Savings Schemes, Second-life Career Options: How Budget 2021 Can Help Senior Citizens Post Retirement

Senior citizens and Budget 2021 | Image credit: Reuters (Representational)

A large majority of elders in the country face a tough time finding the resources for their post-retirement living expenses. Here's how Budget 2021 can help ensure post-retirement incomes of senior citizens.

- NEWS18.COM
- LAST UPDATED: JANUARY 27, 2021, 16:45 IST
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In India, family continues to be an important supporting institution for the elderly. Seniors, having spent most of their working life saving for their children's education, marriage, and housing, hardly pay attention to their retirement planning. In the traditional Indian family, the sacred duty of caring for the elderly parents' rests with the children.

While this turns out favorably in some cases, a large majority of elders in the country face a tough time finding the resources for their post-retirement living expenses. In developed economies such as the U.S., Canada and many European countries, a major chunk of the retirement income comes from social security while in an emerging market like India, people rely on their personal savings for more than 46 percent of their retirement income. India does not have a universal pension program for its 1.3 billion people. Our pension system currently ranks 32 out of 37 countries on the Global Pension System Ranking. This clearly outlines the inadequacy and the critical need to streamline and strengthen the pension programs in the country. The Union Budget 2021-22, which will be presented against the backdrop of the ongoing COVID-19 pandemic, should take into consideration the financial needs of India's growing senior populations and recommend policy measures to help them have income security in their silver years.

Here are four key areas that the Budget could focus on to build a strong senior care ecosystem in India with adequate financial security for seniors:

Integrated insurance products and savings schemes: This basket of products and services explores the possibility of integrated insurance for senior citizens to address both their clinical and non-clinical needs. India needs to adopt best international practices on bundled insurance products to better cater to the evolving needs of its population and provide them with multiple, effective saving options. Currently, most Indians rely on personal savings for their post-retirement living expenses with minimal contribution from the government. The Union Budget 2021-22 should recommend the creation of attractive and high-yielding investment avenues such as Senior Citizens Savings Schemes to ensure continued financial independence for seniors. Also, steps must be taken to ensure that the income earned from investments such as Pradhan Mantri Vaya Vandana Yojana (PMVVY), Post Office Monthly Income Scheme (POMIS) and bank fixed deposits is tax-exempt. This will put more cash in the hands of seniors for their retirement living expenses.

Inclusion of specialised services in insurance: The Budget 2021-22 should consider the inclusion of care-at-home and assisted living services in health insurance. This will be a critical step in building a well-rounded senior care ecosystem in India. In recent times, the demand for dependable, specialised, and professional senior care services has witnessed a steady rise, especially after the COVID-19 outbreak. Additionally, the senior population is undergoing a radical change in their lifestyle and needs. From being a sacrifice-all population, it now has the aspiration and the financial means to fulfil its wants, right from travel to investments to self-care. Seniors can only afford such services if their primary health and wellness needs are taken care of through inclusion of specialized and assisted care services in insurance.

Senior-friendly tax structures and health schemes: The Budget should provide better tax incentives to those living with and taking care of their parents/other dependent senior citizens. The expenses on senior care solutions like home care and care homes should be allowed to become tax-exempt i to enable faster penetration of such products and services. Currently, there is no clear exemption on Goods and Services Tax (GST) for services to seniors. It only covers transactions at a hospital. Tax incentives on senior-specific services will not only encourage faster adoption but will also strengthen private sector participation. Further, the falling interest rates and taxability of investments by senior citizens have been denting their savings. Seniors do not have any specific pension or superannuation scheme that is designed keeping in mind their retirement income needs. Therefore, the Budget should consider the introduction of such schemes that provide tax-free investment options to seniors.

Second-life career: The Draft National Policy for Senior Citizens 2020 has recognized the importance of second career options for seniors. Second career options will support seniors in their 60s and 70s to find employment in schools and for consulting/advisory roles with government or private companies. Such practices will not only keep senior citizens meaningfully engaged, but also provide a healthy work-life balance. The Budget should provide policy support to create and implement programs that encourage seniors to opt for post-retirement employment. Another option is to increase retirement age from 60 to 70-75, in line with increased life expectancy, which will further improve the affordability of senior care solutions. A recent Survey conducted by Antara on 'State of Seniors' found that 60% of seniors surveyed would like to work beyond the retirement age.

A steady income in old age is critical for senior citizens to lead a life of dignity and to help them become self-reliant. The Budget is an opportune time to recognize the economic value of the senior population and suggest proactive and supportive policy measures to provide them income security in their silver years. For the Budget to be a truly never-before-seen one, as the Finance Minister recently described, it should seriously consider making our seniors financially independent.

The author is MD and CEO at Antara. Views are personal.