

SWPs must stand by the bereaved

Senior citizens love systematic withdrawal plans for the steady income they provide. But for many bereaved families, claiming what's rightfully theirs has turned into a bureaucratic nightmare.



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It is often witnessed that the aggression of marketing executives in AMCs to onboard an investor is not reciprocated while settling death claims, when the bereaved family expects empathy and handholding, and the funds to relieve them from the stress of having lost a loved one. Sebi should review the ground-level situation with SWPs becoming a financial trap for surviving spouses.

A systematic withdrawal plan (SWP) allows unit holders to withdraw a fixed amount from their mutual fund investments at regular intervals, while the investment stays deployed and working. Ideal for retirees and pensioners seeking a regular inflow of funds, SWPs have even catalysed senior citizens to invest in mutual funds despite their general wariness of equity markets.

The Securities and Exchange Board of India (Sebi) has been standardising the SWP process across asset management companies (AMCs). An estimated 14-15% of mutual fund investments, as of March 31, 2026, avail the SWP facility. UTI and Tata Mutual Fund have proactively outlined the process for death claims for SWP unit holders in their offer documents. Yet, on-ground experiences of bereaved families tell a different story.

Senior citizens typically hold investments in 'Either or Survivor' (E or S) mode, where ownership reverts to the surviving holder upon the other's demise. Sebi has a transmission process that is simple and straightforward, while the same for the Association of Mutual Funds of India (AMFI) depends on the demise of the joint holder, i.e. first, second and third, as in the cases below and can lead to an unnecessary freeze on funds.

The frozen account

Rudra Poleker jointly held mutual fund investments (in E or S mode) with his wife Sanjana with an active SWP. In March, Rudra passed away in his sleep, survived by Sanjana, 70, and a married daughter.

SWP funds continued to be credited to the couple's designated joint bank account for a while till Sanjana recovered from the trauma and intimated the AMC about Rudra's demise as per the procedure laid out by AMFI and Sebi. The AMC rejected the transmission application and froze the SWP till an indemnity bond was provided, arguing orally that the funds were "withdrawn post-demise of one of the unit holders."

This freeze of funds should never have happened. An SWP mandate is a contractual obligation between the AMC and investors 'E or S' mode, which follows survivorship and cannot be branded as fraud, as the money flowed solely into the designated bank account of the joint holders. The SWP mandate was signed by both joint holders. The designated bank account was also jointly held.

Two addresses, one headache

Fredrick Pereira, a seafarer and a proponent of SWP, and his wife Leesa relocated to an assisted living community in Mandrem, Goa, from Valsad, Gujarat where he was born and lived all his life. They bought villa 9 at Serenity Assisted Living and updated their bank address to the same, while their Aadhaar listed Valsad as their residence.

In January, Leesa succumbed to a massive heart attack, and Fredrick submitted trans-



mission claims to various AMCs which were under E or S, together with bank statements as per requirements.

The statement from a nationalised bank listed the Goa address as the address for correspondence apart from the Valsad one. Banks allow the two-address format, but AMCs don't, Fredrick realised. The claim was initially rejected because they were unable to appreciate the bank showing two addresses. Post-explanation, the AMC understood the logic of having two addresses, but it continues to insist on a three-month bank statement.

He is fed up explaining, that, as per AMFI guidelines, bank statement should not be "not more than three months old". AMCs continue to misinterpret it as requirement of a three-month statement. Shouldn't AMCs review and focus their training modules aimed at educating operating staff and preventing harassment to senior citizen investors?

A typo that stopped the claim

Kishan Kapadia, son of Kalyanan Ramchandra Kapadia, was a successful pathologist in Coimbatore and held investments (in SWP mode) in his sole name, with his wife Sukesha and son Kanaya as joint nominees.

Kishan died in a car accident, following which his wife and son filed the death claim as registered nominees before the SWP was falling due next month. However, the AMC rejected the claim and refused the transmission in their favour, citing a mismatch in the name of the father of the deceased as it appeared on Kishan's PAN card and death certificate. Kishan's PAN card listed the name of his father as 'Kalyanan Ramchendra Kapadia', while his death certificate listed his father's name as 'Kalyanan Ramendra Kapadia'.

The AMC's rejection on the basis of the name mismatch of Kishan's father is unjustified and irrational. There is no change in the name of the deceased or the KYC showing him to be the asset owner; only his father's

name is spelled with 'ch'. However, once the demise was reported as required by law, the SWP was suspended, as the AMC had already placed on record the demise of the sole owner.

As the claim pertains strictly to the identity of the deceased unit holder and not his father, holding up financial assets over a typographical error on historical identification documents shows a deep lack of empathy, an irrational approach and an administrative flaw, as the same benchmark parameters weren't considered while onboarding the customer during initial investment.

Who will fix this?

There is a need for Sebi to look beyond making rules and emphasise strict adherence as well. In the past, the regulator has failed to enforce KYC compliance, with unclaimed amounts remaining with the respective AMCs. While Sebi has, in its FAQ circulars, defined the acceptable limits of name variation for equity shares, why can't the same be extrapolated to include AMCs as well?

It is often witnessed that the aggression of marketing executives in AMCs to onboard an investor is not reciprocated during settling of death claims, when the bereaved family expects empathy and handholding, as well as cash flows to partially relieve them financially. Sebi should review the ground-level situation with SWPs becoming a financial trap for surviving spouses.

Instituting monetary penalties for AMCs could signal seriousness in this regard. The route of approaching SCORES (Sebi Complaint Redressal System), ODR (Online Dispute Resolution), and subsequently the Ombudsman only adds to the fatigue for the sole retail investor.

(Names withheld for the purpose of confidentiality)

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