How safe is this?**

Investments are regulated by PFRDA/GOI. NPS - Swavalamban invests only up to 15% of the total funds in the equity or stock markets. The balance funds are invested into fixed income instruments such as corporate bonds and Government securities.

### **6. Why do I not know the return on my investment through NPS –Swavalamban as I do in the case of PPF, FDs and other such investment tools?**

PPF and FDs are investments that have a fixed interest rate and maturity period, hence it is possible to calculate the long-term returns of these investments.

NPS - Swavalamban is a long term scheme which is based on flexible contribution and market returns that are subject to change as per the market conditions.

## **7. Who can subscribe to NPS -Swavalamban?**

A citizen of India, who belongs to the unorganized sector, can open NPS -Swavalamban account based on the following conditions:

1. Should be between 18 – 60 years of age as on the date of submission of his/her application by Aggregator.
2. Should comply with the KYC process carried out by an Aggregator.
3. Subscriber should not covered under social security scheme like Employees' Provident Fund and Miscellaneous Provision Act , The Coal Mines Provident Fund and Miscellaneous Provision Act etc

## **8. What is the procedure to open NPS -Swavalamban account?**

1. Contact the aggregator.
2. Fill up the registration form.
3. Provide KYC documents.  
Identity Proof &Address Proof.
4. Minimum contribution of Rs.100/- at the time of registration.
5. Receive “Your” Permanent Retirement Account Number (PRAN) card through an aggregator.

## **9. How do I continue making contributions once I have been registered into NPS -Swavalamban?**

You are required to make your contributions at the time of registration and subsequently through an Aggregator. You are required to make the contributions subject to following conditions:

1. Minimum contribution amount at the time of Registration - Rs 100
2. Though there is no minimum contribution requirement per year, minimum contribution of Rs. 1000/-per year is recommended to avail Swavalamban benefit. However it may be remembered the higher contribution amount will yield higher pension and since Swavalamban benefit is available for contribution upto Rs 12000/- it may be desirable to save higher amounts in your NPS-Swavalamban account.

## **10. How much should I invest in NPS-Swavalamban? Is there a minimum contribution limit per year?**

At the point of registration, you will have to invest a sum of Rs.100. Though there is no minimum contribution requirement per year, it is recommended that a contribution of at least Rs.1000 per year is made to ensure reasonable pension after retirement.

### **11. How many times should I invest in a year?**

There are no lower or upper limits to the number of contributions per year. The subscriber is free to manage the frequency and amounts of contributions.

### **12. Where will my savings be invested?**

The contributions under NPS-Swavalamban are invested in a single scheme consisting of Equity, Corporate Bonds and Government Securities in terms of guidelines prescribed by GOI, Ministry of Finance.

### **13. What rate of return will my contributions earn?**

There is no investment return guarantee. Returns in NPS -Swavalamban are market based. The benefits will entirely depend upon the amounts contributed and the investment growth upto the point of exit from NPS.

### **14. When will I be permitted to withdraw from my account?**

The normal exit from NPS – Swavalamban account is at the age of 60. However early exit is also permitted with certain conditions. Withdrawal process details are as follows:

#### **1. Exit on 60 yrs**

Subscriber would be required to invest minimum 40% of accumulated savings (pension wealth) to purchase annuity.

Subscriber will provide the bank account and withdrawal details to the aggregator to upload the information for execution to CRA System.

At the time of exit, the effort is to give a monthly pension of Rs.1000/-. If 40% of corpus is not sufficient to give pension of Rs.1000/- higher percentage or entire pension wealth (corpus) would be subject to annuitisation.

#### **2. Exit before 60 yrs**

Subscriber would be required to invest minimum 80 % of accumulated savings (pension wealth) to purchase annuity.

Subscriber can withdraw balance 20%.

**3. Withdrawal on Death of Subscriber :** In case of death, the entire corpus will be transferred to the nominee/ legal heirs. The nominee/ legal heir will approach the aggregator with necessary documents such as Death Certificate, Identity proof of the nominee etc.

### **15. How will I know the status of my investment and how much it has accumulated to?**

You will receive a physical annual Statement of Transaction (SOT) of your NPS-Swavalamban account, which will indicate the details of contribution made and current value of the corpus in the individual retirement account. However you can access your account anytime through the aggregator to check the status of your Individual Retirement Account (IRA).

### **16. In case of Death of the Subscriber, how would the nominee get the amount? Please explain the operational procedure.**

#### Option 1:

The nominee can receive 100% of the NPS pension wealth in lump sum.

Contact the aggregator and submit necessary documents such as death certificate, identity proof etc.

#### Option 2:

If the nominee wishes to continue with the NPS, he/she shall have to subscribe to NPS individually after following prescribed KYC norms, contact the aggregator for subscribing into NPS - Swavalamban.

### **17. At the time of subscribing no bank account details are required. What will happen at the time of exit if the Bank a/c details are not provided by the Subscriber?**

Though a bank account is not mandatory at the time of entry into NPS-Swavalamban, it is highly desirable to have one. However, bank A/c is mandatory for exit from NPS-Swavalamban since no cash transactions are permitted at the time of withdrawal. This is in the interest of the subscriber.

### **18. If I move my residence/city, will the scheme still be valid? How do I make contributions in that eventuality?**

Subscriber can retain his/her PRAN when he/she changes residence/city. The same PRAN would be valid across the country to continue making investments, through an aggregator who is operational in your locality/city.



### **19. What is the Swavalamban scheme and am I eligible for it?**

The Swavalamban Scheme is a Govt. of India incentive for unorganized sector. **This is a pension scheme available to provide the retirement benefit to unorganized sector and under this scheme,** the Govt. of India will contribute Rs.1000/- per year to every NPS-Swavalamban account provided the contribution is **between Rs.1000/-to Rs.12000/- per year.**