How to stay financially fit after 60

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After retirement, the pressure on finances increases in the absence of regular income. Here are a few suggestions to ensure a smooth post-retirement life

The first fear after retirement is: Do I have enough? It is something that rankles everyone, and in certain circumstances, forces some to go back to work - part- or full-time - to ensure there's enough in the kitty.

Throughout his working life, a person's main concern is to earn, invest and accumulate enough to be able to meet his various financial goals. But now, the challenge morphs into making the accumulated corpus last for the rest of his life. As October 1, the International Day of Older Persons, comes around, here are a few strategies to deal with this phase of your life.

Options for regular income

Now that your salary income has stopped, investing a part of your corpus in instruments that will earn you a regular cash flow becomes important. Three products can help you do so:

Senior Citizens Saving Scheme (SCSS), Post Office Monthly Income Scheme (POMIS), and annuities. The income from all of them is taxable. There are also limits on how much you can invest.

The SCSS and POMIS also carry reinvestment risk: You have to reinvest the principal periodically. If at that point, interest rates have fallen, you will have to settle for lower rates. Annuities can help guard against reinvestment risk by paying you a fixed income for life.

But the post-tax return on them is not attractive and they offer no liquidity, and getting your principal back is difficult. "You might also invest in short-term debt funds, which are less volatile, three years before retirement and get money from them through a systematic withdrawal plan (SWP).

Due to indexation benefit, this method of generating cash is tax efficient," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. Senior citizens should generate only as much income as they need. If they generate more, they stand to incur higher tax liability.

Reverse mortgage: Last resort

For cash-strapped senior citizens who are unable to meet their day-to-day expenses, reverse mortgage can be an option. You must be an owner or co-owner of the house and must be living in it.

The bank pays either a lump sum or makes annual or monthly payments. The money paid is essentially a loan on which interest keeps accumulating. However, the borrower doesn't have to service the loan during his lifetime. After his lifetime, his family members have the right to pay back the sum owed to the bank. If they don't do so, the bank sells the house and recovers its dues.

When opting for reverse mortgage, compare the interest rate charged by different players, as they can vary considerably (all of them charge more than the rate on a home loan). Also, check the loan-to-value ratio: The percentage of the value of the house that the bank will pay you.

There are also limits on the lump sum amount that can be paid, and on the monthly payout that can be made, all of which you need to look at closely.

A variant of the plain vanilla reverse mortgage product is where, instead of paying you a lump sum or making periodic payments, the sum of money is used to buy an annuity. Payouts from reverse mortgage usually don't exceed 20 years.

To circumvent this, the payout is used to obtain an annuity that will pay the customer for the rest of his lifetime. "In plain vanilla reverse mortgage, the payout is not taxable as it is a loan. But the income from an annuity is taxed," says Subramaniam Krishnan, partner, financial services, tax and regulatory, EY.

While reverse mortgage may not be popular at present, it could well take off in the future. Says Ashwinder Raj Singh, chief executive officer-residential services, JLL India: "One prerequisite is that property titles must be clearer and it would be best if they can be moved online in the metros to begin with."

Purchase health insurance

If you did not buy health insurance earlier, do so now. This may not be easy. "Even if you do not have an ailment, but only certain medical conditions, such as a slightly elevated level of blood pressure or sugar, you could be denied insurance or charged a higher premium," says Arvind Laddha, chief executive officer (CEO), Vantage Insurance Brokers.

The sum assured insurers are willing to offer may not be high - usually not more than Rs 3 lakh. For a 60-year old, the premium on a Rs 3 lakh policy is around Rs 12,000-15,000. If you manage to get a policy for Rs 5 lakh, it will cost you Rs 23,000-25,000, while a Rs 10 lakh policy will cost Rs 32,000-35,000.

When choosing a senior citizens' policy, opt for a player with a lower waiting period. Avoid products with caps (as percentage of sum assured) on treatment of major illnesses. The hospitals in the insurer's network should include major ones in your vicinity. Finally, look at the co-payment clause, and go with the insurer that requires you to pay less.

Use home health service providers

Several companies today provide health care services at home. "Nearly 70 per cent of care delivered in hospitals can be provided at home. Treatment of everyday illnesses, post-surgery support, management of chronic diseases, and preventive care can all be provided," says Meena Ganesh, managing director and CEO, Portea Medical. This can be a big relief in the case of prolonged ailments as it saves the hassle of frequent visits to a hospital.

Home health care is also more economical. "Depending on the type of service offered, the savings can range from 25-40 per cent," says Lalit Pai, co-founder and CEO, Nightingales Home Health Services. Moreover, in hospitals there is a well-documented risk of catching a secondary infection.

This risk gets reduced when the patient is treated at home. Besides providing healthcare personnel like doctors, nurses and physiotherapists, these companies also provide equipment, such as ventilators, dialysis machines, special beds, etc., which can be either purchased or rented.

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