

Position Paper *on* Financial Issues Faced *By* Senior Citizens



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I am pleased to recommend this 'position paper' on the financial issues faced by senior citizens in India put together by Moneylife Foundation.

Moneylife Foundation has prepared this excellent Position Paper on Senior Citizens as an *aide memoir* for decision makers in government. This paper spells out a host of issues related to a growing demographic constituent of India's population. The paper covers: the need for uniform definition of retirement age, implementation of the National Policy of Older People (NPOP), problems of the New Pension Scheme, taxable income of senior citizens, financial abuse of senior citizens and possible preventive action, and financial products specifically designed for them like reverse mortgage, health insurance and saving schemes.

The process of preparing the paper was 'inclusive'. Financial inclusion through financial literacy is the cornerstone of Moneylife Foundation and I have witnessed this since I was associated with the process of preparing this paper at every stage.

Moneylife Foundation conducted a brainstorming session on issues of Senior Citizens in April 2010 that I had chaired. The Foundation was able to draw almost all the NGOs in Mumbai working on issues of senior citizens for the discussion. These included associations like HelpAge India, Dignity Foundation, The Family Welfare Agency, Shri Manav Seva Sangh, Silver Inning Foundation and the Bombay Community Public Trust and several management professionals and tax consultants who have dealt with issues of senior citizens. Those who could not attend the session like All India Senior Citizen Confederation, The Harmony for Silvers Foundation, Jeevan Adhar Seva Sangh later sent their suggestions regarding National Policy for Older People and other issues which have been included in this paper.

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After compiling the suggestions received from all the organisations, two rounds of discussions followed along with one-on-one discussions to seek clarifications and rationale of the demands of the associations/ persons who could not attend the discussion sessions. The distilled deliberations and demands of all these associations, along with Moneylife Foundation's considered recommendations are clearly and cogently spelt out.

From among the many suggestions and recommendations, there are four that I would especially place for the government's urgent consideration. These are:

1. Standardising the eligibility age for a senior citizen - on completion of 60 years.
2. Exemption for senior citizens on interest income on fixed-income instruments up to Rs one lakh under Sec 80 C. As most senior citizens are wary of investing in high-risk financial instruments and invest in government bonds and bank fixed deposits, the income generated from this interest should be made tax free.
3. Re-introduction of Standard Deduction specifically for senior citizens up to Rs one lakh which would cover the medical expenditure that would almost be the staple for most senior citizens like medicines for diabetes, hyper-tension, cholesterol management and nutrition supplements. Alternatively raise the tax exemption limit for senior citizens to Rs3.5 lakh.
4. Providing alternative safe savings instruments for retirement planning such as individual retirement accounts (IRAs) (the way it exists in USA). The corpus of IRAs should be managed by mutual fund companies. A part of it should be mandatorily converted on completion of 60 years into annuity.

I am confident that you will find this position paper useful.

With regards

Yours sincerely



Dr Surendra Dave

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We are grateful to all those who spared the time individually to give their reactions to our first draft of the Paper. These included (Listed alphabetically):

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Madhukar B Kulkarni (*Vice President - AISCCON All India Senior Citizen’s Confederation, ex President - FESCOM, Maharashtra Federation of Senior Citizen’s Organisations Maharashtra*)
Mohan Siroya (*Chairperson - Consumer Complaints Cell*)
Nagesh N. Kini (*B. Com., FCA Chartered Accountant*)
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RN Jha, (*Management Consultant, Former Executive Director Life Insurance Corporation of India*)
Shailesh Mishra (*Founder President, Silver Innings Foundation*)
Ms Sheilu Srinivasan (*Founder President of Dignity Foundation*)
Ms Shobha Mathur (*Karmayog*)
Vijay V Aundhe (*Secretary – Federation of Senior Citizens’ Organisations, Maharashtra (FESCOM) Mumbai Region*)

We thank all the senior citizens’ association and professionals whom we wrote to, some of whom are out of Bombay, and gave us their inputs.

We are especially thankful to **Mukul Asher**, Lee Kuan Yew School of Public Policy, National University of Singapore for his valuable inputs and suggestion.

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Sucheta Dalal
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Executive Summary

Senior citizens make up a large, and growing, percentage of India's population. This is an important political constituency as well. Hence, their needs require immediate attention of policymakers. Moneylife magazine has highlighted many of the financial and taxation issues that they have had to grapple with.

Moneylife Foundation worked closely with several eminent persons and with associations for senior citizens including HelpAge, Silver Innings Foundation, FESCOM, Dignity Foundation and others across the country who sent in their views. Taking into account their suggestions, ideas from brainstorming with experts from the legal and financial fields, we list below the points that need to be considered by policymakers on an urgent basis.

1. Age Definition and Age Proof for Senior Citizens

The definition of senior citizen for receiving concessions varies among various ministries of the government. This should be made uniform at 60+. As proof of age, any of the following should be sufficient:

- Birth Certificate
- PAN Card
- Passport
- Senior citizen card issued by a designated agency.

2. Making the National Policy for Older Persons (NPOP) work

The National Policy for Older Persons lags in implementation. Government needs to re-evaluate it with the current economic situation in mind. More specifically:

- NPOP needs to be broken up into smaller parts for speedier implementation;
- NGOs and private sector must be roped in to implement areas they can handle best;
- NPOP can be implemented with corporate support through their CSR initiatives. The government can encourage large companies in the infrastructure sector to build geriatric-care homes by giving them tax benefits;
- There should be transparency in terms of funds allocation and utilisation by all ministries implementing schemes for senior citizens.

3. Financial Literacy Programmes for Senior Citizens

Senior citizens are usually most vulnerable to financial exploitation. The government should launch a campaign for financial literacy and include issues like transmission of securities, safe investment, Wills, fraudulent transfer of property and remedies for such transfers, listing of nominees and understanding insurance. Money available with investor education and protection funds of stock exchanges, SEBI (Securities and Exchange Board of India) and Ministry of Corporate Affairs can be utilised for this purpose.

4. Healthcare for Senior Citizens

Government should offer tax concessions for programmes to make available, trained caregivers for 24x7 home-care and also housekeepers for home management and assisted living at affordable cost to senior citizens. In fact, skilled care-giving can become a huge livelihood opportunity for a large section

of the unemployed with just school-level education. There is also a need to develop curriculum and master trainers who would provide the resource for skill training which will be another employment opportunity for people. NGOs working in the area of community health are already aware of this growing 'felt need' and are working on pilot projects for such training. These need to be scaled up and replicated. Government can facilitate this through subsidies or tax incentives for organisations working in a focused way on these subjects.

5. Health Insurance for Senior Citizens

- Senior citizens in the age group 65-85yrs must be made eligible for Mediclaim policies. A separate Medicare policy must be available for older persons. The access to insurance as well as the claims procedure should be simplified. Single-window processing is essential. Senior citizens who have been in the insurance system for a long time should be allowed to increase their cover, keeping in mind the increasing cost of healthcare.
- Currently, a reverse mortgage loan is bundled with a Mediclaim / health insurance policy and the annuity on the existing schemes is taxed. These need to be made tax-free.

6. Pension Reforms

Pension schemes in India cover only the organised sector which constitutes a mere 7% of the population. The unorganised sector must be included to widen the reach of pensions. The New Pension System (NPS) is a great step toward widening the pension net. However, some changes needed to make it sustainable for the government and beneficial for pensioners.

- The annuity component must be brought down to 20%. The other 20% must be allowed to be invested in a fixed income scheme for senior citizens.
- Annuities should gradually be made tax-free.
- There is a large percentage of Indians who rely on PPF as their retirement saving option. The change from EEE to EET will be very harsh on senior citizen and it should not change for senior citizens at least.
- Providing alternative safe savings instruments for retirement planning such as individual retirement accounts (IRAs) (the way it exists in USA). The corpus of IRAs should be managed by mutual fund companies. A part of it should be mandatorily converted into annuity on completion of 60 years.

7. Taxation

Senior citizens must receive concessions on personal tax which makes their lives simpler.

- Re-introduction of Standard Deduction specifically for senior citizens of up to Rs one lakh which would cover medical expenditure. Such expenditure is almost staple for most senior citizens and usually covers the cost of medicines for diabetes, hyper-tension, cholesterol management and nutrition supplements as well as frequent medical tests and check-ups that are required for such age-related illnesses. Alternatively, the government should consider raising the tax exemption limit for senior citizens to Rs3.5 lakh. This would also ensure that some tax benefit for such costs is covered.
- No service tax should be applicable for people above 60 years of age, if they continue to provide services to 'earn a living' beyond retirement. There can be a threshold beyond which the tax is charged.
- There should be no tax on the annuity derived by the way of Reverse Mortgage Loan.
- The filing of tax-returns, the deduction of TDS and filing for refunds need to be simplified for

senior citizens.

- For senior citizens, PPF should continue to remain EEE at withdrawal.
- Obtaining TDS certificates should be made easier and checking online should not be the only recourse for validating/ratifying information in the case of senior citizens. There must be easy recourse to redressal when banks or other financial intermediaries end up deducting TDS, even when the appropriate forms have been filled and senior citizens – they cannot be asked to file returns simply to get a refund on wrongly deducted tax.

8. Spaces for Elderly

Retirement homes and day-care centres for the elderly are fast catching up. Agencies should be set up to review and grade such centres. Companies should be sensitised and encouraged to run such centres for their employees just as many companies run child care centres.

There must be a regulator to oversee the operations of such retirement homes to ensure that they do not turn into a trap for seniors in their sunset years.

I. Introduction

“Trees grow stronger over the years, rivers wider. Likewise, with age, human beings gain immeasurable depth and breadth of experience and wisdom. That is why older persons should not only be respected and revered; they should be utilised as the rich resource that they are to (the) society.”
—Former United Nations Secretary-General, Kofi Annan

I.01 India needs to work towards this ideal scenario as described by Kofi Annan, especially at a time when 13% of the Indian electorate comprises senior citizens. They also form a big chunk of our elected representatives and council of ministers.

I.02 Moneylife Foundation recognises that there are plenty of excellent comprehensive studies on ageing and other issues relating to senior citizens. The National Policy on Older Persons (NPOP) of 1999 is also considered an excellent document by non-government organisations (NGOs) who work with senior citizens.

I.03 What is missing, over a decade down the line, is proper implementation of the Policy, as also a process of working with academics, think-tanks and the NGO sector to anticipate people’s needs... and plan for them.

I.04 At a time when globalisation, economic liberalisation (in India) as well as rapid changes in medical research and technology have led to dramatic changes in peoples’ life expectancy, we need to plan for changing social structures and evolving financial needs. We also need to formulate our policies to address these changes.

I.05 For instance, the break up of joint families has occurred over the past three decades, but there is little recognition of the needs as well as possible business opportunity (such as retirement homes, hospices, travel & tourism options tailored for seniors, geriatric care and elder-friendly products— from building materials to appliances such as televisions, cell phones, etc) offered by this segment of the population.

I.06 Similarly, the financial sector has also been indifferent to the plight of senior citizens, who were seen as leading frugal lives out of their dwindling savings, presumably invested in fixed-income securities. For the past two decades, senior citizens have been fighting to obtain adequate insurance cover (especially for health services), because of the mistaken belief among insurers that claims are higher from this segment. It is only recently that insurers have begun to acknowledge that corporate insurance covering ‘five-star’ hospitalisation is more of a losing proposition.

I.07 Some positive developments also need recognition. Among these is the increased spending power of government pensioners after the Sixth Pay Commission. It is changing the attitude of business towards pensioners. One nationalised bank has reacted by laying out special facilities for pensioners when they come in for their monthly banking transactions after the pension is credited. This is in sharp contrast to their earlier complaints that it is difficult to deal with the crowding of pensioners to withdraw their payments every month. Today, the same group has fatter savings accounts and fixed deposits.

I.08 Moneylife Foundation would like to shift the focus of the debate about senior citizens in the APL (above poverty line) segment. We submit that accelerated economic growth, rapid technology

changes, breakthrough developments in medicine and increased life expectancy have had a significant impact on the needs and aspirations of senior citizens. They are not always a needy group looking for incentives, subsidies and doles (although the elderly in need of support are still a huge chunk of the population). Today's senior citizens are a savvier and financially literate group whose changing needs and infrastructure requirements must be recognised and anticipated by policymakers to create structures for the future.

I.09 In the US, a huge quantum of research was devoted to what was known as the post-War baby-boomers. This made it easier for government to plan ahead for every stage of their lives, right up to retirement.

I.10 In India, one can go back to 1991, when India embarked on a process of rapid economic liberalisation. Those who retired around that period are struggling to cope with everyday expenses with no recognition of the upheaval they have faced. However, every successive generation since then has enjoyed the trickle-down effects of economic liberalisation, and has been slightly better prepared for retirement. But does a higher, current disposable income make the current generation ready for the future? Have government and business anticipated the needs of an ageing population that will retire without the support of joint family structures and a pressing need for geriatric care, retirement homes, hospices and, above all, workable insurance that will take care of galloping medical costs?

I.11 From time to time, the government has recognised the needs of this segment and articulated appropriate policy measures, but these have never been adequately implemented.

I.12 In a statement released at the UN Second World Assembly on Ageing (held at Madrid) during 8th -12th April 2002, Dr Satyanarayan Jatiya, India's Minister for Social Justice, had identified a few factors that need to be addressed for the betterment of the elderly. Dr Jatiya's suggestions were on these lines:

- Facilitating partnership amongst various players like government, civil society, the private sector, etc;
- The need to prepare oneself in advance for financial security in old age;
- Recognising the aged as a resource pool;
- Better healthcare facilities for the elderly;
- Extending proper protection, security and legal rights;
- Commitment to gender equality in the programmes for the aged.

I.13 Most of these issues remain relevant even today. In order to take the discussion forward—and while focusing on our core strength in the financial domain— Moneylife Foundation, a not-for-profit organisation dedicated to spreading financial literacy, initiated work on this Position Paper together with all like-minded NGOs working with senior citizens.

I.14 We started with a brainstorming session, led by **Dr SA Dave** (chairman of the Oasis committee and former chairman of the Securities & Exchange Board of India and Unit Trust of India), which saw excellent participation from leading NGOs such as HelpAge, Dignity Foundation, Silver Innings, the GIC Pensioners Association and many leading activists in this field. We followed it up with one-on-one meetings with key individuals and also wrote to leading NGOs around the country for their comments. (See Appendix 1)

This report incorporates suggestions of all participating organisations. The final report has been prepared with reviews and inputs from a smaller focus group.

II. The Urgent Need for this Position Paper

II.01 The Indian economy is on the fast track, and that is expected to make this country one of the most powerful economies in the coming decades. In line with our demographic profile *and* the unequal distribution of wealth among our population, the government is correctly focused on the economic betterment of people living below the poverty line. We have several programmes and a significant budgetary allocation for this purpose.

II.02 At the same time, the vast Indian middle class is struggling to adjust to the ramifications of rapid economic change. Economic liberalisation has meant an end to shortages and significantly higher income for the children of the erstwhile economically weaker sections. All this has translated into better lifestyles for part of the population. However, for senior citizens, it has been a struggle to cope with the change triggered by economic liberalisation.

II.03 On the positive side, the days of low income, high taxation and frugal living have given way to better lifestyles, at least for employees in the organised sector—and certainly for government employees who have the security of steady pension and Pay-Commission-based salary revisions. The majority of the Indian population, however, is not in this comfortable position.

II.04 Those in the unorganised sector, including the self-employed and small entrepreneurs, are struggling to cope with change. They are under pressure to generate higher income to meet increased lifestyle demands, end of support systems in the form of joint families, galloping healthcare & education costs and the necessity of dealing with an uncertain financial system.

II.05 In the absence of any form of social security, senior citizens are the worst affected. Their three largest worries are—generation of adequate income to meet their needs in their old age, ability to pay for decent healthcare and worries over insurance cover.

II.06 Ideally, we need to be able to anticipate the impact of change, educate people on its implications and figure out ways of mitigating the hardship arising from it. We need to have ready answers to questions like: Do we have adequate infrastructure to ensure a decent standard of living for the elderly? Can India provide healthcare for seniors who have paid taxes regularly for years and contributed to the exchequer but have no one to look after them? The answer is, sadly, no.

II.07 As a nation, does India take care of its seniors? Do we recognise the needs of those generations that gave large chunks of their income to the exchequer under a high-tax regime and are now forced to eke a living out of their meagre savings? The answer is an emphatic ‘NO’.

II.08 Anyone over the age of 60 is constantly worried about being shunned by insurers; the mounting cost of healthcare; the unavailability of geriatric care (or support systems) for the elderly and, worst, outliving one’s already meagre savings. The current galloping rate of inflation also does not help. In the absence of social security, those who have no support systems end up in destitute homes, if they are lucky. While there is pitiful semblance of support to senior citizens living below the poverty line, social security for the middle class is not even on the radar of policymakers.

II.09 While those in the noon of their lives had no clue about how their financial situation would change after liberalisation, even those in their 40s (and near retirement age today) were unprepared for

the upheaval caused by India's economic liberalisation programme and were subsequently unprepared for change. For these people, liberalisation has brought about both positive changes and some serious negative consequences (like not being able to prepare for rising insurance and healthcare costs, often the biggest worry).

II.10 We believe that after two decades of embarking on economic liberalisation, we need a Position Paper to look at where we stand in terms of issues involving senior citizens. The purpose of this Paper (prepared with widespread consultation with NGOs working in this field) is to be able to seek clear policy initiatives for India's growing (and greying) population. The NGOs working for senior citizens' issues are unanimous in their views that the National Policy for Older Persons (NPOP) is an excellent document and a very good starting point, but its implementation has not received the attention that it deserves.

III. Issues

From Young India to Old India

III.01 With the demographic changes that have taken place over the past two decades and the increase in life expectancy, senior citizens are not a small niche group whose opinions can be ignored by policymakers. They form a large and important part of India’s population. While economists may boast of India’s current advantage of being a demographically “young” country, the fact remains that we are growing older by the day. The 20th and the 21st centuries have seen an unprecedented demographic transition in the form of demographic ageing. Globally, life expectancy at birth has increased from around 47 years (in the 1950s) to 67 in 2008, an increase of 20 years over half a century.

III.02 The gain has been impressive among less developed regions, i.e., 24 years compared to 10 in developed regions (Source: UN’s Human Development Index Report 2007-2008). In India, the gain has been 21 years (Irudaya Rajan, 2008). With the planet’s second largest population, and increasing life expectancy, India has the second-largest number of elders in the world. On an average, an adult can expect to live for 18-20 years, after reaching the age of 60.

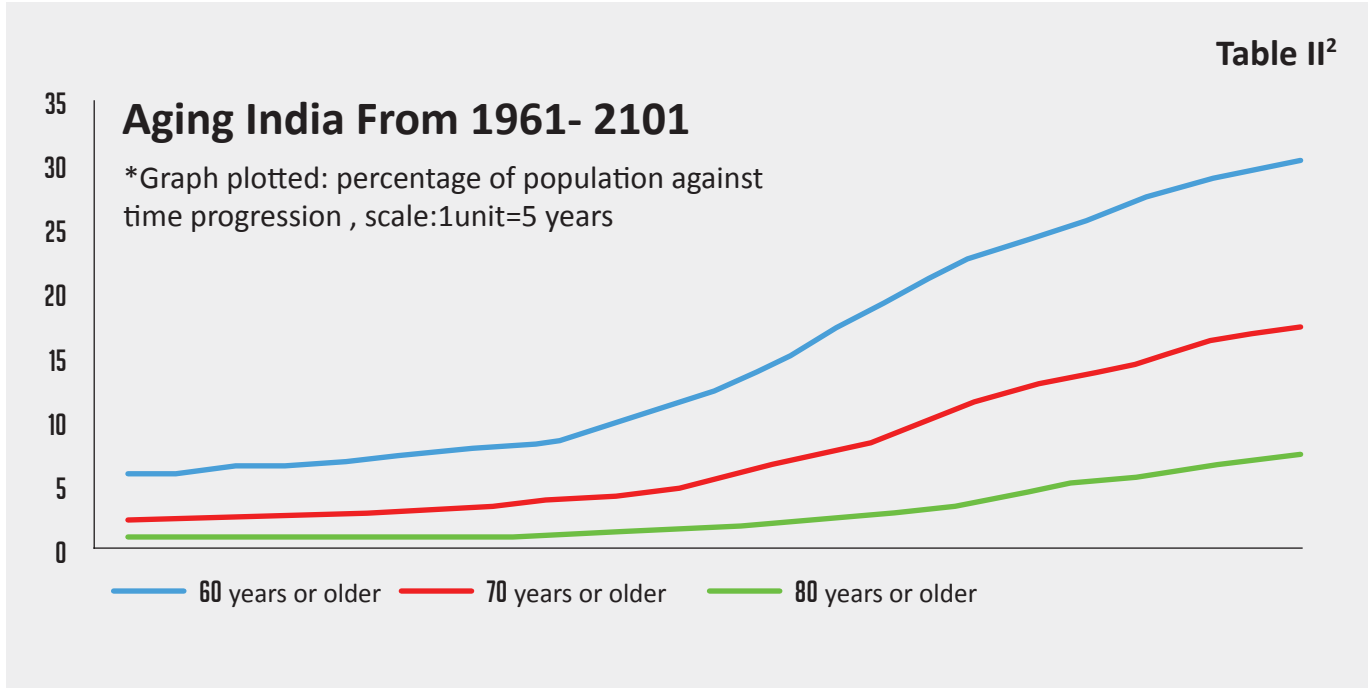
III.03 In 2008, India had 90 million elders, the second largest in the world after China. According to the 2001 census, there were around 77 million aged 60 years and above, a notable increase from the 25 million recorded in 1961. The proportion of elderly people rose from 5.6% of the total population (in 1961) to 6.6% in 1991 and to 7.5% (in 2001). The number of persons aged 70 or above rose from 9 million in 1961 to 29 million in 2001, representing 2% of the total population in 1961 and 2.9% in 2001.

Table I) Aging India¹

Year	60 years or above (as a % of total population)	70 years or above (as a % of total population)	80 years or above (as a % of total population)
1961	5.6	2	0.6
1971	6	2.1	0.6
1981	6.5	2.3	0.6
1991	6.8	2.5	0.8
2001	7.5	2.9	0.8
2011	8.1	3.5	0.9
2021	9.9	3.9	1.2
2031	12.17	5.1	1.3
2041	15.3	6.8	1.8
2051	19.1	8.3	2.5
2061	22.4	11	3.2
2071	24.5	12.9	4.5
2081	26.9	14.1	5.3
2091	28.7	16.1	6.1
2101	30.1	17.2	7.1

Source: The 2001 census data

Table II²



²Source: Rajan, Irudaya and Aliyar, Sabu, “Population Aging in India”, Emerging aging scenario 1961-2101, pub: 2008.

The Need of the Hour: Broader Social Security

III.04 Social security schemes as they now exist in India cover only a minor segment of the (organised) workforce—defined as workers who have a direct regular employer-employee relationship with an organisation. “The social security legislation in India derives its strength and spirit from the Directive Principles of the State Policy as contained in the Constitution of India. These provide for mandatory social security benefits either solely at the cost of the employers or on the basis of joint contribution of the employers and the employees. While protective entitlements accrue to employees, the responsibilities for compliance largely rest with the employers,” says a report of a Working Group on Social Security, constituted by the Planning Commission.

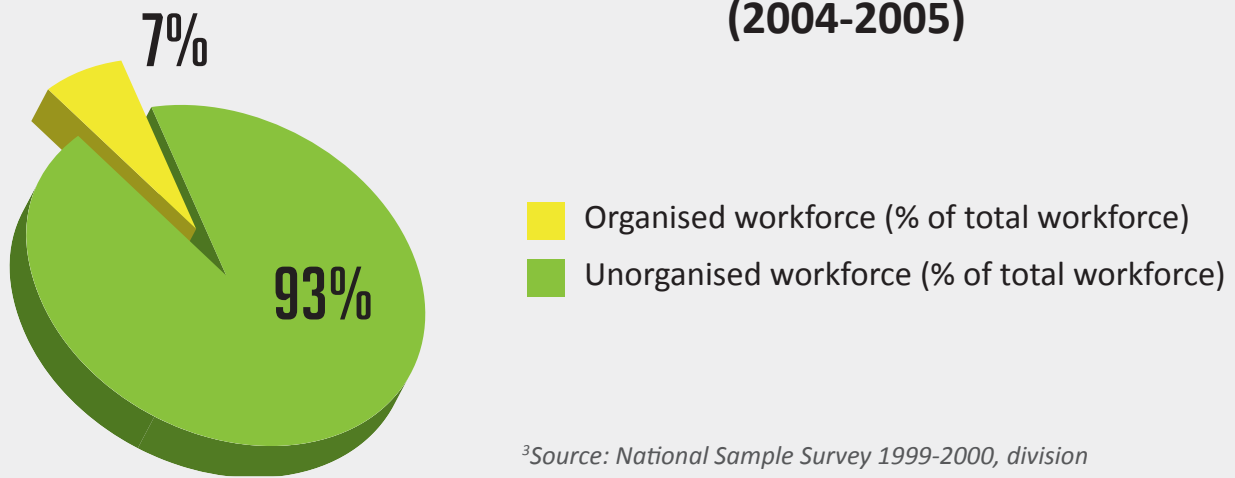
III.05 There are more than 400 million people of working age in India and only 7% of them are covered under social security schemes. Even these schemes are inadequate. The government made an attempt to cover the unorganised sector under the ‘Unorganised Workers’ Social Security Bill (2008) but the implementation of this scheme has been tardy.

III.06 Under the standardised economic security policy, the government is offering retirement benefits for those in the organised sector, economic security benefits for those in the unorganised sector and old-age pensions for the rural elderly. The government’s pension expenditure in 2001 was more than 1% of gross domestic product (GDP) or 15% of total revenues. The Employees’ Provident Fund, which was gradually extended from 5 to 179 industries, barely covers 5% of the total labour workforce.

III.07 Though details are available on poverty among the elderly and the impact of cash transfers, several studies have raised concerns about target population, administrative efficiency (or rather, the lack of it) and related issues. Given the high rate of ageing and increasing longevity, planners need to apply their collective minds to evolve suitable programmes and schemes and usher in reforms to amend the existing pension programmes.

Table II³

**The strength of the unorganised sector
(2004-2005)**



³Source: National Sample Survey 1999-2000, division as perceived on 1.1.2000

III.08 As per the National Policy on Aging (1999), one-third of the elderly population (1993-94) is below the poverty line (BPL); around one-third is above the BPL (in the lower income group). The Policy document also states that the coverage under the Old Age Pension Scheme for the poor (2.76 million as on January 1997) will be significantly expanded with the ultimate objective of covering all older persons coming under the BPL.

III.09 The NOAP Scheme (National Old Age Pension Scheme), initiated by the Central Government, provides for a pension of Rs75 per month to the elderly “living in the conditions of destitution.” The Budgetary allocation for the NOAP scheme—Rs450 crore in 1999—has been increased to Rs465 crore in 2002. The NOAP Scheme is in operation all over India and reports indicate that the most vulnerable sections of Indian society—women and citizens belonging to the depressed classes—have benefited from this scheme. All states and Union Territories have their own schemes for old age pensions; the criterion of eligibility and the quantum of pension vary from state to state. The average old age pension (around Rs150 per month) was actually below the average Indian per capita income.

The Middle Class: Not Middling, but Ignored

III.10 It looks like the government is trying to provide some succour for BPL citizens, but the middle class senior citizen is still ignored except for a few minor concessions. There are schemes like the ‘Antyodaya Scheme’ where citizens who are 60 years and above (from the BPL category) are given priority. There also exist programmes like the ‘Annapoorna Scheme’ where the elderly destitute (65 years and above) get free food-grains, up to 10kg/month.

III.11 Middle-class senior citizens, who approximately make up around 60% of the total population of senior citizens, are trying their best to go on with their lives, within their limited pension funds and often meagre savings. With inflation on the rise in urban India, the senior citizen is under these three pressure points:

1. Higher life expectancy;
2. High inflation;
3. Negative real rates of interest.

A. Uniform Retirement Age

III.A.12 An economically-productive life span of an individual ends with her retirement. The official age at retirement varies from one society to the other. In emerging economies, the official retirement age ranges from 55 to 60 years. In India, older adults (from 55 to 74 years) are differentiated from the rest of the population for formulating and implementation of welfare schemes.

III.A.13 Retired, but not yet a senior citizen seems to be the plight of many. For instance, the Union Ministry of Social Justice and Empowerment defines a senior citizen as someone who is 60, but the Income-Tax Department allows benefits for the category only after 65. The key issue for senior citizens is the very definition of a ‘senior citizen’. This inconsistency has been around for a long time now. The age bracket where a Senior citizen can receive concessions is not fixed.

Table IV⁴ :Age Bracket for Senior Citizens (according to different ministries):

1. Ministry of Railways	Indian Railways provide 30% fare concession for Senior Citizens (60 years and above).
2. Ministry of Civil Aviation.	<p>a. Jet Airways: 50% discount for Senior Citizens (65 years & above).</p> <p>b. Indian Airlines: Indian male Senior Citizens (65 years and above) and female Senior Citizens (63 years and above) are eligible for discounts.</p> <p>c. Air India: Male/Female Senior Citizens residing permanently in India and who have completed 65 years on the date of commencement of any particular (overseas) journey are eligible for discounts.</p> <p>d. Kingfisher Airlines: Special concessions for Senior Citizens and all guests above 65 years.</p>
3. Ministry of Road Transport & Highways	<p>a. Maharashtra, Delhi & Chandigarh: A total of 50% travel concession in state buses is provided to Senior Citizens (65 years and above).</p> <p>b. Kerala: Free pass for travelling in state buses provided to elderly persons (who were Freedom Fighters).</p> <p>c. Punjab: Free travel in state buses for a Senior Citizen (60 years and above).</p>
4. Ministry of Finance	Senior Citizens (above 60 years) are entitled to discounts and schemes from various banks.
5. Ministry of Consumer Affairs, Food and Public Distribution.	<p>a. Antyodaya Scheme’: Persons (60 years and above from the BPL category) are given priority.</p> <p>b. ‘Annapoorna Scheme’: Destitute elderly (65 years and above) are entitled for free food grains (up to 10kg/month).</p>

⁴Source: National Institute for Social Defence, New Delhi and the Ministry of Social Justice and Empowerment.

III.A.14 The difference in retirement age between various government departments indicates sheer apathy and an ad hoc approach towards policies concerning senior citizens. It is essential that the government simplifies the issue of “Retirement Age” so that a uniform policy can be developed and implemented.

III.A.15 Our Recommendation: Age of 60 should be made uniform for any and every benefit under the policy pan all ministries/departments of State and Central governments.

Any of the following should be sufficient as age proof:

- Birth certificate • PAN card • Passport • Senior citizen card.

B. National Policy for Older People (NPOP)

III.B.16 NPOP was drafted and put in place in 1999, 11 years back. Over the past 11 years, India has seen tremendous changes in technology, lifestyles, standard of living and expectations of its populace. NPOP seeks to assure older persons that their concerns are national concerns and they will not live unprotected, ignored or marginalised. The goal of NPOP is the well-being of the elderly. The Policy aims to strengthen the place of senior citizens in society and to help older persons live the twilight of their lives with purpose, dignity and peace.

III.B.17 The Policy visualises that the State will extend support for financial security, healthcare, shelter, welfare and other needs of older persons, provide protection against abuse and exploitation, make available opportunities for development of the potential of older persons, seek their participation, and provide services so that they can improve the quality of their lives.

III.B.18 NPOP recognises that only a judicious mix of public-health services, health insurance, health services provided by not-for-profit organisations and private medical care can address the healthcare needs of the elderly.

III.B.19 Over its 11 years of existence, NPOP has been crippled due to the lack of the will to implement the policy by the Centre. While it offers the perfect solution, it lags behind in actual implementation—you can call it a tiger without teeth.

III.B.20 Our recommendations:

1. NPOP needs to be broken up into smaller parts and implemented in stages.
2. NGOs and the private sector must be given responsibility to implement those areas which are best suited to them. For instance, large companies in the infrastructure sector could take up building of long-term care homes. They could be offered a substantial tax benefit as a sop. In addition, it would be a Corporate Social Responsibility (CSR) activity.
3. In view of the socioeconomic and demographic changes that have taken place over the past decade and those that are expected in the future, the government should identify gaps in NPOP with a view to making it relevant and implementable.
4. There should be transparency in terms of fund allocation and utilisation by all ministries which are currently implementing schemes for senior citizens.
5. There must be a budgetary provision for the NPOP (both at the Central and State levels).
6. NPOP should be converted into a National Commission for Senior Citizens on the lines of Nation Commission for Women and Children. This will give the policy the required teeth and budget.

Some more suggestions from the discussion on NPOP held on 11 March 2010 at the Dignity Foundation, Pune:

1. Along with the gender group, the category covering a 'senior citizen' falls into four more groups—BPL, Low Income, Middle Income and High Income. The new policy must make provisions for these groups in such a way that persons in these groups are able to live in comfort, dignity and are financially as well as physically secure.
2. It normally happens that only those senior citizens in the 'Low Income' or 'BPL' group are given

support. The Government should see to it that all senior citizens are supported according to their respective needs.

3. Nuclear families are now common and the joint family system has all but broken down. The emergence of ‘nuclear’ families is often because of sheer necessity. This reality has to be recognised and the policy must decide on measures to serve elders in both types of families and encourage harmony between the two.

4. The “IMPLEMENTATION” plan as stated in the Policy paper was very impressive and would have substantially enriched the lives of older persons. However, very little has been done so far.

5. An Apex organisation of senior citizens, on the lines of the America’s AARP (American Association of Retired Persons) should be set up with branches in various states, to implement action plans in line with those of the state governments and in collaboration with them.

6. Working Groups comprising committed persons should be formed for each action item and progress should be reviewed in the following manner:

- Every month at the Working Group level.
- Every quarter at the State organisation level.
- Every six months at the National level and
- An Action Taken Report (ATR) must be prepared annually at the State and National levels—at a fixed and uniform date—which must be given wide publicity.

The entire process should be simple, fully implementable and definitely not bureaucratic.

C. Financial Exploitation Can Be Stopped

III.C.21 Financial exploitation does not leave any injuries or scars, but it can have devastating effects on the life of a person. The entire savings of a person can disappear, leaving him unable to provide for his own needs.

III.C.22 Financial abuse and material exploitation of elders is very high all over the world. These victims are exploited because of their advanced age, which in some cases may include impaired mental capacity. Unfortunately, the fraudster is most likely to be a person in a position of trust—caregivers in nursing homes or assisted living facilities; ‘professionals’ hired by the elder (such as accountants), strangers or even family members.

III.C.23 By far, women comprise a greater number and proportion of the older population in almost all societies; this disparity is increasing with advancing age. In India, while the sex ratio favours men (at all ages), the trend swings back in favour of women above the age of 70, with the number of women exceeding the number of men in this age group. The sex ratio in the elderly population, which was 928 in 1996, is projected to touch 1,031 by 2016. More often than not, women are overburdened with cumulative inequalities throughout the lifecycle (from womb to tomb) as a result of socio-cultural and economic discriminatory practices, relegating them to a secondary status. Thus, a longer life span is directly correlated to greater morbidity and higher incidence of health-related problems among elderly women.

III.C.24 Women have nearly no say in financial matters in most households. So even if the husband has provided assets for her, the bereaved spouse may not be able to control or use these assets, thanks to pressure from children and relatives.

III.C.25 Various forms in which financial abuse can take place against a senior citizen are:

1. Theft of money or items from the elder's bank account or home.
2. Sale or transfer of property against the elder's wish.
3. Using the elder's credit cards.
4. Using the elder's name to open new credit accounts, and create or alter a living trust or will for the abuser's benefit.
5. Telemarketing frauds, identity theft, predatory lending, home-improvement scams, phishing, estate-planning scams... the list goes on.
6. Misusing or stealing assets, property or money.
7. Encashing cheques without authorisation or forging a signature.
8. Misusing a Power of Attorney.
9. Pressuring a senior into making changes to a will.
10. Pressuring a senior into signing legal documents, even if she does not understand the fine print.
11. Sharing a home with the senior without paying expenses when requested.
12. Transfer of Property : (As in Slum Rehabilitation or SRA schemes).
13. Gift deeds which are forged—or signed under undue influence, coercion or outright fraud.

D. Prevention of Financial Abuse

III.D.26 The basics of finance are actually very simple, once they are taken out of the hands of unscrupulous middlemen. Senior citizens must be informed about their rights. It is essential that they understand and handle their own finances. Even if the elder in the family does not have adequate liquid assets, the house is often in his name. A house is the most expensive asset—yet the most illiquid.

III.D.27 Reverse mortgage can help in providing some much-needed liquidity to a senior citizen. However, most people are reluctant to go in for a reverse mortgage scheme, since they feel that their children would lose their inheritance. Awareness building is imperative.

III.D.28 Financial literacy camps should be conducted for senior citizens. This can also be a forum where these citizens get sound advice and a sympathetic ear. Banks can conduct these camps regularly for their clients who are senior citizens.

III.D.29 NGOs are already doing a commendable job of trying to protect seniors from financial exploitation. Their efforts should get financial support from the government and the private sector.

III.D.30 Our recommendations:

- Financial literacy campaign should be launched by government agencies or with their support.
- Banks, insurance companies and mutual funds should hold free seminars for the senior citizen clients.

i.) Pensions: The Backbone of Old Age

III.D.31 Going back thousands of years, caring for the aged was part of the Indian tradition. In the past, merchants and other donors used to build 'old age homes' close to or centres of pilgrimage, where the elderly could spend their time in Godly pursuits. The traditional division of a human

existence (according to Hindu scriptures) lays down four stages of a man's life: *Bramacharya* (bachelorhood and period of education); *Grihastha* (the married stage), *Vanaprastha* (retirement stage) and *Sanyas* (renunciation of all things worldly). The 'retirement' stage is where the family and community should come together to facilitate the process.

III.D.32. Caring for the elderly used to be the responsibility of the joint family and community. For years, this structure has supported the elderly but a proper pension system which can cover the bulk of the population has never been developed. However, the split of the joint family system coupled with national and international migration for a better career and life, the elderly are no longer provided for within the social structure. There is an urgent need for developing a formal system for their sustenance and care.

ii.) India's Social Security Schemes

Table IV⁵ :Government-Sponsored Schemes for Old Age Income Security in India

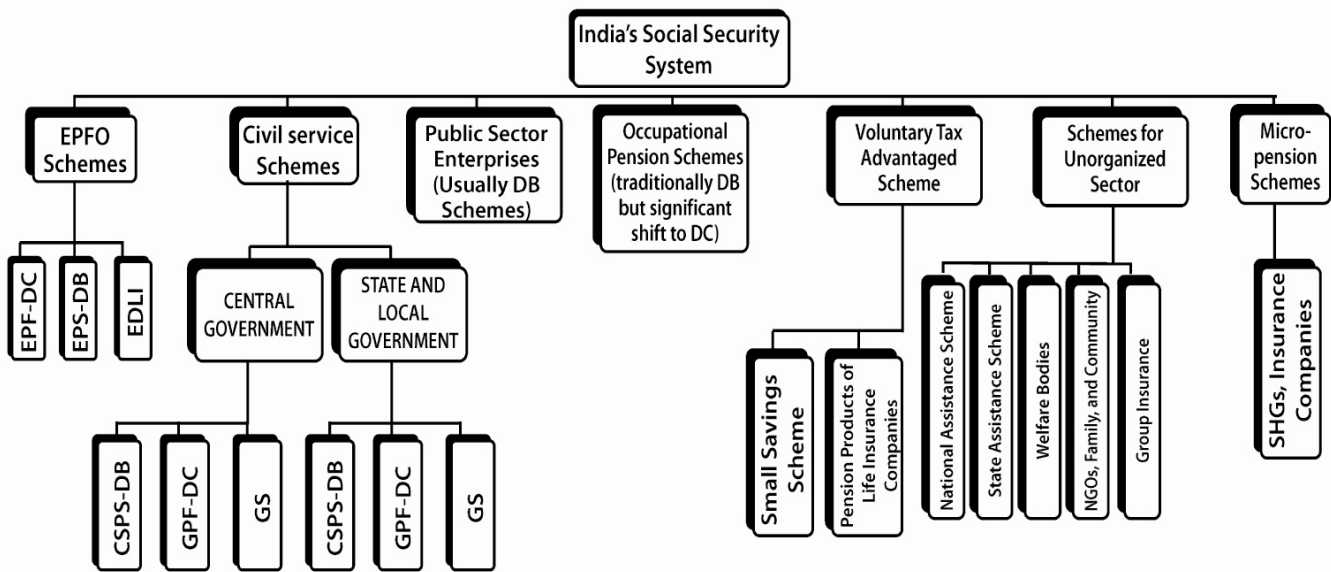
Compulsory			
Programme	Legal Coverage¹	Effective Coverage²	Financing
Employees' Provident Fund	Employees in firms with more than 20 employees	Around 5.8% of the labour force	Employer and employee contributions
Employees' Pension Fund	Same as above with some exemptions	Around 5.4% of the labour force	Employer, Government contributions
Civil Service Pension Scheme	Civil servants at the State and Central level	Around 3.5% of the labour force	State or Central Government budgets
Government Provident Fund	Civil servants at the State and Central level	Almost all civil servants	Employee Contributions
Special Provident Funds	Certain occupations and employees in Jammu & Kashmir	Around 0.5% of the labour force	Employer and employee contributions
Voluntary, Tax-preferred			
Public Provident Fund	All individuals	Around 0.8% of the labour force	Contributions
Superannuation Plans	All employees	Around 0.2% of the labour force	Contributions
Personal Pensions	All individuals	Around 0.2% of the labour force	Purchase of annuity-like products
Social Assistance			
State Level Social Assistance	Varies by State	Varies by State	State budgets
National Old Age Pension Scheme	Destitute persons over 65 years	Around 15.2% of the population 65 years	Central Budget

1. Legal coverage for EPS/EPF extends to 177 types of establishments.

2. Effective EPS coverage refers to a subset of EPF members.

⁵Sources: World Bank, "India: The Challenge of Old Age Income Security", pub-2007; Medium Term Vision : K. Kanagasabapathy,/RBI document

India’s social security scheme



III.D.33 These are some of the social security schemes:

The Employees’ Provident Fund Organisation (EPFO)

The Employees’ Provident Fund Organisation was set up in 1952. This can be called an ‘unusual’ national provident fund, with three respects in mind. First, it administers two separate schemes— (I) A defined contribution scheme (EPF) and (II) A defined benefit scheme (Employees’ Pension Scheme).

III.D.34 The main challenges facing the EPFO are:

1. Unwieldy governance structure (a 45-member board, with the Minister of Labour as Chairperson) and limited access to outside expertise.
2. Poor design of schemes (a substantial proportion of the time and energies of the EPFO’s 19,000 employees are devoted to nonretirement-related issues).
3. Lack of appropriate organisational and individual incentives.
4. Outdated budgetary and record-keeping systems due to modest Information Technology (IT) systems and absence of appropriate investment in human resources development.
5. Inability to provide good quality of service, and retirement income security commensurate with the costs imposed on the economy.

III.D.35 In India, a large portion of retirement planning is through investment in provident funds (PFs). They are popular due to their safety and tax-free status.

Public Provident Fund (PPF)

III.D.36 Investments in PPF earn a return of 8% annually, and the scheme runs over a 15-year period. Investors are required to make contributions every year to keep their PPF accounts active, thereby ensuring regular savings. The minimum and maximum investment amounts per annum have been

pegged at Rs500 and Rs70,000, respectively. Withdrawals from a PPF account are permitted only after completion of six years from the end of the financial year in which the first deposit was made; the amount which can be withdrawn is a factor of the balance in the PPF account during the earlier years.

III.D.37 The main challenges facing PPF are:

1. The returns are not adjusted for inflation. Therefore, the returns erode over time and the actual 'returns' could even turn out to be negative.
2. The PPF is often used a savings scheme for children, rather than as a source for retirement income. Often, the proceeds are withdrawn as and when an emergency arises in the family.

E. The Need for Pension Reform in India

III.E.38 The deficiencies of the current pension system in India are as follows:

1. Low coverage
2. Under-performance of Provident Fund schemes
3. Investment restrictions
4. Administrative hassles
5. Underdeveloped private annuity market
6. Increase in the informal workforce, which is further widening the skew in the existing structure of pensions, which subsequently introduces distortions into the labour market.
7. The huge disparity in the pension structure between public and private sector employees.

III.E.39 There is an urgent need to:

1. Reduce the government burden: In India the number of elderly (persons aged 60 and above) is expected to increase by 107%, to 113.0 million by 2016.
2. Involve the unorganised sector: The provident fund scheme as it exists now is based on employer and employee contributions, which largely excludes the unorganised sector.

III.E.40 Pension savings accounts are the primary sources of security for retirement. A clear definition of property rights is a reaffirmation of the rights of people to their accretions. Reform in the pension system and adoption of a system based on funded defined-contribution Individual Retirement Accounts will have multiple benefits.

1. The government's burden of administering pensions will decrease.
2. With the entry of private pension fund managers, pension assets will be invested wisely, thus providing a larger corpus of funds to individuals at the time of retirement.
3. The development of the pension sector should create a symbiotic relationship with the insurance sector.
4. The element of forced savings built into the system of mandatory contributions will go a long way in increasing the rate of savings of the household sector—which constitutes the largest chunk of saving in India. The effective mobilisation of these will go a long way in aiding capital formation and boosting economic growth.
5. Investment Retirement Accounts should be promoted as an option to Equity Linked Savings Schemes (ELSS).

III.E.41 Reforms need to be sustainable:

With a formal pension system in place, individuals should save in their working years, and thus get a grip on their personal pension wealth. This will ensure that they will have some funds to fall back upon in their twilight years. The two keywords that are of essence about this pension system are sustainability and scalability.

III.E.42 It is possible to design non-scalable subsidy-based programmes which can work for a few people. It is possible to run unsustainable subsidy programs for a few years. These are incomplete and unsatisfactory solutions. What India needs is a framework which reaches a substantial proportion of the population, reaching those citizens who manage to get by on below-median incomes. This framework should be sustainable for at least 50 years. This would constitute a scalable and sustainable solution.

Is the New Pension Scheme (NPS) the Answer?

III.E.43 There was a marked shift in pension policy during the 2000 to 2007 period which culminated in the introduction of the NPS. The Ministry of Social Justice and Empowerment commissioned the Old-Age Social and Income Security (OASIS) reports—one in February 1999 and another in June 2000. In its 2001-02 Budget, the Government of India announced certain steps for improving the social security system in India. At that point, the Finance Minister had mentioned that the unorganised sector does not have “adequate social security coverage”. The Insurance Regulatory and Development Authority (IRDA) was told to look into these issues and provide a roadmap for pension reforms by October 2001. The Finance Ministry also announced a new pension programme based on defined contributions for Central Government services after 1st October 2001. These were the two milestones on the road to pension reforms for government employees and the unorganised sector.

III.E.44 These efforts culminated in setting up of the Pension Fund Regulatory and Development Authority (PFRDA) in October 2003, introduction of New Pension System in January 2004 and introduction of PFRDA Bill in March 2005. The Central Government has also introduced a ‘defined contributory system’ for fresh recruits. Similar schemes have been undertaken by 19 State Governments. The NPS has been implemented for Central Government employees (excluding defence personnel) recruited on or after 1 April 2004. The NPS is designed for scalability, outreach, fairplay and low cost, and provides a variety of options to a contributor. For such a system, a sound regulatory framework is an imperative. However, the Act has not yet been passed. *The Economic Times* reported on 12 January 2011 that nine out of the 22 states that have tied up with the NPS trust are yet to make any payments. Many states have not even signed contracts with the trust.

III.E.45 Salient Features of the NPS

1. It provides seamless portability across jobs and across locations, unlike all current pension plans, including that of the Employee Provident Fund Organisation (EPFO).
2. It would provide hassle-free arrangement for the individual participants and a pure DC product with no defined benefit element, returns being market-related.
3. NPS also provides various limited options and choices to individuals to switch over from one investment option to another or from one fund manager to another subject to certain regulatory restrictions.

III.E.46 At present, NPS is subject to the Exempt, Exempt, Tax (EET) regime (this is under reconsideration under the revised tax code and is likely to be made Exempt, Exempt, Exempt (EEE)).

Here are a few changes that will make the NPS a sustainable system

III.E.47 Almost 95% of collections into NPS has come from the public sector employees (mandatory) exhibiting the poor response to the scheme from the public. One of the key issues was taxation on withdrawal of a lump sum on reaching retirement age. The EET tax is now proposed to become EEE, which should give the NPS a strong boost.

III.E.48 The current design mandates that at 60 years, a member can withdraw 60% of the accumulated balances as a lump sum, but at least 40% must be annuitized. It appears that this design feature was incorporated without detailed consideration of its appropriateness for the Indian context.

III.E.49 There is merit in exploring various phased withdrawal programme, where a member retains the annuity component at 20% of accumulated balances in an annuity special interest-bearing account, and another 20% can be invested in a senior citizen bond. This does not require an individual to join an insurance pool, but retain the balance under her own name. Unlike annuities, balances remaining under this scheme can be inherited by the designated nominees when a person passes away.

III.E.50 A member may be allowed to withdraw the principal plus interest every quarter - for a period of 10-20 years - until the amount is exhausted. The scheme can be similar to the slightly higher interest paid to senior citizens for fixed deposits by many public sector banks.

Better Marketing and Communicating Strategies

III.E.51 The voluntary NPS will not sell itself. Its benefits, particularly a prudential operating and regulatory environment for long-term savings, and tax advantages need to be better communicated to the general public. It is essential to have commission agents selling the product - or else it will go through the agonizing death throes that the mutual fund industry is now going through. The PFRDA may also consider initiatives to promote financial literacy and help communicate the benefits of the NPS through various State languages.

III.E.52 There is a strong case to popularise the (voluntary) NPS as a concept rather than as a product. Different groups such as trade unions, investor associations, cooperatives, NGOs, and microfinance institutions must be involved in the process.

III.E.53 There is also merit in considering setting up a division within the PFRDA to supervise and encourage micro-pensions. As micro finance institutions are likely to be among the major providers of these micro-pensions, there is a potential for NPS to extend its reach, provided its special needs are addressed.

III.E.54 Our recommendations:

1. Annuity component must be brought down to 20%.
2. The other 20% must be allowed to be invested in a fixed income bond for senior citizens.

3. Annuity income must be made tax-free.
5. It is imperative that agents are given incentives to sell NPS products. It is the only way to mass distribute the product so that it gains popularity.
6. The scheme needs to be popularised using media and financial intermediaries.

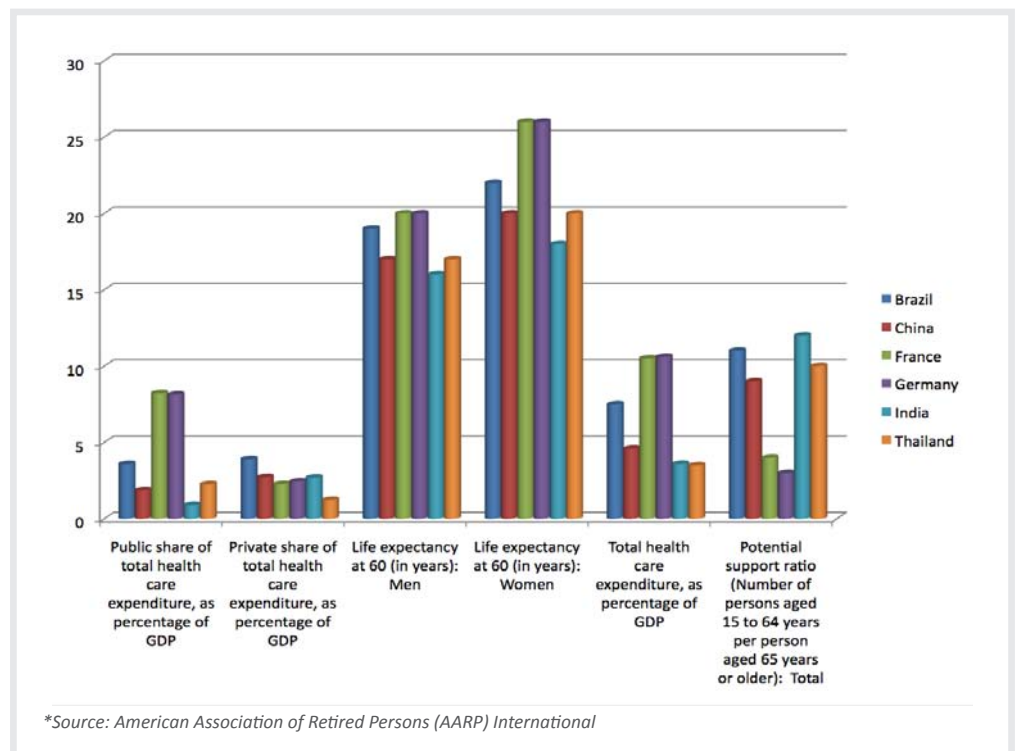
F. Healthcare

III.F.55 When one thinks of senior citizens, the typical image is that of a person who is fragile and dependent. Like most images created by Bollywood, this is yet another myth. Today’s senior citizen is robust and brimming with life. Most have had a clean and healthy lifestyle. - just compare that to the life that today’s stress-filled urbanite has to eke out. A heart attack at the age of 35 years was unheard of twenty years ago. A majority of senior citizens now enjoy good health and live a satisfied life.

III.F.56 Illnesses and accidents do come announced. They take their toll not only on health but also on your wallet. According to a few studies, it is estimated that, in this day and age, a hospital stint would cost around 60% of a person’s annual salary. Hence health insurance is essential for everyone. Medical cost can be crippling- especially when accompanied with a hospital stay. However, there are three ways that these costs can be financed:

1. Self-financing: Financing the cost with your own income, savings and borrowings
2. Subsidised healthcare: The government has a subsidised healthcare system in place through municipal hospital. However, the condition of these hospitals are abysmal, to say the least.
3. Medical insurance: Medical insurance is often provided through employers. Over the past few years with increasing awareness, the population of people with insurance cover is on the rise – but there is a long way to go.

III.F.57 Self-financing is not an option for everyone. The savings rate in the organised sector is estimated to be 30%—in the unorganised sector, it is a meagre 10 percent. These savings will cover just a small portion of the day-to-day living expenses of a retired person. If he spends it on medical care, there will be no savings left for everyday expenses. Subsidised healthcare leaves a lot to be desired. According to Dr Mukul



Asher, Professor at the Lee Kuan Yew School of Public Policy, Singapore, facilities like the Employees’ State Insurance Corporation (ESIC) have a dissatisfaction level as high as 57%. Many prefer not to use these ESIC facilities even though they are covered. So much so that where health insurance covers are reeling with more than 100% claims, the ESIC has accumulated a surplus of Rs200 billion!

III.F.58 Of the three routes, medical insurance is by far the best option. It does not erode your life savings- nor does it force you to use poor-quality health facilities.

III.F.59 However, our citizens do not have the fundamental right to health insurance. Seniors complain that insurance agents who have been chasing them for 10 years now avoid them like the plague. The truth is that no insurer, be it from the public or private sector wants to provide life insurance cover for senior citizens. IRDA does have targets for insurance companies to cover rural areas and the micro-insurance segments. Yet for senior citizens, there are no guidelines and targets.

III.F.60 Currently, India is at a very advantageous position to implement policies favouring the elderly. Our young workforce would put Japan to shame. Increasing the depth of the country’s insurance cover will give insurers some space and funds to offer better cover for senior citizens. Take a look at the chart below to understand the India advantage. But remember, we will lose this advantage in another 25 years.

Table Table VII⁶

Country	The year in which the proportion of the population aged 65 years or older in the total population reaches 14%	The year in which the demographic bonus ends
Japan	1990–1995	1990
Hong Kong	2010–2015	2010
Korea	2015–2020	2015
Singapore	2015–2020	2010
China	2025–2030	2015
Thailand	2025–2030	2010
Vietnam	2035–2040	2020
Malaysia	2040–2045	2020
Indonesia	2040–2045	2030
India	2050–2055	2035
Philippines	2050–2055	2040

Table 1. Projected demographic trends in Asia

*Note: The year in which the demographic bonus ends is defined as the year in which the dependency ratio (the ratio of the population aged 0–14 years and 65 years or older to the population aged 15–64 years) starts increasing.

⁶Source: Japan Center for Economic Research, “Demographic change and the Asian economy”, Long –term forecast of global economy and population 2006-2050, pub-2007.

G. The Sastry Committee Report

III.G.61 The Sastry Committee report on Health Insurance for Senior Citizens has made some outstanding recommendations which need to be acted upon immediately. Some of the most important recommendations are:

1. For senior citizens to have access to health insurance, a product should be promoted by insurance companies which should be targeted at senior citizens. The age of entry should be 50 years. Strong incentives should be offered to encourage preventive healthcare.
2. There should be a variety of covers available for senior citizens according to their requirements and capacity to pay.
3. Insurance policies should be drafted in simple understandable language and same terminology should be used across the board.
4. Guaranteed access to health cover regardless of the age with options of portability to change insurers without losing benefits.
5. For senior citizens who have not taken a health insurance policy early in their life, the option of a “Long Term Healthcare” policy based on one-time lump-sum payment may be made available.
6. At least 50% of the service tax on all health-insurance premiums should be allowed to be credited to the insurance pool recommended to be created with IRDA for dealing with high-risk health insurance cases of senior citizens (where health status based loading is greater than 40%).

III.G.62 Our Recommendations:

1. Sastry Committee Report should be implemented.
2. Senior Citizens of age group 60-85 years must be eligible for Mediclaim policies.
3. IRDA should set up a compulsory target or insurance to hold a portfolio of senior citizen policies. The age of the senior citizen should be made uniform across-the-board. The target could initialise at 3% of all the health insurance policies issued. It could gradually increase as the proportionate population of elderly people increases in the country.
4. The access to insurance as well as the claim procedure should be simplified. Single-window dealing is essential. The agent who has sold a policy should also be responsible for helping the senior citizen file her claims and any other dealings with the company. The agent hence should preferably be the insurance company’s employee. In case this agent quits, the case file should be taken over by another company employee.
5. Senior citizens who have been in the insurance system for a long period should be allowed to increase their cover keeping in mind the increasing cost of healthcare.
6. Saving health insurance plans like the erstwhile “Bhavishya Arogya” scheme should be promoted to encourage dedicated savings towards future healthcare needs.
7. The government or private sector should launch programmes to make available trained caregivers for 24x7 medical home care and also housekeepers for home management as needed under proper terms and conditions and at affordable cost, to the Senior Citizen.
8. It could be a good and innovative idea if a reverse mortgage loan is bundled with a Mediclaim / health insurance policy

H. Taxation

III.H.63 Most senior citizens fall within the minimum tax deductible zone. Many of course do not pay any tax at all. However there are some significant issues in taxation which affect them.

Taxation of Annuities

III.H.64 One would expect that the absence of a social security system that pays a lifetime income stream, combined with low coverage of formal company schemes, would lead to a high demand among people approaching retirement for annuity products. On the contrary, the demand for annuities in India has been negligible. The annuity industry has not been able to penetrate the insurance market, or for that matter the psyche of the Indian customer. The Indian annuity industry is characterised by low rates of participation from the public, a small number of providers, limited product innovation, low returns and taxes. It is indeed unfortunate that annuities are taxed. Eliminating taxes on annuities is bound to make them more attractive.

III.H.65 We suggest that annuities should be tax-free or taxed at a lower rate. The new Reverse Mortgage products are also linked to annuities, which should not be taxed.

III.H.66 Marginal Tax

Current marginal tax rates for senior citizen are as follows:

- | | |
|-------------------------|-----|
| • UP TO Rs2,40,000 | NIL |
| • Rs2,40,001-Rs5,00,000 | 10% |
| • Rs5,00,000-Rs8,00,000 | 20% |
| • MORE THAN Rs8,00,000 | 30% |

III.H.67 A large majority of seniors tend to keep all their nest eggs in one basket, more often than not as fixed deposits in public sector banks. This mainly happens if their total taxable income is below the minimum basic limit, which is Rs2.40 lakh. Interest on fixed deposits is unfortunately taxed.

III.H.68 Tax Deduction at Source (TDS) can be avoided by submitting Form 15(H). In case when annual income is Rs3 lakh and most of it is from a single source then the Income-Tax applicable will be Rs6,180 but the bank will deduct Rs30,900 on the full interest of Rs3 lakh, as TDS. The senior citizen has to wait— almost forever—for a refund of Rs24,720 (calculated by deducting the interest income of Rs30,900 from Rs6,180, the tax applicable) and that too pertaining to a single year.

III.H.69 A deposit in a public-sector bank earns quarterly interest which is credited on a calculation of 3 months from the date of investment, but the bank projects the interest calculation and TDS payment as if it is also due on 31st March of every year in its 16A form.

III.H.70 Simplification that Will Help – Our Recommendations:

1. The filing of returns and waiting for refunds is often counter-productive for all the parties involved.

Form 15(H) is often not available at banks—or the banks will go ahead and cut TDS anyway. The best way to simplify this procedure would be to put the details of a senior citizen on a centralised database, to eliminate paperwork.

2. Since the TDS would have already been credited to the Exchequer and therefore can be taken up for a refund (or a tax return) only in the relevant assessment year, the assessee is forced to declare income far in excess of the actual amount credited to the Income-Tax Department. The assessee is also forced to pay tax on income not received and claim refund for TDS not taken, just because Form 16(A) says so. The government needs to look into this issue. Those who already have limited funds, will end up paying extra tax on income which they have never received in the first place.
3. Standard deductions for senior citizens should be introduced to help mitigate medical expenses.
4. There is a need to have a simple Certificate stating that the beneficiary of an income source is not liable to pay Income Tax—and this cannot be overemphasised. These days, except for bank and Post Office savings accounts, companies deduct TDS on interest payable on debentures, which then requires senior citizens to file protracted claims for refund of Tax.
5. A large percentage of Indians rely on PPF as their retirement saving option. **The change from EEE to EET will be very harsh on senior citizens**—the proposed amendment should not hurt this already-beleaguered class of citizens.
6. Investments in Equity-linked Savings Schemes will not be entitled for tax benefits from April 2011. This is not fair to senior citizens. Tax benefits should continue under ELSS, at least for senior citizens.
7. **The Direct Tax Code should raise the exemption for senior citizens to Rs 3.5 lakh.**
8. **The interest income of fixed deposits of senior citizens should be subject to exemption under Section 80(C) of the Income-Tax Act up to a sum of Rs 1 lakh.**

I Spaces for the Elderly

III.I.71 Public spaces that are safe and geared toward the use of senior citizens are far and few in between. Most of them have developed under the aegis of NGOs like Dignity Foundation, Silver Innings, Nana-Nani Foundation etc. Yet there is a vast unfulfilled need that has to be addressed at least partly by government initiatives. Government must encourage such ventures by giving them tax-free status, allotting spaces at reasonable rates etc.

III.I.72 Trusts, builders and India Inc should be encouraged to provide better free/affordable elders' homes; separate colonies for Senior Citizens with food, health, security and cultural requirements; more activity centres, Nana-Nani Parks, convalescent homes or Holiday Homes should be made compulsory to a certain extent and also rewarded with some fiscal concessions.

i.) Adult Day Care Centres

III.I.73 It is estimated that over 3.7 million people are affected by dementia in our country. This figure is expected to double by 2030. The problem is that often, the younger generation is out all day pursuing their professions or academics. Hence, children might not be able to care for their parents round the clock.

III.I.74 Adult Day Care centres work on the same principles as a crèche. They keep the elderly in a safe environment where their daily needs are attended to, and where Senior Citizens can enjoy the company of their peers. Their wellbeing can be promoted through social and health-related services.

These centres operate in a safe, supportive and cheerful environment. Nutritious meals that accommodate special diets are typically included, along with an afternoon snack.

III.I.75 Why are these day care centres so important?

1. They help Senior Citizens receive mental and social stimulation
2. The elderly can benefit from the friendship and functional assistance a day care centre offers
3. They can help those elders who may be physically or cognitively challenged, but do not require 24-hour supervision
4. These centres can be of great help to those patients who are in the early stages of Alzheimer's.

ii.) Retirement Homes

III.I.76 Retirement homes are now comfortable spaces designed to meet the needs of those senior citizens who prefer to live in an environment where their needs are met and their household chores reduced.

III.I.77 The number of housing units being built specifically for seniors has increased four to five-fold and this segment is growing. The number of units in this segment is around 4,000 now, but the number is likely to jump to over 20,000 in three years.

III.1.78 Our recommendations:

There needs to be a nodal agency which can review and grade these day care centres and retirement homes on various parameters. This will go a long way in promoting the use of these spaces. Elderly people are reluctant to put their money into a retirement home as they are not sure how good the amenities really are and more important, how will the upkeep be in the years to come. Even with day care centres, the chance of abuse and neglect is what holds back many people in getting this affordable help for their elders. We need clear policies to address these valid concerns. The government should encourage corporates to run day care centre for their employees just as many companies run crèches.

IV Highlights of Moneylife Foundation's Recommendations

IV.01 Age Definition for Senior Citizens

The definition of senior citizen is not clear. The age bracket, for declaring the person as Senior Citizen and providing concessions, varies among government departments. We are of the opinion that the age bracket for receiving concessions should be made uniform and it should be 60+.

The definition of senior citizen is not clear. The age bracket, for declaring the person as Senior Citizen and providing concessions, varies among government departments. We are of the opinion that the age bracket for receiving concessions should be made uniform and it should be 60+.

Please refer to our recommendations at III.A.15 on page 8.

IV.02 National Policy for Older People

The National Policy for Older Person though wonderfully architected, lags behind in implementation. The government needs to re-evaluate it with the current economic situation in mind and start implementing it.

Please refer to our recommendations at III.B.20 on page 9.

IV.03 Financial Exploitation of Senior Citizens and Financial Literacy Programmes

Senior citizens are more vulnerable to financial exploitation. The government should launch a campaign for financial literacy and include issues like transmission of securities, investment and wills, fraudulent transfer of property, remedies for such transfers, listing of nominees and understanding insurance.

Please refer to our recommendations at III.D.30 on page 11.

IV.04 Pension Reforms

The pension schemes in India cover only the organised sector which constitutes merely 7% of the population. There is an urgent need for reform in the pension system. The unorganised sector must be included to widen the reach of pensions. The New Pension Scheme (NPS) is a great step toward widening the pension net. However, there are some changes needed so that it can become sustainable for the government and the pensioners.

Please refer to our recommendations at III.E.54 on page 16.

IV.05 Healthcare for Senior Citizens

Senior citizens of age group 65-85yrs must be made eligible for Mediclaim policies. Separate Medicare policy must be available for older persons. Government should launch programmes to make available trained caregivers for 24x7 medical home care and also housekeepers for home management as needed under proper terms and conditions and at affordable cost to senior citizens.

Please refer to our recommendations at III.G.62 on page 19.

IV.6 Taxation

Senior citizens receive some concession on personal tax which certainly makes their lives simpler. There are, however, some issues regarding taxation which need tweaking.

Please refer to our recommendations at III.H.70 on page 20.

IV.7 Spaces for the Elderly

Seeing the success of Nana Nani parks in Mumbai, one can understand the need they fulfil. NGOs strive to provide seniors with activities to keep their minds active and bodies healthy. Retirement homes and day-care centres for the elderly are fast catching up.

Please refer to our recommendations at III.I.78 on page 23.

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Appendix-1

Organisations Working for Senior Citizens

These organisations participated in the Moneylife Foundation’s discussions on concerns of senior citizens.

1. HelpAge India:

HelpAge India is a secular, not-for-profit organization registered under the Societies’ Registration Act of 1860. It was set up in 1978, and since then has been raising resources to protect the rights of India’s elderly and provide relief to them through various interventions.



They voice the needs of India’s 90 million (current estimate) “grey” population, and directly impact the lives of lakh of elders through their services every year.

Services provided by HelpAge India:

- They advocate with national & local government to bring about policy that is beneficial to the elderly.
- They make society aware of the concerns of the aged and promote better understanding of ageing issues.
- They help the elderly become aware of their own rights so that they get their due and are able to play an active role in society.

2. The Harmony for Silvers Foundation:

The Harmony for Silvers Foundation, founded in 2004 by Tina Anil Ambani, is a non-government organisation working to enhance the quality of life of the elderly in India. It envisages India’s elderly as ‘Silver Citizens’—glowing and proud. Harmony’s mission is to create an environment where silvers, irrespective of their cultural beliefs, can retain their dignity, self-respect, pride and self-confidence.



3. Dignity Foundation:

Dignity Foundation is an NGO for the cause and care of the older persons. Dignity Foundation was established in April 1995, headquartered at Mumbai, to cater to the needs of the elderly, starting with the publication of the magazine Dignity Dialogue.



Dignity Foundation is a charitable organisation under Societies Registration Act 1860 GBBSD/97C. The Foundation is premised upon scientific developments in the fields of Geriatrics and Gerontology. It offers structural opportunities to exercise the choice of how to live young in chronologically advancing years.

4. The Family Welfare Agency:

The Family Welfare Agency (FWA) was established in 1950 in the city of Mumbai, Maharashtra, India. It is a voluntary social organization, registered under the Bombay Public Trust Act of 1950

(E-5 (BOM)). The FWA has two centres located in Lower Parel, Mumbai (for the elderly and for the mentally ill) and one centre at Dharavi (for the elderly). The agency has developed from working with general community based issues to providing specialized services in the field of ageing and Mental Health.



The FWA has worked at three levels preventive, promotive and curative within the community and nearby areas. The agency has, thus progressed from 'remedial' to 'therapeutic' and has now broadened its approach with a 'social development' perspective, emphasis on integrating approaches. This integrated development approach has been instrumental in enhancing the quality of life along with people's participation to achieve the same.

5. Shri Manav Seva Sangh:

Shri Manav Seva Sangh, a non governmental organization, is located at Sion in Mumbai, Maharashtra. It focuses on the development of the poor and needy people living in the villages. In pursuit of this broad aim, they have started an adoption centre, crèche, child guidance centre, day care centre, home for senior citizens, vocational training centre and medical centre. Services are also offered for children who are slow learners and those with specific learning disabilities such as dyslexia, dysgraphia, and dyscalculia.



6. Jeevan Adhar Seva Sanstha:

This organization started its work on 15th August 2008. Its vision is to help and take care of the sick homeless people. Since inception they have helped and rehabilitated 165 patients. Its Intent is to work for all those who are homeless, needy and sick people.

7. Silver Inning Foundation:

Silver Inning Foundation is a registered "Not for Profit" organisation dedicated to the cause of elders and their family members. The board consists of young and pro-active professionals from different segment with the passion to work for the elderly.



Vision: Our vision is of an elder friendly world in which ageing becomes a positive, rewarding experience.

Mission: To uphold and secure the rights of elderly and actively work towards improving their quality of life by networking, advocating and researching issues of the elderly and providing a wide range of services depending upon their needs.

Activities:

Counselling, Lectures and Workshop, Need base services, Memory Camps, Consultancy for Old age Homes, Day Care Centre and Respite care, Support Group, Alzheimer's and Dementia Support, Web based services like Website Development and Maintenance, Networking with like minded Organisation and Consultancy for Social Sector.

8. Alzheimer’s and Related Disorders Society of India:

The Alzheimer’s and Related Disorders Society of India (ARDSI) was formed in 1992. ARDSI was admitted as a full member of the Alzheimer’s Disease International (ADI) based in Chicago in 1993, thus becoming the first Afro- Asian Alzheimer’s society to get this distinction. The main aim of ARDSI is to raise awareness about dementia in the country. They are also involved in developing services, offer training and promote research. Several exciting developments are taking place in Alzheimer’s research. The Alzheimer’s Society has a unique knowledge and understanding of dementia and its impact on families.



As a member of Alzheimer’s Disease International it contributes to worldwide efforts to tackle the international problem of dementia, and as one of the leading organisations it supports the development of care-givers organisations in other countries.

Activities carried out by ARDSI:

- Provide clear, comprehensive and accurate information on all forms of dementia and caring.
- It runs courses and conferences and produces high quality training for professional and care service providers.
- It delivers quality day care and home care through its local branches.
- It develops policy, raises public awareness and seeks to educate politicians, policy makers and planners.

9. The Federation of Senior Citizens’ Organizations of Maharashtra:

Mission of F.E.S.C.O.M: Unifying and strengthening the comprehensive welfare activities of senior citizens and their Organizations under one banner and leadership, and utilizing their precious knowledge, wide experience, wisdom, energy and skill for welfare of the society in general and senior citizens in particular.



10. All India Senior Citizen Confederation:

AISCCON was formed in 2001, it has grown to be a national organisation to bring together and represent senior citizens across India. Its current total membership is over 300,000.

AISCCON is registered under the Societies Registration Act, 1860 and the Bombay Public Trusts Act, 1950. Since 2002 AISCCON publishes a monthly Newsletter “AISCCON News”. Through its columns it is creating awareness among senior citizens and also informing them about developments regarding Senior Citizens in India and abroad. AISCCON holds an all- India annual conference “National Conference of AISCCON”.



11. Diploma in Gerontology at the Centre for Lifelong Learning - A short term programme by TISS:

Goals of the Diploma Programme in Gerontology

- To prepare learners for interdisciplinary practice with older adults and their



families while providing professional leadership in the field of Gerontology.

- To generate a trained cadre of functionaries for effective intervention based on a Human Rights perspective for enhancing the 'Quality of Life' of Older Adults

Objectives of the Diploma Programme in Gerontology

- To offer a comprehensive interdisciplinary 'rights-based' perspective in the field of gerontology.
- To inculcate a holistic understanding of the biological, social, political and economic issues involved in working with Older Adults
- To impart the necessary attitudes and skills for making effective interventions in the field of Gerontology

Appendix-2

List of attendees for Brainstorming Session conducted by Moneylife Foundation on 9 April 2010

Alpa Desai (Family Welfare Association)

Harsha Parekh (*Executive Trustee, Bombay Community Public Trust*)

K.S. (Kaka) Samant (*General Secretary - General Insurance Pensioners' Association (W.Z),
General Insurance Pensioners ALL India Federation*)

Madhukar B. Kulkarni (*Vice President - AISCCON All India Senior Citizen's Confederation,
ex President - FESCOM, Maharashtra Federation of Senior Citizen's Organisations Maharashtra*)

Mohan Siroya (*Chairperson - Consumer Complaints Cell*)

Nagesh N. Kini (*FCA Chartered Accountant*)

Nanu N. Mehta (*Management & Educational Consultant*)

P N. Makhija, (*IAS (Retd.), The Law Point, Trustee of Credibility Alliance*)

Prof. Kanu Doshi (*Dean, Finance - Welingkar Institute of Management Development and
Research*)

R.N. Jha (*Management Consultant (Former Executive Director Life Insurance Corporation of
India)*)

S. A. Dave (*Chairman - Centre for Monitoring Indian Economy PVT. Ltd. (CMIE)*)

Sanjeev Swaroop (*President - Synergy Management Consultants*)

Shailesh Mishra (*Founder President, Silver Innings Foundation*)

Sheilu Sreenivasan (*Founder President - Dignity Foundation*)

Shobha Mathur (*Karmayog*)

Vijay V. Aundhe (*Secretary – Federation of Senior Citizens' Organisations, Maharashtra
(FESCOM) Mumbai Region*)

S. K. Mahapatra (*President – General Insurance Pensioners All India Federation*)

About Moneylife Foundation

Moneylife Foundation is a not-for-profit trust engaged in spreading financial literacy through workshops, round table meetings and awareness campaigns and advocacy to crystallise policy to bring about regulatory changes that protect investor rights. We also engage in grievance redressal, counselling and research.

Members of Moneylife Foundation can register free of charge and our membership continues to grow rapidly. As of January 2011, we had 4,200 members — in just 11 months from our launch on 6 February 2010. Members receive regular information about all our financial literacy workshops; they write to us for assistance in having grievances redressed, they are also invited to all our meetings and workshops free of charge. They can also subscribe to free daily news capsules from Moneylife Digital and can avail of all the facilities of the Moneylife Knowledge Centre which has an excellent collection of books on business, finance, corporate biographies, reports of government committees and much more. <http://www.moneylife.in/promotion/mlfoundation/index.html>

Moneylife Foundation has received the Income tax exemption under Section 12(A) and has also applied for 80 G.

Founder Trustees

Moneylife Foundation was set up by Sucheta Dalal and Debashis Basu. The founder trustees of Moneylife Foundation are: Sucheta Dalal, Debashis Basu, Dr. Nita Mukherjee and Tina Trikha.

Major Initiatives

- Moneylife Foundation has tied up with Disha Financial Counselling Services, a not-for-profit entity set up by ICICI Bank. Under the arrangement, a senior counsellor from Disha conducts one to one session with members facing difficulty in managing credit at the Foundation office.
- With the support of ICICI Bank-Disha Financial Counselling, we hold FREE workshops every Tuesday on 'How to be safe and smart with your money' where we explain the basics of how to keep your money safe and growing.
- Moneylife Foundation has conducted workshop with support from Axis Mutual Fund, ICICI Mutual Fund, IDBI Mutual Fund, Brics Securities, Karvy, CAMS, Indiabulls Financial Services Pvt Ltd, Bank of Baroda and ICICI Pru Asset Management.

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