

Study Notes for NISM Series XVII: Retirement Adviser Certification Examination

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EXAMINATION DETAILS

Questions	Mcq - 100x1 mark
Total marks	100
Duration	2 hours
Pass mark	60
Negative marking	25 percent of the marks assigned to a question

WEIGHTAGE

Chapter No.	Chapter Name	Weightage (%)
1	Fundamental Concepts in Retirement Planning	5
2	Financial Markets & Investment Products	10
3	Retirement Planning Process	15
4	Retirement Planning Products: National Pension System	20
5	Evaluating Fund Performance & Fund Selection	10
6	Retirement Planning Products: Other Investment Products	8
7	Retirement Planning Strategies	12
8	Special Considerations in Retirement	10
9	Regulations & Regulators	10

NISM Series XVII: Retirement Adviser Certification Examination

CHAPTER 1: FUNDAMENTAL CONCEPTS IN RETIREMENT PLANNING

Need for Retirement Planning: Retirement planning is essential to ensure financial security post-retirement when regular income ceases.

Financial Independence: The goal of retirement planning is to achieve financial independence, covering living expenses without reliance on employment income.

Longevity Risk: Increased life expectancy requires a larger retirement corpus to sustain expenses over an extended period.

Inflation Impact: Inflation erodes purchasing power, necessitating a larger corpus to maintain the same standard of living in retirement.

Expense Patterns: Retirees' expenses shift over time, with leisure and health costs becoming significant in later years.

Defined Benefit (DB) Plans: In DB plans, the employer guarantees a fixed pension, bearing the investment and longevity risks.

Defined Contribution (DC) Plans: In DC plans, the employee bears the risk, as the pension depends on contributions and investment returns.

Time Value of Money: Understanding the time value of money is crucial for making informed saving and investment decisions for retirement.

Compounding Effect: Regular savings and early investment leverage compounding to significantly increase the retirement corpus.

Real Rate of Return: The real rate of return accounts for inflation, providing the effective growth of investments.

Market-Linked Returns: Investments like equity offer higher potential returns but come with volatility compared to fixed-return instruments.

Fixed Return Investments: Fixed-return instruments like bonds provide stable but lower returns, requiring higher principal contributions.

Early Saving Advantage: Starting retirement savings early reduces the monthly contribution needed due to longer compounding periods.

Budgeting for Savings: Budgeting instills discipline to allocate income for retirement savings, especially when income is limited.

Retirement Corpus Estimation: Estimating the required corpus involves factoring in expected expenses, inflation, and life expectancy.

Investment Risk: Poor investment performance can lead to an inadequate retirement corpus, necessitating professional advice.

Psychological Adjustment: Scaling back expectations due to insufficient funds can cause psychological stress in retirement.

Health and Leisure Costs: Retirement planning must account for increasing health and leisure expenses as retirees age.

Voluntary Savings: Individuals without mandatory retirement plans must voluntarily save to build an adequate corpus.

Retirement Goal Prioritization: Retirement should be prioritized alongside other financial goals to ensure long-term security.

Investment Horizon: A long investment horizon allows for riskier, higher-return investments like equities for retirement.

Savings Discipline: Consistent savings discipline is critical to avoid shortfall in the retirement corpus.

Inflation Adjustment: Retirement plans must adjust for inflation to ensure the corpus retains its purchasing power.

Risk Tolerance: Individual risk tolerance influences the choice of investment vehicles for retirement planning.

Professional Guidance: Seeking professional help ensures better management of retirement planning complexities.

Retirement Phases: Retirement planning involves accumulation (saving) and distribution (income generation) phases.

Market Volatility: Volatile markets can impact the retirement corpus, requiring diversified investments.

Goal-Based Investing: Investments should align with the specific financial goals of retirement, such as income stability.

Tax Implications: Tax considerations affect the net returns on retirement investments, influencing corpus size.

Emergency Funds: Maintaining an emergency fund reduces the risk of dipping into retirement savings for unexpected expenses.

Retirement Age Flexibility: Postponing retirement can increase the corpus by extending the saving period.

Asset Allocation Strategy: Strategic asset allocation balances risk and return to meet retirement goals.

Investment Monitoring: Regular monitoring of investments ensures alignment with retirement objectives.

Retirement Income Sources: Multiple income sources, such as pensions and annuities, enhance financial security.

Expense Forecasting: Accurate forecasting of retirement expenses is critical for determining the required corpus.

Savings Shortfall: A shortfall in savings may require lifestyle adjustments or additional income sources in retirement.

Retirement Lifestyle: The desired retirement lifestyle significantly impacts the size of the required corpus.

Social Security Benefits: Limited social security benefits in India emphasize the need for personal retirement savings.

Investment Diversification: Diversifying investments reduces the risk of loss and stabilizes returns.

Long-Term Planning: Retirement planning requires a long-term perspective to account for life expectancy and inflation.

Financial Literacy: Understanding financial concepts enhances effective retirement planning decisions.

Retirement Corpus Growth: The corpus must grow to outpace inflation and meet rising expenses.

Investment Return Expectations: Unrealistic return expectations can lead to inadequate retirement funds.

Retirement Planning Tools: Tools like Excel's FV and PV functions aid in calculating retirement needs.

Health Insurance: Adequate health insurance is vital to protect the retirement corpus from medical expenses.

Retirement Savings Priority: Prioritizing retirement savings over discretionary spending ensures financial security.

Market Risk Management: Managing market risks through diversification and periodic rebalancing is essential.

Retirement Income Stability: Stable income sources are critical in the distribution phase to meet expenses.

Tax-Advantaged Investments: Investments like PPF and NPS offer tax benefits, enhancing retirement savings.

Retirement Planning Challenges: Challenges include estimating expenses, managing risks, and ensuring adequate savings.

Investment Growth: Growth-oriented investments are suitable for the accumulation phase to build the corpus.

Retirement Corpus Adequacy: Ensuring the corpus is adequate requires balancing contributions and returns.

Retirement Planning Discipline: Discipline in saving and investing is key to achieving retirement goals.

Inflation Protection: Investments must offer returns above inflation to maintain purchasing power.

Retirement Income Needs: Income needs vary based on lifestyle, health, and dependents in retirement.

Retirement Savings Adjustment: Adjusting savings for existing investments optimizes the retirement plan.

Investment Performance: Poor performance can necessitate changes in investment strategy or contributions.

Retirement Planning Education: Education on retirement products enhances decision-making.

Retirement Corpus Protection: Protecting the corpus from premature depletion is critical for longevity.

Retirement Planning Flexibility: Flexibility in planning allows adjustments for life changes and market conditions.

CHAPTER 2: FINANCIAL MARKETS & INVESTMENT PRODUCTS

Asset Classes: Financial assets include equity, debt, and cash; physical assets include real estate and commodities.

Equity Investments: Equity offers high returns but with volatility, suitable for long-term retirement goals.

Debt Investments: Debt instruments like bonds provide stable returns with lower risk than equities.

Cash Equivalents: Cash and equivalents offer high liquidity and low risk, ideal for short-term needs.

Risk and Return: Each asset class has unique risk-return profiles, influencing retirement investment choices.

Liquidity Needs: Liquidity varies by asset class, impacting accessibility for retirement expenses.

Macro-Economic Factors: Economic factors like inflation and interest rates affect asset class performance.

Asset Allocation: Strategic asset allocation balances risk and return to meet retirement objectives.

Equity Risk: Equity investments carry market risk, requiring a long investment horizon.

Debt Risk: Debt instruments face credit and interest rate risks, affecting returns.

Cash Safety: Cash equivalents are low-risk but offer minimal returns, unsuitable for long-term growth.

Real Estate Investment: Real estate offers rental income and capital appreciation but has low liquidity.

Commodities Investment: Commodities like gold act as inflation hedges but are volatile.

Fixed Returns: Fixed-return instruments like FDs provide predictable income but lower growth.

Variable Returns: Variable-return investments like equities offer growth potential but with volatility.

Interest Rate Risk: Rising interest rates reduce bond prices, impacting debt investments.

Credit Risk: Corporate bonds carry default risk, unlike government securities.

****Inflation Hedge fees:** Interest rate risk refers to the risk that bond prices will fall as interest rates rise, impacting bond values.

Diversification Benefits: Diversifying across asset classes reduces overall portfolio risk.

Mutual Funds: Mutual funds pool investments, offering diversification and professional management.

Government Securities: G-secs are low-risk, government-backed investments with stable returns.

Corporate Bonds: Corporate bonds offer higher yields but carry default risk.

Bank Deposits: Bank FDs provide fixed returns and are suitable for accumulation.

Public Provident Fund (PPF): PPF offers tax benefits and guaranteed returns for long-term savings.

Senior Citizens' Saving Scheme (SCSS): SCSS provides regular income for retirees with tax benefits.

National Savings Certificate (NSC): NSC is a fixed-return product suitable for accumulation.

Sukanya Samriddhi Account (SSA): SSA is designed for girl children, offering tax-free returns.

Gold Monetisation Scheme: Converts physical gold into interest-earning deposits.

Sovereign Gold Bonds: Provide gold price-linked returns with interest, suitable for diversification.

Pradhan Mantri Vaya Vandana Yojana (PMVVY): Offers guaranteed pensions for senior citizens.

Variable Insurance Products: Combine insurance and investment, offering flexibility but with risks.

Mutual Fund Types: Equity, debt, and hybrid funds cater to different risk-return profiles.

Real Estate Investment Trusts (REITs): REITs offer exposure to income-generating real estate.

Tax-Free Bonds: Certain bonds offer tax-exempt interest, enhancing post-tax returns.

Investment Horizon: Long-term horizons favor growth assets like equities for retirement.

Portfolio Rebalancing: Periodic rebalancing aligns the portfolio with retirement goals.

Market Volatility: Volatile markets require active management to protect retirement funds.

Tax Implications: Tax treatments vary across investments, impacting net returns.

Liquidity Management: Balancing liquidity and returns ensures funds are accessible when needed.

Economic Cycles: Asset performance is tied to economic cycles, requiring strategic adjustments.

Investment Costs: Fees and charges reduce net returns, necessitating cost-effective choices.

Retirement Products: Products like NPS and PPF are tailored for retirement savings.

Direct Equity: Direct equity investments require expertise and a long horizon.

Gold Investments: Gold provides a hedge against inflation but lacks regular income.

REIT Liquidity: REITs offer better liquidity than direct real estate investments.

Bond Market Access: Retail access to bonds is limited, often requiring mutual funds. Bonds issued by financial institutions may qualify for tax deductions under Section 80C.

Annuities: Annuities provide regular income, critical for the distribution phase.

Post Office Schemes: Offer guaranteed returns but limited liquidity.

Investment Strategy: Aligning investments with retirement stage (accumulation or distribution) is key.

Risk Management: Monitoring and adjusting investments manage risks effectively.

Tax Benefits: Tax-advantaged products like PPF and NPS enhance retirement savings.

Portfolio Diversification: Diversifying across asset classes mitigates risk.

Investment Monitoring: Regular review ensures investments meet retirement goals.

Real Estate Risks: Real estate involves illiquidity and maintenance costs.

Gold Price Volatility: Gold prices are subject to market fluctuations, impacting returns.

Mutual Fund Costs: Expense ratios and exit loads affect mutual fund returns.

Annuity Risks: Fixed annuities may not keep pace with inflation, reducing real returns.

Retirement Product Suitability: Products must align with accumulation or distribution needs.

Economic Indicators: CAD and oil prices impact investment performance.

Bond Tenure: Longer-tenor bonds face higher interest rate risk.

Equity Dividends: Dividends form a small portion of equity returns.

Debt Portfolio: Debt funds offer stable income but require active management.

REIT Income: REITs provide regular rental income, suitable for distribution.

Tax-Free Interest: Certain bonds offer tax-free interest, boosting net returns.

Investment Accessibility: Some securities are restricted to institutional investors.

CHAPTER 3: RETIREMENT PLANNING PROCESS

Retirement Stages: Retirement involves accumulation (saving) and distribution (income generation) stages.

Expense Estimation: Estimating retirement expenses is the first step in planning.

Income Replacement Ratio: Typically, 70-90% of pre-retirement income is needed post-retirement.

Inflation Impact: Inflation increases the corpus needed to maintain lifestyle.

Expense Categories: Expenses include mandatory, essential, lifestyle, and discretionary costs.

Retirement Corpus Calculation: Corpus size depends on expenses, inflation, and return rates.

Savings Adjustment: Adjust savings for existing investments to optimize contributions.

Risk Tolerance: Risk tolerance influences investment choices for retirement.

Retirement Plan Monitoring: Regular monitoring adjusts plans for life changes.

Income Needs: Income needs vary by lifestyle, health, and dependents.

Emergency Fund: An emergency fund prevents dipping into retirement savings.

Investment Growth: Growth assets like equities are suitable for accumulation.

Distribution Stage: Focus shifts to income-oriented, low-volatility investments.

Tax Planning: Tax-advantaged investments maximize post-tax retirement income.

Retirement Age Flexibility: Delaying retirement extends saving period, increasing corpus.

Budgeting Discipline: Budgeting ensures consistent savings for retirement.

Health Insurance: Health insurance protects the corpus from medical expenses.

Longevity Risk: Longevity requires a larger corpus to sustain income.

Asset Allocation: Strategic allocation balances risk and return for retirement.

Investment Performance: Poor performance may require strategy or contribution adjustments.

Retirement Lifestyle: Desired lifestyle impacts the required corpus size.

Expense Forecasting: Accurate expense forecasting is critical for planning.

Savings Shortfall: Shortfalls may require lifestyle changes or additional income.

Retirement Income Stability: Stable income sources are vital in distribution.

Investment Horizon: Long horizons favor riskier, high-return investments.

Market Volatility: Diversification and rebalancing manage market risks.

Financial Literacy: Understanding financial concepts aids retirement planning.

Retirement Corpus Growth: Corpus must grow to outpace inflation.

Tax Implications: Taxes affect net returns, influencing corpus size.

Retirement Planning Tools: Excel's PV and FV functions aid corpus calculations.

Retirement Savings Priority: Prioritizing savings ensures financial security.

Market Risk Management: Diversification reduces the impact of market volatility.

Retirement Income Sources: Pensions, annuities, and investments provide income.

Retirement Corpus Adequacy: Balancing contributions and returns ensures adequacy.

Retirement Planning Challenges: Estimating expenses and managing risks are key challenges.

Investment Diversification: Diversifying investments stabilizes returns.

Retirement Planning Education: Knowledge of products enhances decision-making.

Retirement Corpus Protection: Protecting the corpus from depletion is critical.

Retirement Planning Flexibility: Plans must adapt to life and market changes.

Inflation Protection: Investments must outpace inflation to maintain purchasing power.

Retirement Savings Adjustment: Adjusting for existing investments optimizes savings.

Retirement Goal Prioritization: Retirement is a critical long-term financial goal.

Investment Monitoring: Regular monitoring aligns investments with goals.

Retirement Income Needs: Income needs depend on lifestyle and dependents.

Retirement Corpus Estimation: Estimating corpus involves expenses, inflation, and returns.

Savings Discipline: Consistent savings discipline avoids corpus shortfall.

Retirement Lifestyle Impact: Lifestyle expectations drive corpus requirements.

Social Security Limitations: Limited social security emphasizes personal savings.

Investment Growth Assets: Equities are suitable for long-term corpus growth.

Retirement Income Stability: Stable income sources ensure expense coverage.

Tax-Advantaged Investments: PPF and NPS offer tax benefits for savings.

Retirement Planning Discipline: Discipline in saving and investing is key.

Inflation Adjustment: Adjusting for inflation ensures purchasing power.

Retirement Corpus Protection: Protecting the corpus ensures longevity.

Investment Performance Impact: Poor performance affects corpus and income.

Retirement Planning Tools: Tools like Excel aid in planning calculations.

Health Insurance Importance: Health insurance safeguards the retirement corpus.

Retirement Savings Priority: Prioritizing savings over spending ensures security.

Market Risk Management: Diversification and rebalancing manage risks.

Retirement Income Sources: Multiple income sources enhance financial stability.

CHAPTER 4: RETIREMENT PLANNING PRODUCTS: NATIONAL PENSION SYSTEM

NPS Structure: NPS is a defined contribution pension scheme with market-linked returns.

PFRDA Role: PFRDA regulates NPS, ensuring compliance and investor protection.

NPS Constituents: Includes NPS Trust, CRA, Pension Funds, Trustee Bank, POPs, and ASPs.

Tier I Account: Mandatory retirement savings account with restricted withdrawals.

Tier II Account: Voluntary savings account with flexible withdrawals.

Atal Pension Yojana (APY): Targets unorganized sector workers with guaranteed pensions.

Investment Choices: Subscribers can choose Active or Auto Choice for fund allocation.

Active Choice: Allows subscribers to allocate funds across asset classes (E, C, G, A).

Auto Choice: Lifecycle funds adjust allocations based on age, reducing equity exposure over time.

Pension Funds: Manage NPS investments, adhering to PFRDA guidelines.

Annuity Purchase: At least 40% of the corpus must be used to buy an annuity on retirement.

Withdrawal Rules: Normal exit at 60 allows lump sum and annuity; premature exit has restrictions.

Tax Benefits: NPS contributions qualify for deductions under Sections 80C and 80CCD(1B).

CRA Functions: CRA handles recordkeeping, account maintenance, and subscriber services.

POP Responsibilities: POPs facilitate account opening, contributions, and withdrawals.

Trustee Bank: Manages fund flows between subscribers, pension funds, and ASPs.

Custodian Role: Holds and manages securities for NPS investments.

Investment Guidelines: PFRDA sets limits on asset class exposure to ensure diversification.

Risk Profiling: NPS schemes are categorized by risk levels (E, C, G, A).

Annuity Types: Include life annuity, joint life with return of purchase price, and more.

Exit Options: Normal exit allows lump sum and annuity; death benefits go to nominees.

Contribution Process: Contributions require NCIS and can be made via POPs or eNPS.

D-Remit Facility: Enables direct voluntary contributions to NPS accounts.

Grievance Redressal: NPS has a structured grievance redressal mechanism via CRA.

Tax Saver Scheme: Tier II Tax Saver Scheme offers additional tax benefits.

Investment Returns: NPS returns are market-linked, depending on fund performance.

Account Maintenance: CRA handles changes in subscriber details and account services.

Subscriber Eligibility: NPS is open to citizens aged 18-70, including NRIs and OCIs.

Online Platform (eNPS): Facilitates contributions, withdrawals, and account management.

Pension Fund Fees: Include investment management fees, impacting net returns.

Annuity Providers: Empanelled ASPs like LIC and HDFC Life provide annuities.

Withdrawal Limits: Partial withdrawals are allowed for specific needs after three years.

Nomination Rules: Nominees must be family members; non-family nominations are invalid.

KYC Requirements: Aadhaar or other documents are needed for account opening.

Investment Caps: Equity exposure is capped at 75% under Active Choice.

Lifecycle Funds: LC75, LC50, and LC25 adjust allocations based on age.

Fund Performance: Returns depend on asset class performance and market conditions.

Taxation on Withdrawals: Partial withdrawals up to 25% are tax-exempt for specific purposes.

Corporate Model: Employers can contribute to NPS, with charges borne by them or employees.

Government Model: Mandatory for government employees post-2004, except armed forces.

Subscriber Services: Include account updates, PRAN card reissue, and grievance registration.

Investment Diversification: NPS ensures diversification through regulatory limits.

Annuity Taxation: Annuity income is taxable, impacting net retirement income.

Fund Switching: Subscribers can switch pension funds or schemes periodically.

Death Benefits: Entire corpus is paid to nominees/legal heirs upon subscriber's death.

Online Withdrawals: Withdrawals are processed online via the CRA platform.

Contribution Limits: Minimum contributions are Rs.500 (Tier I) and Rs.250 (Tier II).

PFRDA Oversight: PFRDA monitors all NPS entities for compliance and efficiency.

NPS Trust: Oversees pension funds and ensures subscriber interests are protected.

Investment Options: Include equity (E), corporate bonds (C), government securities (G), and alternative investments (A).

Subscriber Access: Subscribers can access account details online or via call centers.

Fund Management: Pension funds compute daily NAV and report to authorities.

Exit Processing: NPS Claim Processing Cell handles all withdrawal and exit requests.

Aadhaar Verification: Aadhaar-based KYC simplifies account opening.

Nomination Updates: Changes in nomination must be made via POP or online.

Contribution Flexibility: Contributions can be made through any POP, not just the registered one.

Regulatory Compliance: Pension funds adhere to strict PFRDA investment guidelines.

Annuity Selection: Subscribers choose annuity types to suit income needs.

Risk Management: NPS's diversified investments mitigate market risks.

Tax Deductions: Contributions to NPS offer tax benefits, enhancing savings.

Subscriber Support: CRA and POPs provide robust subscriber support services.

CHAPTER 5: EVALUATING FUND PERFORMANCE AND FUND SELECTION

Return on Investment (ROI): ROI measures the gain or loss from an investment relative to its cost.

Absolute Returns: Absolute returns represent the total gain or loss over a period.

Annualized Returns: Annualized returns adjust absolute returns for the holding period.

Standard Deviation: Measures volatility of returns relative to the mean.

Sharpe Ratio: Gauges risk-adjusted returns by dividing excess return by standard deviation.

Beta: Measures a fund's sensitivity to market movements.

Benchmarks: Benchmarks like NIFTY or BSE Sensex help evaluate fund performance.

Risk Measures: Include standard deviation, beta, and tracking error for risk assessment.

Fund Selection: Considers returns, risk, liquidity, and alignment with retirement goals.

Performance Metrics: Include CAGR, XIRR, and Sharpe ratio for fund evaluation.

Market Risk: Volatility in returns affects fund suitability for retirement.

Liquidity Needs: Funds must balance liquidity and returns for retirement needs.

Tax Impact: Taxes on returns affect net income in retirement.

Portfolio Rebalancing: Adjusts asset allocation to align with retirement objectives.

Economic Conditions: Economic changes like interest rate hikes impact fund performance.

Fund Comparison: Compare funds based on risk, return, and strategy alignment.

Investment Horizon: Long horizons favor growth-oriented funds like equity.

Risk-Adjusted Returns: Higher Sharpe ratios indicate better risk-adjusted performance.

Volatility Impact: High volatility can erode returns if funds are needed urgently.

Periodic Income: Fixed-income funds provide stable returns for distribution.

Capital Gains: Capital gains contribute significantly to equity fund returns.

Tax-Free Bonds: Offer tax-exempt interest, boosting net returns.

Fund Expenses: Expense ratios and exit loads reduce net returns.

Investment Strategy: Aligns fund choices with accumulation or distribution phases.

Market Momentum: Mid-cap funds perform well in bullish markets but fall sharply in downturns.

Debt Fund Risks: Long-term debt funds face value declines in rising interest rate scenarios.

Equity Dividends: Dividends are a small portion of equity returns.

Fund Diversification: Diversified funds reduce risk and stabilize returns.

Performance Monitoring: Regular monitoring identifies underperforming funds.

Risk Tolerance: Investor risk tolerance guides fund selection.

Inflation Protection: Funds must outpace inflation to maintain purchasing power.

Income Orientation: Distribution-stage funds prioritize stable, income-oriented returns.

Fund Costs: Lower-cost funds enhance net returns for retirement.

Benchmark Outperformance: Funds aim to outperform benchmarks for better returns.

Risk Management: Diversification and rebalancing mitigate fund risks.

Investment Accessibility: Some funds are restricted to institutional investors.

Return Calculations: CAGR and XIRR provide different perspectives on returns.

Fund Volatility: Volatility impacts fund suitability for retirement stages.

Tax Implications: Tax treatments vary, affecting net retirement income.

Liquidity Management: Balancing liquidity ensures funds are accessible when needed.

Economic Cycles: Fund performance is tied to economic cycles, requiring adjustments.

Retirement Suitability: Funds must align with retirement stage needs.

Risk Profiling: Funds are profiled based on risk levels for suitability.

Investment Monitoring: Regular reviews ensure funds meet retirement goals.

Tax Benefits: Tax-advantaged funds like NPS enhance retirement savings.

Fund Switching: Switching funds aligns with performance and goals.

Performance Metrics: Metrics like standard deviation and beta aid fund selection.

Market Sensitivity: Beta measures how funds react to market movements.

Income Stability: Stable income funds are critical for distribution.

Fund Expenses Impact: Fees reduce net returns, affecting corpus growth.

Investment Horizon Impact: Long horizons allow riskier fund choices.

Risk-Adjusted Performance: Sharpe ratio evaluates efficiency of returns.

Fund Diversification Benefits: Diversified funds reduce risk exposure.

Economic Indicators: Inflation and interest rates impact fund returns.

Retirement Income Needs: Funds must meet income needs in distribution.

Fund Selection Criteria: Includes returns, risk, and retirement stage alignment.

Performance Tracking: Tracking error measures deviation from benchmark returns.

Tax-Free Returns: Tax-free funds enhance post-tax retirement income.

Fund Accessibility: Retail access to some funds is limited.

Investment Strategy Alignment: Funds must align with retirement planning goals.

CHAPTER 6: RETIREMENT PLANNING PRODUCTS: OTHER INVESTMENT PRODUCTS

Employees' Provident Fund (EPF): Mandatory savings scheme for employees with tax benefits.

Employee Pension Scheme (EPS): Government-guaranteed pension scheme with fixed contributions.

Voluntary Provident Fund (VPF): Offers higher contributions with guaranteed returns.

Public Provident Fund (PPF): Tax-free, government-backed savings for accumulation.

Senior Citizens' Saving Scheme (SCSS): Provides regular income for retirees with tax benefits.

National Savings Certificate (NSC): Fixed-return product suitable for accumulation.

Sukanya Samriddhi Account (SSA): Tax-free savings scheme for girl children.

Gold Monetisation Scheme: Converts gold into interest-earning deposits.

Sovereign Gold Bonds: Offer gold-linked returns with interest, suitable for diversification.

Pradhan Mantri Vaya Vandana Yojana (PMVVY): Guaranteed pension scheme for seniors.

Annuities: Provide regular income for distribution, with fixed or variable options.

Post Office Monthly Income Scheme (POMIS): Offers monthly income for retirees.

Post Office Time Deposits (POTD): Fixed-term deposits with periodic income options.

Bank Deposits: Cumulative FDs are suitable for accumulation with fixed returns.

Government Securities (G-secs): Low-risk, government-backed investments.

Corporate Bonds: Higher-yield bonds with default risk.

RBI Floating Rate Bonds: 7-year bonds with floating interest rates.

Direct Equity: Offers growth potential but requires expertise and long horizon.

Real Estate Investment: Provides rental income and appreciation but is illiquid.

Real Estate Investment Trusts (REITs): Offer liquid exposure to income-generating real estate.

Tax Benefits: EPF, PPF, and SCSS offer tax deductions under Section 80C.

Investment Limits: PPF has a maximum limit of Rs.1.5 lakh per year.

Liquidity Constraints: PPF and NSC have limited liquidity, suitable for accumulation.

Annuity Risks: Fixed annuities may not keep pace with inflation.

Gold Volatility: Gold prices fluctuate, impacting returns.

REIT Income: REITs provide regular rental income for distribution.

Bank Deposit Flexibility: FDs allow reinvestment or reallocation on maturity.

Tax-Free Interest: Certain bonds offer tax-exempt interest, boosting returns.

EPF Withdrawals: Taxable if withdrawn before 5 years of service.

SCSS Tenure: 5-year term with income option for retirees.

NSC Tenure: 5-year term, requiring reinvestment discipline.

Gold Monetisation Returns: Returns depend on gold price and interest.

Sovereign Gold Bond Redemption: Redeemed at gold price at maturity.

Annuity Taxation: Annuity income is taxable, affecting net returns.

POMIS Taxation: No tax benefits on POMIS income.

POTD Taxation: Interest up to Rs.50,000 is tax-exempt for seniors.

REIT Liquidity: Higher liquidity than direct real estate investments.

Equity Taxation: Long-term capital gains are tax-free up to a limit.

Retirement Product Suitability: Products must align with accumulation or distribution needs.

Investment Costs: Fees and charges reduce net returns.

Economic Cycles: Real estate and equity align with economic cycles.

Annuity Flexibility: Annuity types cannot be changed post-purchase.

SCSS Eligibility: Open to seniors or jointly with spouse.

VPF Risks: Low risk due to government guarantee.

Gold Investment Forms: Physical, bonds, or ETFs cater to different needs.

REIT Investment Limits: Minimum investments start at Rs.1000-5000.

Bank Deposit Reinvestment: FDs can be reinvested at prevailing rates.

Tax-Advantaged Products: PPF, EPF, and NPS enhance savings with tax benefits.

Annuity Income Stability: Provides stable income for distribution.

POMIS Income: Monthly income suits distribution stage needs.

POTD Flexibility: Offers income or cumulative options.

Corporate Bond Risks: Default risk affects reliability of returns.

Equity Growth: Long-term growth suits accumulation stage.

Real Estate Risks: Illiquidity and maintenance costs are challenges.

Gold Bonds Taxation: Interest is taxable, but capital gains may be exempt.

REIT Returns: Combine rental income and capital gains.

VPF Returns: Government-declared returns ensure stability.

SCSS Income: Quarterly income supports retiree expenses.

NSC Suitability: Cumulative returns suit long-term savings.

Annuity Purchase: Lump sum or installments create income stream.

Retirement Product Diversification: Diversifying products reduces risk.

Tax Implications: Tax treatments impact net retirement income.

CHAPTER 7: RETIREMENT PLANNING STRATEGIES

Income Gap Strategies: Bridging income gaps involves increasing savings or finding income sources.

Prevention Strategy: Early planning prevents income shortfalls in retirement.

Employment in Retirement: Post-retirement work supplements inadequate corpus.

Systematic Investment Plans (SIPs): SIPs leverage cost averaging for volatile assets.

Systematic Withdrawal: Gradual withdrawals manage corpus longevity.

Tax Optimization: Diversifying income sources maximizes post-tax income.

Portfolio Rebalancing: Adjusts allocations to align with retirement goals.

Savings Increase: Increasing savings with income growth enhances corpus.

Bucket Strategy: Allocates funds into short-, mid-, and long-term buckets.

Automating Investments: SIPs and standing instructions ensure disciplined saving.

Longevity Risk: Strategies target adequacy of income for extended life.

Expense Management: Budgeting controls retirement expenses effectively.

Income Diversification: Multiple income sources enhance financial stability.

Tax-Advantaged Investments: NPS and PPF offer tax benefits for savings.

Retirement Corpus Protection: Protecting the corpus ensures longevity.

Investment Monitoring: Regular reviews align investments with goals.

Risk Management: Diversification and rebalancing mitigate market risks.

Retirement Income Stability: Stable income sources meet expense needs.

Savings Discipline: Consistent savings prevent corpus shortfall.

Inflation Protection: Investments must outpace inflation for purchasing power.

Retirement Lifestyle Impact: Lifestyle expectations drive corpus requirements.

Market Volatility: Volatile markets require active portfolio management.

Tax Planning: Managing taxable and tax-exempt income optimizes returns.

Retirement Planning Tools: Excel functions aid in corpus calculations.

Emergency Fund: Prevents dipping into retirement savings for emergencies.

Retirement Age Flexibility: Delaying retirement extends saving period.

Asset Allocation: Balances risk and return for retirement goals.

Investment Performance: Poor performance may require strategy adjustments.

Retirement Planning Education: Knowledge of products enhances decisions.

Retirement Corpus Growth: Corpus must grow to meet rising expenses.

Investment Horizon: Long horizons favor growth-oriented investments.

Retirement Income Needs: Income needs vary by lifestyle and dependents.

Retirement Savings Priority: Prioritizing savings ensures financial security.

Market Risk Management: Diversification reduces market risk impact.

Retirement Corpus Adequacy: Balancing contributions and returns ensures adequacy.

Retirement Planning Challenges: Estimating expenses and risks are key challenges.

Investment Diversification: Diversified investments stabilize returns.

Retirement Planning Flexibility: Plans adapt to life and market changes.

Inflation Adjustment: Adjusting for inflation maintains purchasing power.

Retirement Savings Adjustment: Adjusting for existing investments optimizes savings.

Retirement Goal Prioritization: Retirement is a critical long-term goal.

Investment Monitoring Importance: Regular monitoring aligns with goals.

Retirement Income Sources: Pensions, annuities, and investments provide income.

Retirement Corpus Estimation: Estimating corpus involves expenses and returns.

Savings Shortfall Management: Shortfalls require lifestyle or income adjustments.

Retirement Income Stability: Stable income ensures expense coverage.

Tax Implications: Taxes affect net returns, influencing corpus size.

Retirement Planning Discipline: Discipline in saving and investing is key.

Investment Growth Assets: Equities suit long-term corpus growth.

Retirement Corpus Protection: Protecting corpus ensures longevity.

Retirement Planning Tools: Tools like Excel aid in planning calculations.

Health Insurance Importance: Protects corpus from medical expenses.

Retirement Savings Priority: Prioritizing savings over spending ensures security.

Market Risk Management: Diversification and rebalancing manage risks.

Retirement Income Needs: Income needs depend on lifestyle and dependents.

Retirement Corpus Growth: Corpus must grow to outpace inflation.

Investment Performance Impact: Poor performance affects corpus and income.

Retirement Planning Education: Knowledge of products enhances decision-making.

Retirement Savings Discipline: Consistent savings prevent shortfall.

Inflation Protection: Investments must outpace inflation for purchasing power.

Retirement Corpus Adequacy: Balancing contributions and returns ensures adequacy.

CHAPTER 8 Special Considerations in Retirement

Debt Management: Paying off debt before retirement reduces financial strain.

Employment in Retirement: Post-retirement work supplements inadequate corpus.

Health Expenses: Health insurance protects the corpus from medical costs.

Estate Planning: Organizes wealth distribution post-death per individual wishes.

Reverse Mortgage: Converts home equity into income for retirees.

Tax Implications: Retirement benefits and corpus have varying tax treatments.

Wills: Legal declarations specify asset distribution after death.

Gifts: Irrevocable transfers of wealth with tax exemptions.

Power of Attorney (POA): Authorizes another to act on behalf of the retiree.

Nomination: Designates beneficiaries for financial accounts.

Debt Risks: High debt in retirement limits income flexibility.

Retirement Income Sources: Employment or consultancy can bridge income gaps.

Health Insurance Premiums: Premiums offer tax benefits under Section 80D.

Estate Planning Tools: Include wills, trusts, and POA for wealth management.

Reverse Mortgage Eligibility: Requires ownership of residential property.

Tax-Free Annuities: Annuity income is taxable, but reverse mortgage annuities are exempt.

Retirement Lifestyle Adjustments: Lifestyle changes may be needed for corpus shortfall.

Health Cover Adequacy: Increasing sum assured ensures adequate coverage.

Estate Distribution: Clear beneficiary designation avoids disputes.

POA Types: General or specific POA manages specific transactions.

Debt Repayment Strategy: Pre-retirement debt repayment ensures financial freedom.

Retirement Employment Options: Consultancy or business leverages expertise.

Health Corpus: A separate medical corpus covers health expenses.

Will Requirements: Must be signed, attested, and list beneficiaries clearly.

Gift Tax Exemptions: Certain gifts are exempt, reducing tax liability.

POA Documentation: Requires registration for legal validity.

Retirement Income Stability: Stable income sources meet expense needs.

Estate Planning Complexity: Multiple regulators and tax laws require professional help.

Reverse Mortgage Tenure: Offers flexible income periods for retirees.

Nomination Validity: Family-only nominations are valid; others are invalid.

Debt Impact: Excessive debt risks financial stability in retirement.

Health Insurance Renewal: Regular renewal adjusts coverage for aging needs.

Estate Planning Goals: Ensures wealth distribution per retiree's wishes.

Reverse Mortgage Income: Provides tax-exempt annuity income.

Will Registration: Must be registered to ensure legal enforceability.

POA Scope: Can be general or specific, depending on needs.

Retirement Income Diversification: Multiple sources enhance stability.

Health Expense Planning: A medical corpus prevents corpus depletion.

Estate Planning Documents: Include wills, POA, and nominations for clarity.

Reverse Mortgage Criteria: Requires one borrower to be over 60.

Debt-Free Retirement: Clearing debt pre-retirement maximizes income.

Employment Expertise: Leveraging skills in retirement generates income.

Health Insurance Tax Benefits: Premiums reduce taxable income.

Will Clarity: Clear listing of assets and beneficiaries avoids disputes.

Gift Irrevocability: Gifts are typically irrevocable unless mutually agreed.

POA Flexibility: Allows delegation of specific or broad tasks.

Retirement Income Needs: Vary by lifestyle, health, and dependents.

Estate Planning Importance: Ensures smooth wealth transfer post-death.

Reverse Mortgage Property: Requires clear title to residential property.

Nomination Updates: Must be updated via POP or online.

Debt Management Priority: Prioritizing debt repayment enhances retirement security.

Health Insurance Coverage: Adequate coverage protects retirement funds.

Estate Planning Tools: Trusts and POA streamline wealth management.

Reverse Mortgage Payments: Offers monthly, quarterly, or annual payments.

Will Legal Requirements: Must be voluntary and witnessed for validity.

Gift Tax Benefits: Exemptions reduce tax burden on wealth transfers.

POA Registration: Ensures legal authority for delegated tasks.

Retirement Income Stability: Stable sources ensure expense coverage.

Health Corpus Importance: Protects retirement savings from medical costs.

Estate Planning Complexity: Requires professional guidance for compliance.

Reverse Mortgage Flexibility: Offers income flexibility for retirees.

CHAPTER 9: REGULATIONS AND REGULATORS

PFRDA Role: Regulates NPS, ensuring compliance and subscriber protection.

SEBI Oversight: Regulates securities markets, including mutual funds.

IRDAI Functions: Oversees insurance products, including annuities.

RBI Responsibilities: Manages monetary policy and banking supervision.

NPS Trust: Supervises pension funds and protects subscriber interests.

CRA Duties: Handles recordkeeping and subscriber services for NPS.

POP Functions: Facilitates account opening, contributions, and withdrawals.

Pension Funds: Manage NPS investments per PFRDA guidelines.

Annuity Providers: Empanelled ASPs provide annuity options for NPS.

Regulatory Framework: Includes SEBI, IRDAI, PFRDA, and RBI for financial oversight.

Retirement Adviser Certification: Requires NISM certification for compliance.

Self-Regulatory Organizations (SROs): Uphold investor interests under SEBI regulations.

PFRDA Constitution: Comprises a chairperson and members for governance.

RBI Monetary Policy: Ensures balanced money supply growth.

BFS Supervision: Oversees banks, NBFCs, and financial institutions.

Insider Trading: SEBI regulates trading based on non-public information.

IRDAI Powers: Include issuing and suspending insurance licenses.

CRA Services: Include account maintenance and subscriber support.

POP Connectivity: Requires electronic connectivity with CRA.

Retirement Adviser Duties: Include due diligence and conflict-of-interest management.

PFRDA Guidelines: Set investment and operational standards for NPS.

NPS Trust Responsibilities: Monitor pension fund activities and compliance.

Pension Fund Eligibility: Requires sponsors to meet PFRDA criteria.

Annuity Regulations: Mandate life annuity with return of purchase price.

Subscriber Grievance Redressal: Structured process via CRA for complaints.

Retirement Adviser Ethics: Emphasize integrity, fairness, and confidentiality.

PFRDA Monitoring: Oversees all NPS entities for efficiency.

SEBI SRO Conditions: Require compliance with 2004 regulations.

IRDAI Composition: Comprises government-appointed members.

CRA Technology: Manages IT infrastructure for NPS operations.

POP Charges: Limited to PFRDA-specified fees for services.

Pension Fund Fees: Include investment management and transaction costs.

Annuity Default Contract: Provides life annuity with return of purchase price.

NPS Exit Regulations: Mandate annuity purchase and lump sum options.

Subscriber Eligibility: Open to citizens aged 18-70, including NRIs.

Grievance Turnaround: Acknowledgment within 3 days; resolution within 30 days.

PFRDA Appeals: Allow appeals within 30 days of Ombudsman decisions.

Retirement Adviser Segregation: Must separate advisory from other services.

NPS Trust Oversight: Ensures proper management of subscriber funds.

Pension Fund Standards: Require high internal control standards.

Annuity Flexibility: Offers multiple annuity types for subscriber needs.

CRA Access: Provides web-based access to subscribers and authorities.

POP Responsibilities: Include handling subscriber requests efficiently.

Retirement Adviser Due Diligence: Requires thorough client need assessment.

PFRDA Investment Limits: Cap equity exposure to diversify risks.

NPS Trust Board: Comprises 5-11 trustees for governance.

Pension Fund Integrity: Must observe high standards of professionalism.

Annuity Taxation: Annuity income is taxable, affecting net returns.

Subscriber Support: CRA and POPs provide robust support services.

Regulatory Compliance: Entities must adhere to PFRDA guidelines.

Grievance Registration: Complaints are logged via CGMS with unique IDs.

Pension Fund Investments: Include listed securities with market cap requirements.

Retirement Adviser Conflicts: Must manage conflicts to prioritize client interests.

NPS Exit Options: Allow lump sum or annuity based on corpus size.

CRA Claim Processing: Handles all NPS withdrawal requests.

POP Switching: Facilitates shifts between POPs or schemes.

Pension Fund Reporting: Requires periodic reporting to authorities.

Annuity Purchase Mandate: At least 80% of corpus for annuity in some cases.

Subscriber Nomination: Must be family members to be valid.

PFRDA Technology Standards: Ensure robust IT infrastructure for NPS.

Retirement Adviser Ethics: Include integrity, fairness, and confidentiality.

NPS Grievance Redressal: Structured process ensures timely resolution.

Important Formulas

Real Rate of Return: $(1 + NR) / (1 + IR) = 1 + RR$

Future Value (FV): $FV = PV * (1 + r)^n$

Present Value (PV): $PV = FV / (1 + r)^n$

Compound Annual Growth Rate (CAGR): $CAGR = [(FV / PV)^{(1/n)}] - 1$

Sharpe Ratio: Sharpe Ratio = (Portfolio Return - Risk-Free Rate) / Standard Deviation

Beta: Beta = Covariance (Portfolio Return, Market Return) / Variance (Market Return)

XIRR: XIRR = Internal Rate of Return for irregular cash flows (calculated via Excel)

Income Required at Retirement:

Income Required = Current Income * $(1 + \text{Inflation Rate})^n$ * Income Replacement Ratio

IMPORTANT NOTE :

1. Attend **ALL** Questions.
2. For the questions you don't know the right answer – Try to eliminate the wrong answers and take a guess on the remaining answers.
3. DO NOT MEMORISE the questions & answers. It's not the right way to prepare for any NISM exam. Good understanding of Concepts is essential.

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All the Best ☺

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