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Expert Speak

Financial legacy for your golden years

Maintaining a lifestyle you got so used to while your working years will not be easy, that is where annuities come in.



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Financial security for your family and loved ones will always be your top priority, irrespective of your life stage. Financial security is also one of the key components for a happy retirement, which can mean different things to different people. Some look forward to pursuing new interests, while others want time to relax. Whatever the future holds, one thing is certain—a secure retirement requires careful financial planning.

Future of retirement in India

A recent report by CRISIL revealed that there are nearly 100 million people in India aged over 60, and this number will triple to 300 million by 2050. This means that in the next 35 years, the number of people aged 60 or more will multiply 2.6 times.

These statistics coupled with the findings of The Willis Towers

Watson study which reveals that millennials in India are not adequately preparing for the post-retirement life, is worrying. These days retirees increasingly face a number of challenges, including higher medical and other expenses, amid weakening joint family system.

Annuity plans—A steady source of regular income

There are various types of investment options to help you plan for your retirement ranging from insurance to mutual funds, property to gold and government schemes like NPS. When you retire, the key concern for most is to have a steady source of regular income for the rest of your life. Let me give you a quick insight on what insurance companies bring to the table. Besides savings and protection linked retirement plans and deferred pension plans, we also provide annuity which can help you plan a comfortable retired life. An annuity is a single-premium plan which requires one-time investment in exchange for immediate regular payments. Financial security for your family being a key consideration, annuity ensures that your spouse gets a regular income for the rest of their life in case of your untimely death.

Benefits and limitations

An annuity guarantees regular payments for life once you invest a lump sum. As prospective annuity buyers you should make sure that you understand all the benefits and drawbacks before jumping in because once you annuitise, you can't liquidate. Annuities essentially safeguard you against longevity risk and provide living benefits for your retirement. There are multiple benefits available with annuity plans providing you with flexibility depending on your need. Some of the key benefits are—regular income for your spouse in case of any eventuality in a joint life option; build a financial legacy for the family; meet the cost of living through increasing monthly income option. Annuity guarantees income for lifetime.

While the annuity income is considered as regular income and is taxable, this may change when the proposed direct tax code (DTC) gets implemented. Also, as per current guidelines you have to purchase annuity from the same insurer from whom you have the pension plan if you bought the plan after 2013. However if you have purchased your deferred pension plan before 2013, you are free to choose your annuity provider.

When it comes to retirement planning, there is no single solution. Annuities can offer you a guaranteed return with low risk. It is imperative you educate yourself and determine whether or not they fit your retirement portfolio. ■

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