

National Pension System (NPS) Preference Index Study, 2023

Research Partner: Ipsos



Ipsos Research Pvt Ltd., an independent market research company



Foreword

In an age where financial security is paramount, our commitment to empowering individuals for a secure retirement gains unprecedented strength.

National Pension System (NPS) is instrumental to facilitate an income post retirement, making it pivotal for long-term financial security. In India, a significant opportunity exists to boost NPS adoption, which is why there was a need to delve deeper into the intricacies and understand why.

HDFC Pension is proud to unveil **National Pension System (NPS) Preference Index Study**, a report that not only illuminates the landscape of retirement planning but is an industry-first spotlight on the National Pension System (NPS) as a cornerstone of this journey.

This research has been conducted in association with an independent market research specialist Ipsos.

Our pursuit is not limited to mere awareness; it extends to building an earnest understanding of NPS among individuals, which is why we worked further ahead to present the **'NPS Preference Index'**, a powerful metric derived from three broad aspects that delve into familiarity, appeal and consideration for NPS.

This report will help in understanding people's preferences and outlook towards retirement and NPS.

Research objective & target audience: This research aims to explore people's perceptions of retirement, NPS and their financial readiness at different life stages.



1801
Total Sample
People who are aware about NPS
Across Tier 1, Tier 2 & Tier 3



30-40 | 45-55
Age



75% Males | **25%** Females



70% Salaried | **30%** Business Owners



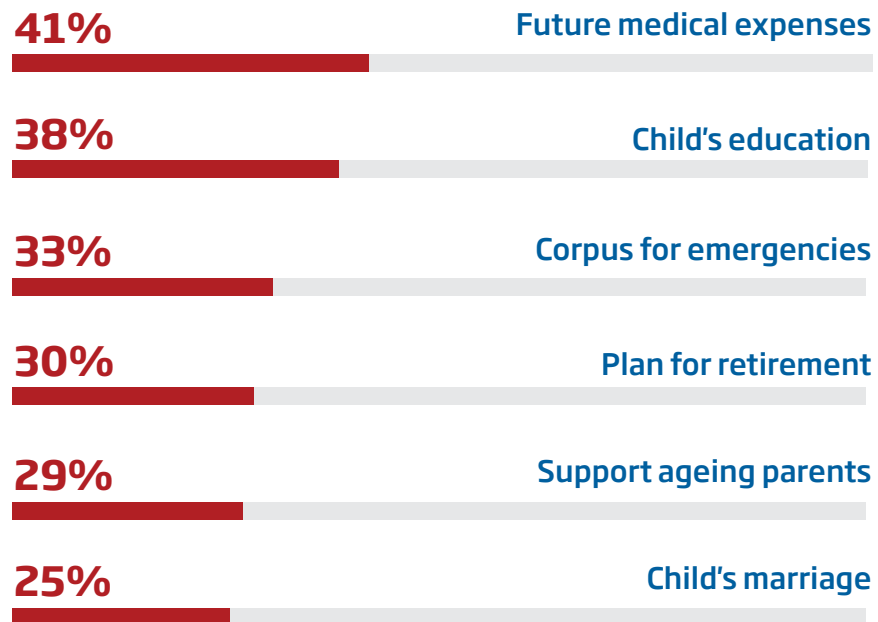
> ₹ 7 Lakhs
Annual Household Income

Face-to-face personal interviews during Aug-Sep 2023 across 12 cities in India among NCCS A

What are the key financial priorities for an individual?

Retirement planning often gets sidelined amidst life's other pressing priorities.

- For most people, savings are generally channeled towards their child's education or set aside for future medical expenses.
- Child's education/marriage takes precedence in lower tier markets, whereas retirement planning takes a back seat compared to metros.



What do consumers feel about retirement planning?

Expected age of retirement

- 5% of people expect to retire by the age of 50
- Younger consumers are more optimistic towards an early retirement as compared to the older ones



Base 1595



Base 1354

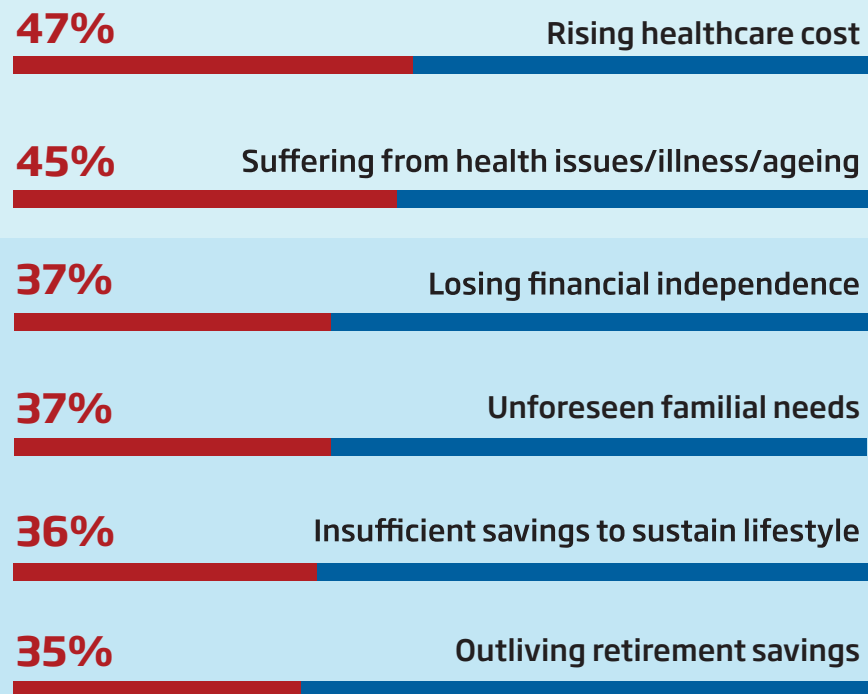
Ideal age to start retirement planning as per consumers

- 20% feel that serious retirement planning should start before the age of 30
- This proportion is higher amongst males, salaried, and higher income groups (more than ₹20 lakhs annual household income)

Post-retirement financial corpus is estimated at an average of ₹ 1.3 Cr

In consumer's mind, ideal retirement corpus goes up with age and income, however, it's often underestimated (corpus estimated at <10x of their current annual household income).

What are the post-retirement life worries?

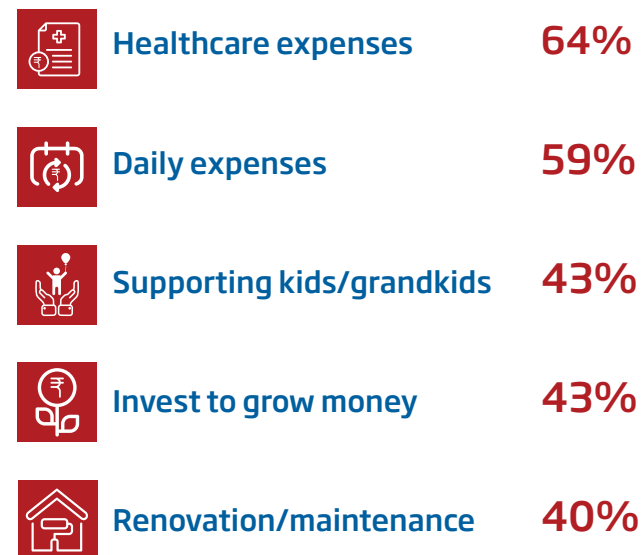


- Outliving retirement savings, as a worry, builds with age
- Unforeseen familial needs fall in the top 3 concerns for older age group



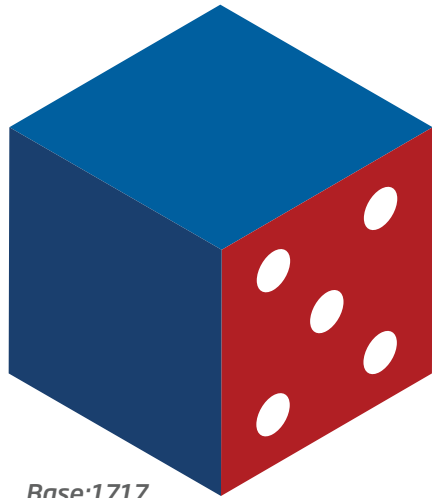
Post-retirement worries coincide with retirement expenses and indicate that healthcare is a major concern w.r.t retirement planning

What are the major expected expenses post retirement?



What are the triggers and barriers towards retirement planning?

Triggers

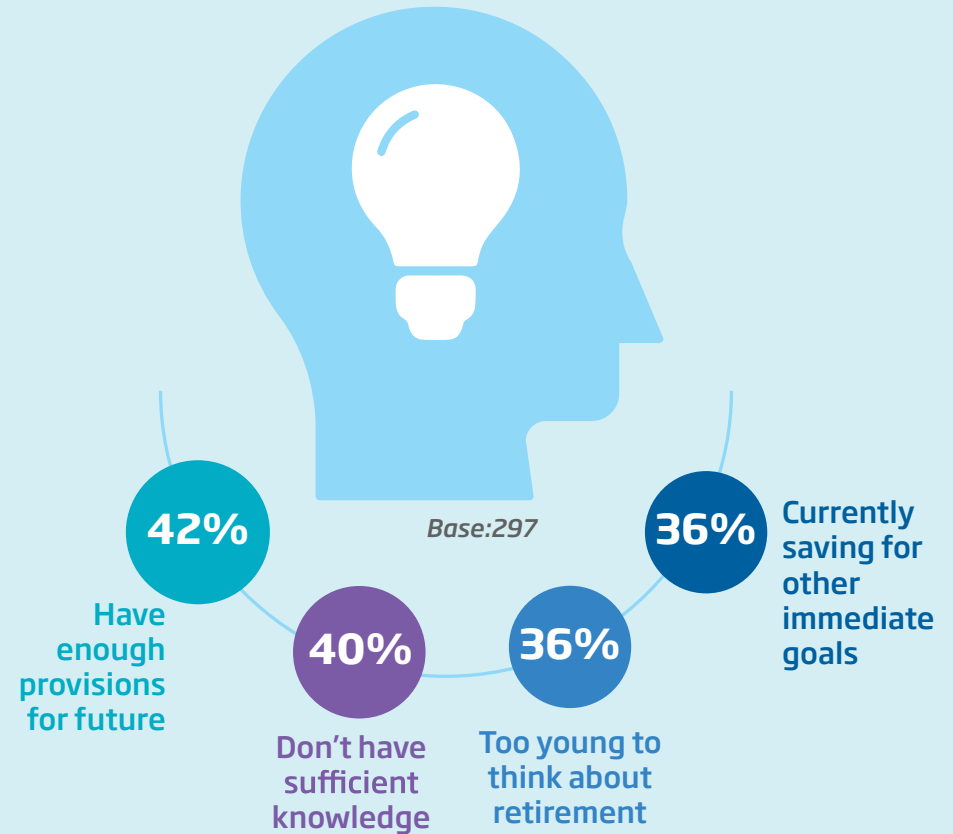


Base:1717

- 1 38%**
Declining health/physical abilities
- 2 36%**
Securing financial stability post-retirement
- 3 34%**
Securing future for dependents
- 4 31%**
Major life events (marriage, child, etc.)
- 5 31%**
Financial advice from social circles

- ▣ Advice from social circles is the biggest trigger in West and in higher income segments
- ▣ Declining health is a relatively stronger trigger for older age group

Barriers

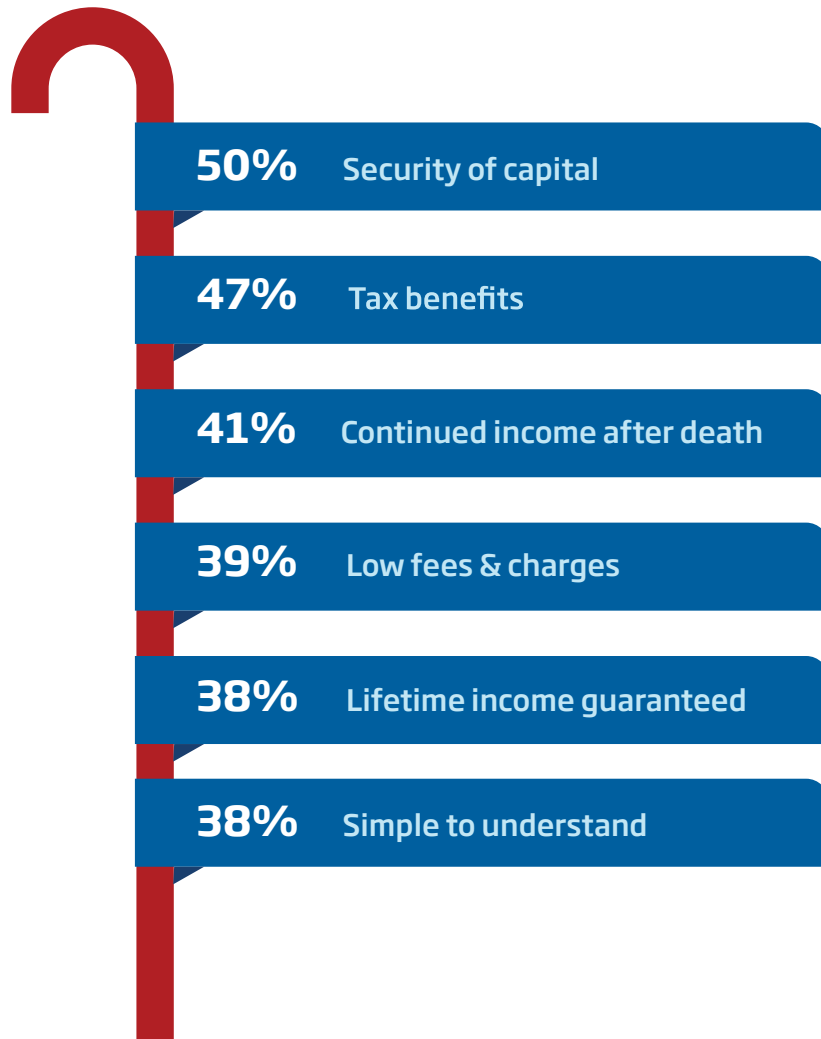


- ▣ As compared to non-metros, people in metros strongly feel that they have enough provisions for their future
- ▣ Lack of knowledge is the biggest barrier for non-metro cities



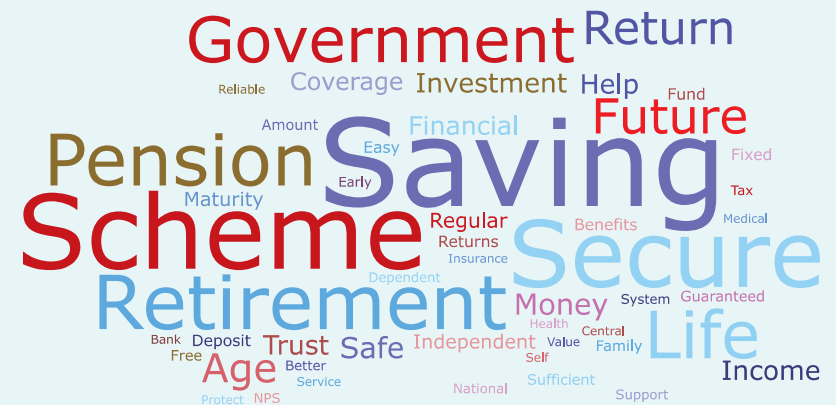
- The need for financial stability post retirement and declining health are major catalysts for retirement planning
- Inadequate financial estimation and lack of knowledge impede retirement planning

What is the ideal retirement product?



- For most people, an ideal retirement product must provide security of capital, along with tax benefits
- People view NPS as a government backed retirement security option

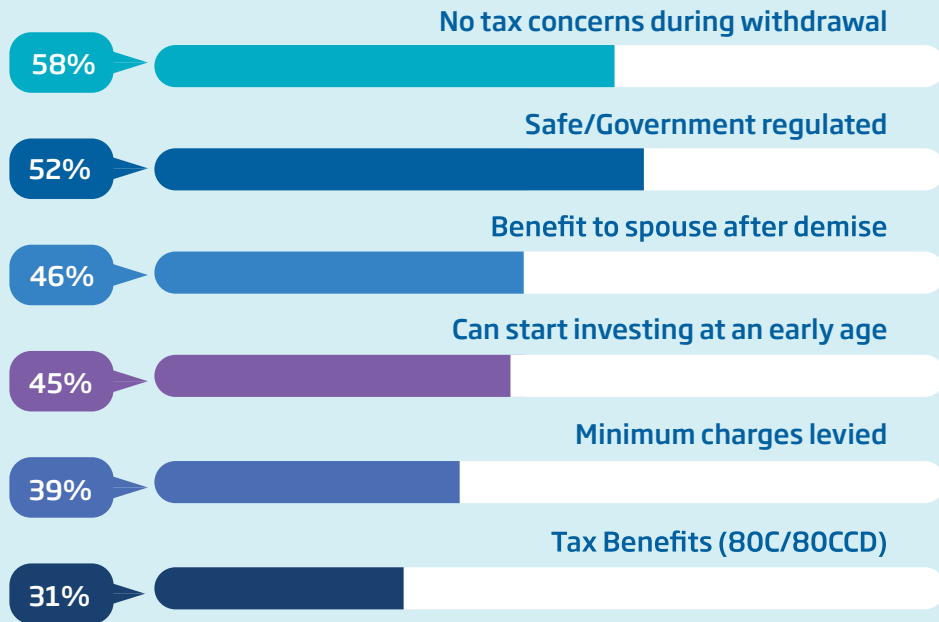
What do people associate NPS with?



What are the key sources of awareness for NPS?



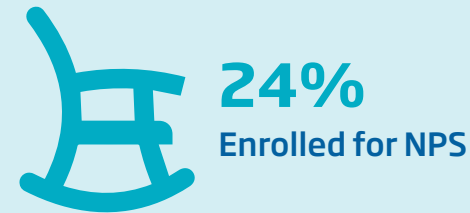
What are the appealing features of NPS according to people?



- ▣ 'Tax benefits' has a higher appeal among those who have invested in NPS
- ▣ 'No tax concerns on withdrawal' has a relatively stronger appeal in North
- ▣ 'Benefit to spouse' is one of the top appealing features in South

Are NPS subscribers more confident about their retirement planning?

While National Pension Scheme (NPS) is a relatively new investment option, it shows 24% ownership as a financial instrument towards retirement planning.



86%* of those enrolled in NPS feel confident about their retirement planning as compared to 74%* of those who are not enrolled in NPS

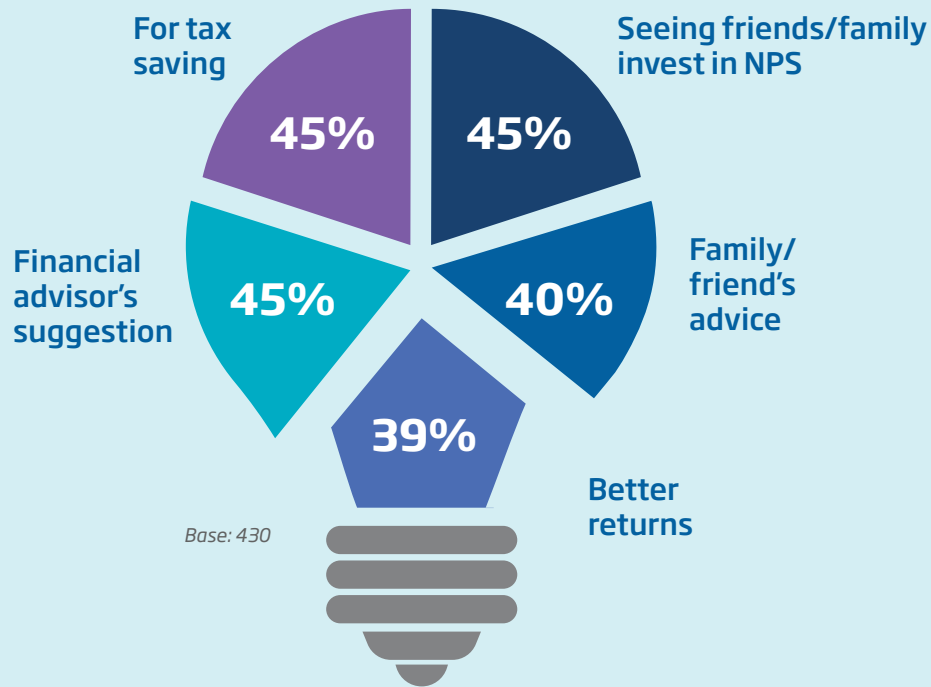


- About 1 in 4 people have enrolled for NPS and feel more confident about their retirement planning
- As per respondents, ideal retirement product must provide security of capital & tax benefits
- NPS offers features like safety & tax benefits, making it a tailor-made financial instrument for retirement planning

* Top 2 box (on a 5 point scale), confident, very confident about finances during retirement years

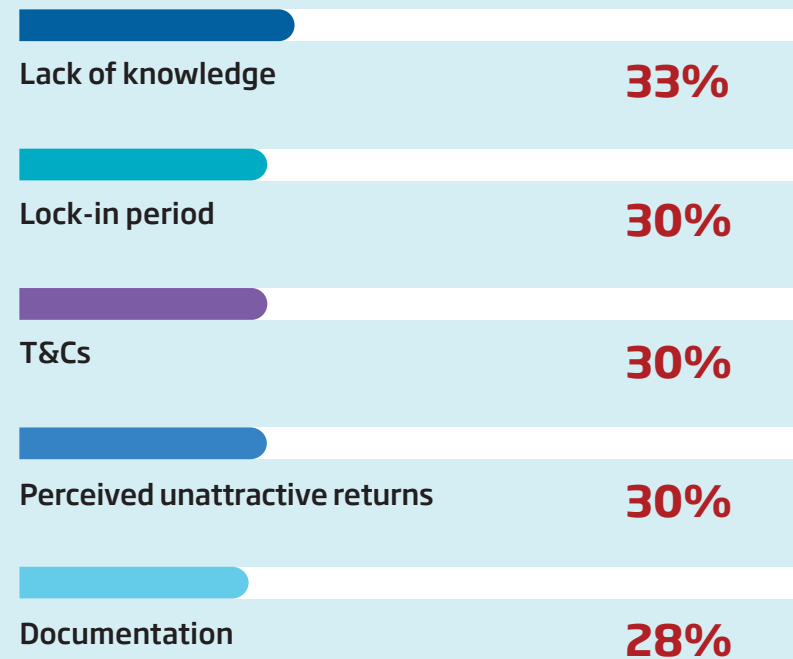
What are the triggers & barriers for National Pension System?

Triggers



- ▣ Tax saving is the biggest trigger for East and older age group
- ▣ Family/friend's advice is the biggest trigger for North while getting better returns is the biggest trigger for South

Perceived Barriers



Base: 1801

- ▣ Perceived unattractive returns are a big concern in metros
- ▣ Lock-in period is a concern in non-metros

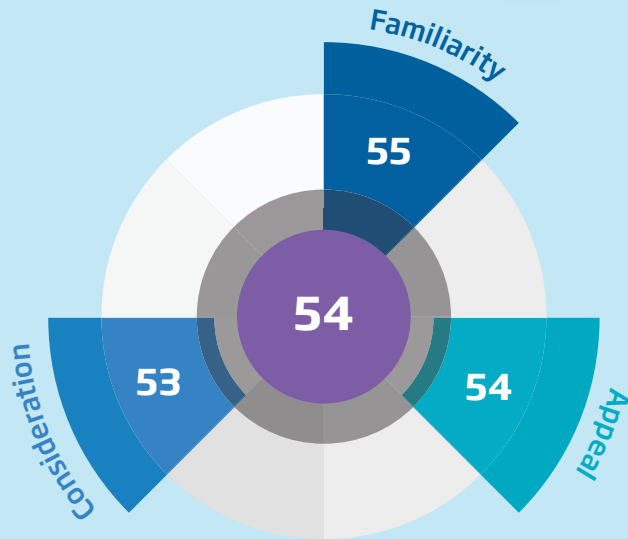


- Tax savings & seeing peers invest are the main motivators for NPS investment
- Lack of knowledge is the biggest barrier to NPS investment

Introducing India's first NPS Preference Index

NPS Preference Index is an industry-first trackable metric which will extend a perspective on people's understanding and consideration of National Pension System.

3 key pillars of NPS Preference Index

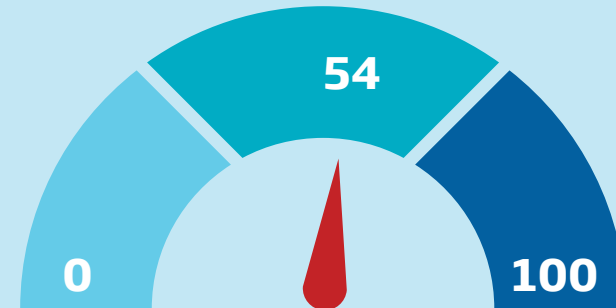


Familiarity with NPS - Familiarity measures individuals' understanding of the features, benefits, terms & conditions, etc. of National Pension Scheme.

Appeal of NPS - Appeal stands for attractiveness of NPS considering all the financial instruments available to them for long-term savings or retirement planning.

Consideration for NPS - Focuses on likeliness of the individual to consider investing or continuing with the National Pension Scheme.

NPS Preference Index



Does easy access to information drive NPS preference?

70

NPS Preference Index for respondents finding it easy to get info on NPS

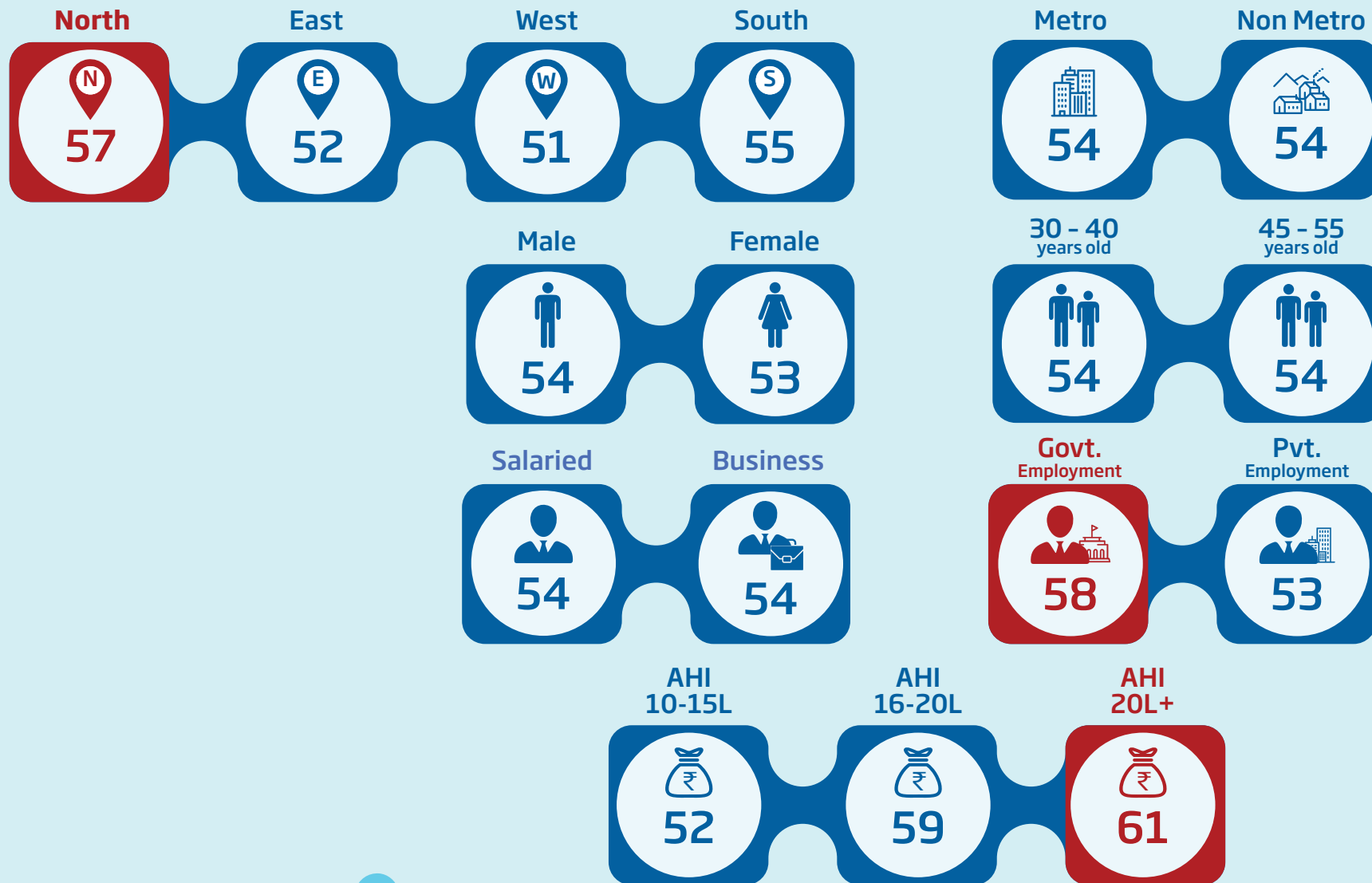
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NPS Preference Index for respondents finding it difficult to get info on NPS



- NPS Preference Index is currently at a moderate level, and is equally influenced by its three pillars
- NPS Preference Index improves significantly with easy access to information

What is the NPS Preference index across geographies and customer segments ?



- Higher index observed in North and amongst Govt. employees
- The index also increases with income

Key Findings



- Retirement planning ranks low in the financial priorities of people
- Retirement needs are highly underestimated



- Health & well-being are major concerns post-retirement



- Key factors for choosing an ideal retirement product are:
 - Capital security
 - Tax benefits



- In 4 people have enrolled in NPS and feel more confident about their retirement planning
- Features of NPS like tax free withdrawals, safe & govt. regulated are found to be more appealing



- Tax benefits, peers and financial advisors trigger NPS purchase
- Lack of knowledge is a key barrier for NPS purchase



- NPS Preference Index measures familiarity, appeal & consideration of consumers for NPS
- NPS Preference Index stands moderately at 54



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