Decoder

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SMART PENSION PLAN

The pension plan from Reliance Life Insurance not only allows you to start saving early, but offers riders too

Smart Pension Plan, a unit-linked pension plan from Reliance Life Insurance, allows you to start saving early at the age of 18 years. The pension can neither begin before the age of 45 and no later than 75. The plan also offers riders, such as permanent disablement, surgical benefit and critical illness, to increase the scope of the coverage.

How does it work? The pension plan works in two stages—accumulation and income. During the accumulation period, you build up a retirement corpus by paying premiums every year. The income stage starts from the vesting date, under which pension is paid to you from the accumulated corpus.

On vesting. You can commute up to one-third of the corpus and get compulsory pension on the balance, or you could buy an annuity of the whole amount at maturity. Currently, life annuity, joint life annuity, life annuity with return of purchase price and life annuity guaranteed for five, 10 and 15 years are offered.

Maturity. On maturity, the fund value is paid to the policyholder. According to the Insurance Regulatory and Development Authority (IRDA) guidelines, the maturity benefit cannot be less than 101 per cent of the premiums paid over the term. This means that the capital stays safe irrespective of any situation.

Loyalty Additions. From the sixth policy year, at the end of every three years, loyalty additions will be added to the fund value at the rate of 1-9 per cent of annual premium depending on the policy year.

Death Benefit. On death of the life assured, the higher of fund value or 105 per cent of the total premiums paid during the term is paid to the nominee. With the proceeds, the nominee can choose to buy annuity or take it as a lump sum.

On early exits. There are no surrender charges after five years. However, if discontinued before the fifth year of the policy, surrender charges would be deducted from your fund value and the leftover amount will be moved to discontinuation fund (see table), which would be released only after the fifth year. The policyholder can either commute one-third portion of the surrender value and buy annuity with the rest or he could buy another single premium deferred pension plan.

Investment Options. The plan offers only one fund option—Pension Smart Fund 1, which has equity exposure of 0-90 per cent.

Performance. Based on the assumed growth of 8 per cent, the fund value for a 35-year-old male investing ₹50,000 over 25 years works out to ₹29.28 lakh, where the net yield comes at 6.05 per cent.

Comparison. One of the alternatives is National Pension System (NPS), which has a maximum exposure to equities up to 50 per cent. The scheme has lower charges as well. The maximum withdrawal at the age of 60 can be up to 60 per cent of the corpus, but it is not tax-free.

Conclusion. On maturity as well as early surrenders, there is compulsory pension from the same insurer. So, buy it only if you want pension at a later stage. Most importantly, continue the plan through the whole term. ❐

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FEATURES

Entry Age >	18-65 years
Policy Term (years) >	Minimum: 10 years for SP[1], 15 years for RP[2] and LPPT[3]. Maximum: 30
Maturity/ Vesting Age >	45-75 years
PPT[4] >	10-30 years
Minimum Premium (depending on the span of payment) for RP >	PPT[4] 10-14 years: Not Available
	PPT 15-19 years: ₹3,000-36,000
	PPT[4] 20 years and above: ₹2,000-20,000
Minimum Premium (depending on the span of payment) for LPPT >	PPT[4] 10-14 years: ₹4,000-48,000
	PPT[4] 15-19 years: ₹4,000-48,000
	PPT[4] 20 years and above: ₹3,000-24,000
Maximum Premium >	No Limit
Premium Frequency >	Annual, Half-Yearly, Quarterly, Monthly and Single

[1]Single Premium [2]Regular Premium [3]Limited Premium Paying Term [4]Premium Paying Term

CHARGE STRUCTURE

Premium Allocation (% of annual premium)

Year 1>	8
Year 2-5>	5.50
Year 6-9>	5
Year 10 onwards >	3

Policy Administration (% of premium per annum):
₹40 from the year 6 onwards.
Under SP plans 1.5% for years 2-5, 0.75% thereafter

Fund Management:
Pension Smart Fund 1:1.35%, *0.50% for Discontinued Policy Fund