



**Lucky Investments**

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## FAQs on LUCKY ISLAMIC PENSION FUND

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Version 1.0



## Lucky Investments

### 1. What is Pension?

A pension is a steady income given to a person (usually after retirement). Pension is a saving, or a contribution, which is collected during the working life of an individual and invested for profit. After retirement, the individual is entitled to a steady monthly income from a fund built up from the earlier savings.

### 2. What is Occupational Pension?

An occupational pension is a private pension scheme run by an employer and is also known as a works pension, company pension or superannuation.

### 3. What is Voluntary Pension Fund?

It is a pension fund run by a Pension Fund Manager who manages the voluntary contributions made by a participant, whether employed or not, or by an employer on his behalf. Occupational pension schemes are currently available for a very small group of people in our country. To fill this gap, Voluntary pension funds are offered.

It is a saving mechanism where an individual saves his/her current income in order to retain financial security and comfort in terms of regular income after retirement.

### 4. What is Participant?

A Participant is an individual whose contributions are made into VPS.

### 5. Who is pension fund manager?

Pension Fund Manager means an asset management company or a life insurance company duly authorized by the Commission to efficaciously manage the contributions made by or on behalf of participants in pension fund and meet such other conditions as may be prescribed from time to time by the Commission.

### 6. Who can invest in pension fund?

All Pakistani nationals having a valid CNIC are eligible to contribute in the scheme.

### 7. Can government employee invest in pension fund?

Yes

### 8. Can expatriates invest their money in pension fund?

Yes

### 9. What is the minimum and maximum age limit for pension fund?

Minimum 18 and Maximum age is 70 years.



### 10. What is Lucky Islamic Pension Fund (LIPF)?

LIPF is a voluntary pension fund registered under Voluntary Pension System Rules, 2005 and managed by Lucky Investments Limited (Pension Fund Manager).

### 11. How to invest in pension fund?

The Individual Pension Account in LIPF can be opened digitally from Lucky Investments, Website or by visiting the Head Office of Lucky Investments.

### 12. What attachments are required to be submitted with the Account opening form?

Copy of CNIC, Job Proof, Health Questionnaire Form for free Takaful coverage, copy of NDZ for Zakat exemption.

### 13. What is the minimum amount of invest?

Rs.1000

To build a pension fund in proper manner, one will first determine the amount required on a monthly basis after the time of retirement. In addition, one will have to work out how much will he/she need to set aside on a monthly basis to come with a lump sum amount large enough to create an annuity, which provides a desirable monthly income after retirement.

### 14. What are different allocation scheme in pension fund?

An investment allocation scheme, which provides an opportunity to create a personalized retirement fund through regular contributions, with allocations adjusted according to the age & risk taking capacity of the investor.

It provides following options to the participants to select a Pension Allocation scheme according to their requirements:

The possible mix will be among;

- Equity sub-fund
- Debt sub-fund
- Money Market sub-fund

### 15. What is life cycle plan?

It is an allocation scheme allowing participants to allocate their contributions according to planned asset allocation as per their age in the following sub funds;

- Equity sub-fund
- Debt sub-fund



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- Money Market sub-fund

16. Can I change allocation scheme?

Yes

17. What are benefit of pension funds?

Dual Tax benefit can be availed as contributions are available for tax credit (as per section 63 of ITO) and returns on the investments are also tax free.

Looking beyond tax benefits, other benefits is;

Regular stream of income after retirement;

Secure and independent even when the regular sources of income are exhausted. The changing trends and lifestyles require that everyone be independent even after retirement. For this a regular income stream is necessary after retirement and for that pension funds are the best available option where one can save during his work life and earn the returns on his savings.

18. Can I transfer from other mutual funds under management of Lucky Investments Limited to pension funds?

Yes

19. In which avenues Lucky Investments will invest investor money?

Lucky Investments will invest the pension fund money in different equity, income and money instruments with the aim to maximize return of participants. All the investments policies are made under the supervision of Shariah Advisor.

20. What is sales load, back end load or any other charges?

Management fee is charged @ 2.5 % per annum of the average daily net assets value in equity sub fund, 1.25% in Debt sub fund, and 1% in money market sub fund. There is no charge like back end load in case of withdrawals, however, all the withdrawals before retirement are subject to withholding tax at individual's last three years income tax rate.

Sales Load is 3 %. For transactions done online or through website, applicable sales load would be a maximum of 1.5% or as SECP may direct from time to time.

21. What is rate of return on the funds?

All the returns are market driven, however, historical returns in various avenues of investment are considered for the purpose of illustrations. They can be referred from monthly FMR.



22. What is the frequency of contribution?

Investor can invest any time at his convenience.

23. What is the distribution of profit? Monthly, Quarterly, or yearly?

Profit will not be distributed to the investor, it will accumulate with the investment and after retirement investor can get the benefits.

24. Can I redeem my profit at regular intervals?

No. Withdrawal of profit cannot be available before retirement age/claim.

25. What is maturity period for pension funds?

The term of the allocation scheme would depend on the age of the investor, as the allocation scheme can mature any time between 60 and 70 years or the age which he/she will be after 25 years from the date of first contribution into a pension fund; whichever comes first. However, the investor is free to disinvest as and when desired, with returns up to the day of redemption and payment of tax thereon.

26. After maturity how will I get benefit?

All accumulated funds at the date of retirement of the participant will be available to him/her with the following options, namely:

- to withdraw up to fifty per cent or such percentage of the amount from his individual pension account as cash
- to use the remaining amount to purchase an annuity from a Life Insurance Company of his choice; or
- to enter into an agreement with the Pension Fund Manager to withdraw from the remaining amount, monthly installments for up to fifteen years following the date of retirement according to an income payment plan, approved by the Commission.
- the transfer of an individual income payment plan account from one Pension Fund Manager to another Pension Fund Manager or from one income payment plan to another income payment plan shall only take place once in a financial year and notice for the change, specifying the name of new Pension Fund Manager and the income payment plan shall be sent by the participant at least seven working days before the effective date of the proposed change.

27. Can the accumulated balance or part thereof, in excess of 50% of accumulated balance, be withdrawn from pension fund at time of retirement?

Yes, a participant is allowed to withdraw the whole of the accumulated balance or a part thereof, at the retirement age. However, tax shall be charged at the rate specified in sub-section (6) of section 12 (average rate of three preceding tax years) of the Income tax ordinance, 2001 on the amount in excess of 50% of the accumulated balance and the pension fund manager shall at the time of making payment deduct tax at the average of three preceding years tax rate.



28. What will happen if the investor died or become disabled before maturity period?

In case of death before retirement:

- All his investment will be available to the legal survivors as per succession certificate with the following options:
- Withdraw his share of the amount subject to the conditions laid down in the Income Tax Ordinance 2001;
- Transfer his/her share of the amount into his existing or new individual pension account to be opened with the Pension Fund manager,

In case of disability before retirement:

- The person will be treated as retired and will get all the benefits as on retirement, in case of disability.

29. In case of withdrawal more than 50% . what rate of tax will apply?

The withdrawal of 50% at the time of Retirement age remains tax free, however, over and above amount shall be subject to payment of tax @ of participant's average tax rate of the preceding three years.

30. Is it mandatory to withdraw 50% at the time of retirement?

Not necessarily. The entire amount can be shifted for monthly income plan or 50% tax free can be withdrawn. The tax free amount shall also be invested into other mutual fund, based on the risk profile of investor.

31. What will happen if the investor withdraw his funds before retirement?

A participant at any time before retirement shall be entitled to redeem the total or part of his/her accumulation subject to payment of tax @ of his/her average tax rate of the preceding three years.

32. What allocation schemes are available for income payment plan?

The Participant will have the option to place the amount selected for monthly income purposes in one of the allocation schemes of LIPF for systematic redemption of units in order to get a periodic payment.

33. Is there any limit on monthly withdrawal amount from income payment plan?

No.

34. What is the taxability of on a participant if he opts Income Payment Plan (IPP) for remaining 50% of the accumulated balance?

After omission of clause 23B of the Part I of the Second Schedule, payment of IPP is also taxable. However, it shall not be withheld by pension fund manager and participant will pay such tax at the time of filing return at effective tax rate of the current year.



35. What happens if a participant dies during the period in which he is receiving payments under Income Payment Plan?

If a participant was receiving the payment from IPP and the unfortunate incident of his death happens, the units in the individual pension account shall be redeemed at the net asset value of the dealing day of the intimation of death. The total amount shall then be divided among the legal successors (according to the succession certificate) as per the guidelines specified in the regulatory framework.

36. How pension funds are different from open ended mutual funds?

Pension funds are similar to other open end funds in terms of their returns. However they are regulated under VPS rules while Open end funds are regulated under Cumulative investment schemes. There is no tax credit on mutual funds investment; however, tax credit on Pension Fund is applicable under Section 63 of ITO 2001.

37. What is the role of government in pension fund scheme?

Lucky Investments is registered with the SECP. The SECP not only regulates the Asset Management industry but also all stock exchanges of Pakistan, all listed companies, the insurance industry, investment banking sector and the stock brokerage business. The SECP has established and continues to develop a stringent set of rules and requirements; an organization has to abide by in order to operate as an Asset Management Company.

38. Will Zakat be deducted at source?

Yes Zakat will be deducted at source unless otherwise indicated, in which case a Non-Deduction of Zakat Certificate would be required.

39. How does one know that his or her investment is in safe hands?

LIPF is a Shariah Compliant pension fund managed by the Shariah compliant asset management company – Lucky Investments Limited is a subsidiary of YB Pakistan Limited, Lucky Group – a renowned business conglomerate in Pakistan. Besides providing all the other benefits associated with investment in mutual funds, LIPF gives the added comfort of being supported by strong sponsors, professional fund managers, credible Shariah advisors, and a carefully selected portfolio of investments which ensure financial prudence as well as Shariah compatibility.

40. Can investor pledge his pension funds units for any loan?

Units of pension fund can be pledged against employer loan only.

41. Can investor get physical units certificate?

No.



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42. How frequently the statement of accounts be sent to the investor?

E-statement is sent on daily basis.

43. Can investor transfer the funds to any other pension fund manager?

Yes

44. What is the retirement age?

Retirement age as per Rules is between 60 to 70 years or 25 years since the age of first contribution whichever is lower.

45. Can participant change his retirement age?

Retirement age can be changed through a written letter maximum up to the age of 70 years.

46. Can an investor open another VPS – Pension Account after claiming retirement?

Yes, there is no restriction in VPS Rules, 2005. The Participant after retirement can open another pension account with the same Pension Fund manager or with any other Pension Fund Manager subject to that participant's age is less than 70 years.

47. Can investor claim retirement in one portfolio multiple times?

No retirement can be claimed in one portfolio only once.