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Only 15% of India's GDP dedicated towards retirement planning

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SAVING TOO LITTLE?

Mumbai, May 5: Leading fund house, Reliance Capital Asset Management (RCAM) on Tuesday unveiled its first 'Retirement Survey' conducted online pan India in collaboration with IMRB International. According to the survey, India's per capita retirement and pension assets as a percentage of gross domestic product (GDP) is among the lowest compared to other economies like Germany, USA and Brazil.

India has only 15.1% of retirement assets (as a percentage of GDP) as compared to 21% in Germany, 41% in Brazil, 78.9% in USA, the survey shows. "India is a young country with the median age of its population under 30 years. We have around 100 million people today above the age of 60 years, which is expected to triple to 300 million by 2050. This will pose a huge economic challenge for the country, if we do not plan for providing right retirement options today", said Himanshu Vyapak, deputy CEO, RCAM.

The survey also shows that life insurance policies, bank fixed deposits and public provident fund remain the most preferred investment options. "India today has approximately 15 lakh crore of retirement assets - including EPFO, exempted Provident Funds, superannuation & gratuity funds, NPS, PPF and Insurance - of which

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■ Many fund houses recently launched retirement plans to cash in on rising need

over 90% are currently invested in fixed income options. The government has been sensitive to expand this portfolio and allow these retirement funds to invest in equities in a calibrated manner. We see this as a strong move that will enable superior returns in the long term for investors," said Vyapak.

In order to cash in on the rising need for retirement plans, many fund houses in India have already lined up a slew of retirement products. Some others like LIC, Nomura Mutual Fund, IDBI Mutual Fund, Birla Sun Life Mutual Fund, Axis Mutual Fund and DSP BlackRock Mutual Fund have filed offer documents with Sebi to come out with pension plans.

Reliance Retirement Fund has been notified as a pension fund under Section 90C(2)(xiv) of the Income Tax Act. Until then only UTI Mutual fund and Franklin Templeton Mutual Fund had got approval to launch pension schemes.