

Retirement planning an important goal: survey

Pension assets in India among the lowest in the world

OUR BUREAU

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Retirement planning is the most important financial goal for people in the 30-55 year age group, ahead of other goals like buying a house, education of children and marriage, a survey has found.

The online, pan-India 'Retirement Survey' was conducted by Reliance Capital Asset Management (RCAM), a part of Reliance Capital in collaboration with IMRB International, one of India's largest research agencies.

"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.

With this study, we have made an attempt to understand the mindset of the consumer towards retirement planning," Himanshu Vyapak, Deputy Chief Executive Officer, RCAM said.

Objective of planning

The most important reasons for consumers to buy a retirement plan are "Enjoying retired life" and "taking care of family". States like UP have expressed greater concern towards rising costs on account of inflation and would like their retirement returns to beat inflation, the survey found.

Considering the strong family structure that exists in India, "my children will take care of me when I retire" has emerged as the main reason for not planning for their retirement.

"I have enough savings" was the second key reason for not opting for any retirement plan. "Studies have indicated that the joint family system has dropped from 35% to 31% in the last 5 years. Also the number of people from

ages 41-55 who are living alone has increased from 31% to 34% since 2008.

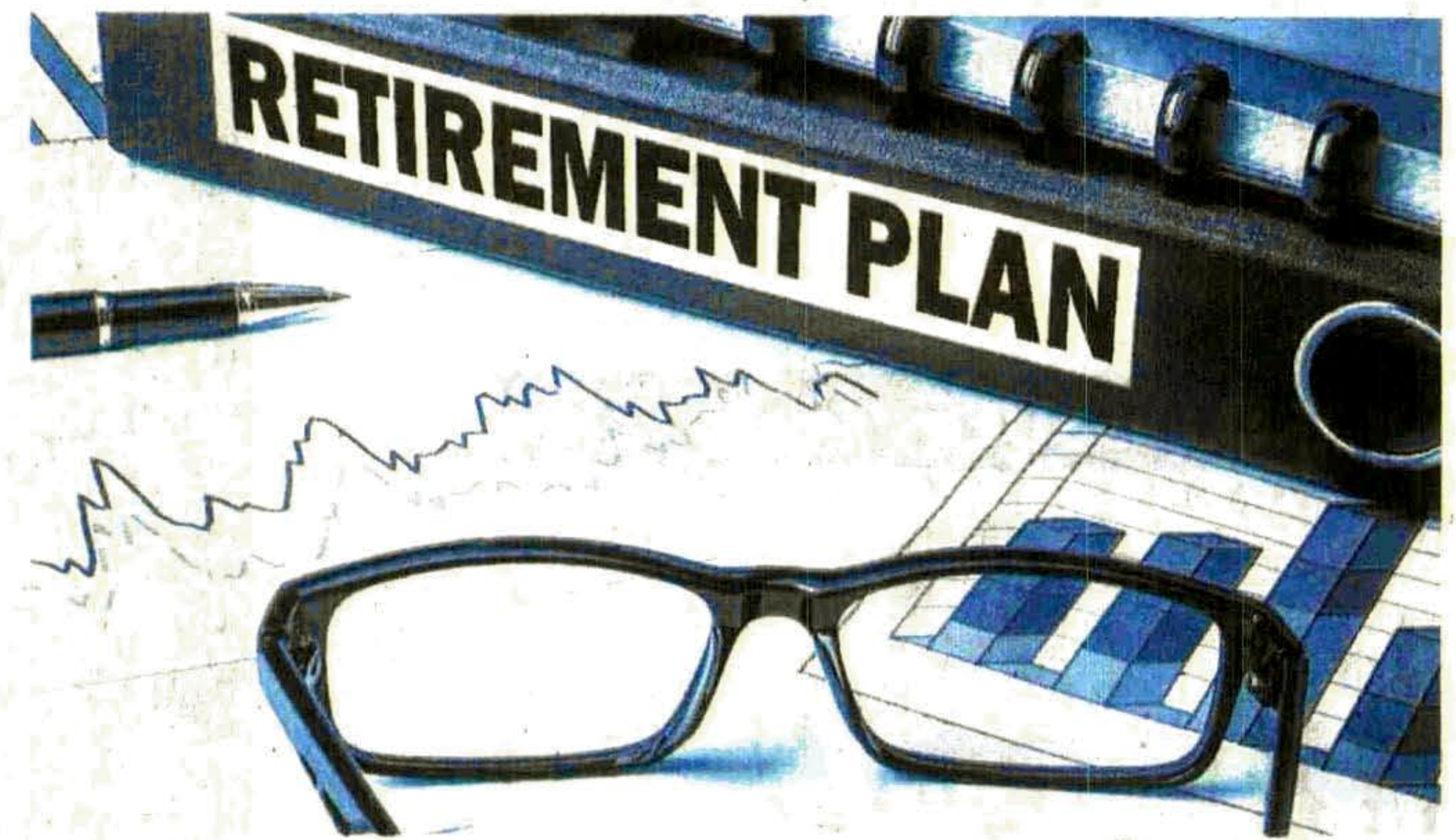
"We are seeing a shift in the family structure which will have an impact on the retirement planning behaviour in the next 5 years," Vyapak observed.

Over 60% of the respondents said that they prefer to invest in retirement plans between the ages of 30 and 40 years.

Men, women differ

The survey also points out that men and women consumers have different motivations to opt for a retirement plan. While "taking care of my family" was the prime reason for male respondents intending to buy retirement plans, "I don't want to be dependent" was the top reason for females.

"India today has approximately 15 lakh crore of retirement assets - including EPFO, exempted Provident Funds, superannuation & gratuity funds, NPS, PPF and Insurance - of which over 90% are currently invested in



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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," Vyapak said.

The total commitment from SIP's in Reliance Retirement Fund is over ₹1,300 crore till date, he

said, adding, "Our plan is to enrol over one million customers for this option in the next three years."

India's per capita retirement and pension assets as a percentage of GDP are amongst the lowest in the world.

It has 15.1% of retirement assets (as a percentage of GDP) as compared to 21% in Germany, 41% in Brazil, 78.9% in USA and 146% in Australia.