



## NPS Vatsalya: A Groundbreaking Pension Scheme for Minors

*Innovative Scheme Offers Early Financial Security and Seamless Transition at Age 18*

(Ministry of Finance)

September 20, 2024

### Introduction

In a significant development aimed at strengthening long-term financial security and fostering early savings habits, Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman, has launched the National Pension System Vatsalya (NPS Vatsalya) scheme. Announced in the Union Budget 2024-25 on July 23, 2024, this innovative pension scheme is designed exclusively for minors, marking a significant advancement in financial planning and setting a new standard for prudent financial management from a young age.

This innovative saving-cum-pension scheme, regulated and administered by the Pension Fund Regulatory Authority of India (PFRA), marks a significant advancement in the government's efforts to enhance financial planning and security across generations. By focusing on intergenerational equity, NPS Vatsalya not only aims to secure the future of its young subscribers but also underscores the importance of nurturing a culture of savings from an early age.

The graphic features the logos of the Department of Financial Services, Ministry of Finance, and PFRA at the top. Below them is the NPS Vatsalya logo. The central text reads "Big news" in large white letters, with a young girl in a red jacket pointing upwards. Below this, it says "for young investors!" and "NPS Vatsalya is here to help minors build a strong financial foundation." At the bottom, it states: "With just ₹1000, you can open an account and enjoy benefits from a young age. Start investing in their future today!"

Under the NPS Vatsalya scheme, parents can invest a minimum of ₹1,000 per month with no upper limit, thereby fostering a habit of disciplined savings for their children. The scheme is designed to be operated by parents until the child reaches 18, at which point the account transitions into the child's name. Upon reaching adulthood, the account can be seamlessly converted into a regular NPS account or another non-NPS scheme. With the promise of substantial wealth accumulation through the power of compounding, NPS Vatsalya envisions providing a dignified and secure financial future for its subscribers, aligning with the government's commitment to comprehensive financial well-being.

## Account Creation and Management

Under the NPS Vatsalya scheme, all minor citizens up to the age of 18 are eligible to open an account. The account is opened in the name of the minor and managed by their guardian until the child reaches adulthood, ensuring that the minor remains the sole beneficiary throughout the process.



The advertisement features a central image of a young girl in a blue dress with her arms outstretched, holding a large pair of wings made of Indian Rupee banknotes. Behind her is a large yellow sun with a grid pattern. The background is a light blue gradient with small white stars. At the top, there are logos for the Department of Financial Services, the Ministry of Finance, and PFRDA. The main headline is in red, and the NPS Vatsalya logo is in orange and red. Four key benefits are listed in red and black text, each with a red underline. At the bottom, a blue banner contains the slogan in white text.

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# Become the Wind Beneath Your Child's Financial Wings

— INTRODUCING —

**nps Vatsalya**

Guardians can open NPS account for children from **birth to 18 years** of age, enabling early access to financial security

Concept of Pension and financial planning, **fostering financial literacy from early age**

Accessible for all with minimum affordable contribution of **₹1000 per annum**

Gift of long-term investment for **long-term financial stability**

**Perfect Financial Planning for your Child**

The account can be created through registered Points of Presence (PoPs) with the Pension Fund Regulatory and Development Authority (PFRDA). These PoPs include major banks, India Post,

and pension funds, with both online and physical modes available for account setup. For those seeking an online option, the NPS Trust's eNPS platform provides a convenient and secure method for account creation and management. A complete list of registered PoPs can be found on the PFRDA [website](#).

## Documents Required

To open an NPS Vatsalya account, the following documents are necessary:

- ❖ **Proof of Date of Birth for the Minor:** This can be provided through a Birth Certificate, School Leaving Certificate, Matriculation Certificate, PAN, or Passport.
- ❖ **KYC of the Guardian:** The guardian must submit proof of identity and address, which can include Aadhaar, Driving License, Passport, Voter ID card, NREGA Job Card, or National Population Register documents.
- ❖ **Permanent Account Number (PAN) of the Guardian** or Form 60 declaration, as per Rule 114B.
- ❖ **NRE/NRO Bank Account (solo or joint)** of the minor, in case the guardian is an NRI (Non-Resident Indian) or OCI (Overseas Citizen of India).



The advertisement banner features the logos of the Department of Financial Services, Ministry of Finance, and PFRDA at the top. The central text reads "Ready to invest in your child's financial future with the NPS Vatsalya?". Below this, a list of requirements is provided: "Here's what you need to get started:" followed by "Proof of Minor's Birth", "Guardian KYC", and "PAN/Form 60". The background of the banner shows a smiling family of three.

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nps Vatsalya

*Ready to invest in your child's financial future with the NPS Vatsalya ?*

Here's what you need to get started:

- Proof of Minor's Birth
- Guardian KYC
- PAN/Form 60

## Contributions and Investment Choices

The NPS Vatsalya scheme allows for flexible contributions to the account:

- ❖ **Account Opening Contribution:** A minimum of ₹1,000 is required to open the account, with no upper limit.
- ❖ **Subsequent Contributions:** A minimum of ₹1,000 per annum is required, and there is no maximum limit on the amount that can be contributed.

Guardians have the flexibility to select from a variety of Pension Funds registered with the Pension Fund Regulatory and Development Authority (PFRDA) for managing the investments.

There are three key investment choices:

- ❖ **Default Choice:** The Moderate Life Cycle Fund (LC-50), which allocates 50% of the investment to equity.
- ❖ **Auto Choice:** Under the **Auto Choice** option, guardians can select from three Lifecycle Funds based on their risk tolerance. The **Aggressive LC-75** allocates up to 75% of the investment in equity, suitable for those with a higher risk appetite. The **Moderate LC-50** allocates 50% in equity, offering a balanced approach. For those seeking a more conservative strategy, the **Conservative LC-25** allocates 25% in equity, minimizing risk while still providing growth potential.
- ❖ **Active Choice:** Under the Active Choice option, guardians have full control over how they allocate funds across four asset classes. They can invest up to 75% in equity for higher growth potential, up to 100% in corporate debt for stability, up to 100% in government securities for safety, and up to 5% in alternate assets for diversification. This option allows guardians to tailor the investment strategy based on their financial goals and risk preferences.

## Transition Upon Attaining Legal Adulthood (18 Years)

When the minor reaches the age of 18, the NPS Vatsalya account undergoes a seamless transition to the NPS Tier-I (All Citizen) model. As part of this process, a fresh KYC must be completed within three months from the date of turning 18. Once the account transitions, the features, benefits, and exit norms applicable under the NPS Tier-I All Citizen Model will come into effect, providing continued financial security and investment opportunities for the individual.

## Conclusion

The National Pension System Vatsalya (NPS Vatsalya) scheme represents a significant stride towards fostering financial security and promoting a culture of savings from an early age. By introducing a specialized pension scheme for minors, the government aims to ensure that

children develop disciplined saving habits and benefit from long-term wealth accumulation through compounding. With flexible contribution options and a range of investment choices, NPS Vatsalya offers guardians the ability to tailor their investment strategies according to their risk preferences and financial goals. As the account transitions seamlessly to the NPS Tier-I model upon the minor's attainment of 18 years, it continues to provide robust financial security and investment opportunities. This initiative underscores the government's commitment to enhancing financial planning and ensuring a dignified future for all citizens, setting a precedent for comprehensive financial well-being across generations.

**References:**

- ❖ <https://pib.gov.in/PressReleasePage.aspx?PRID=2056331>
- ❖ <https://pib.gov.in/PressReleasePage.aspx?PRID=2056315>

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