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# Most Indians in middle-, high-income groups save for retirement, says report

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*As much as 55% of working people in India are saving for retirement regularly compared to 39% globally*

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With no significant social security provisions such as a state-sponsored pension, most Indians in the middle- and high-income groups seem to be saving up for their retirement on their own. A recent report by Aegon Center for Longevity and Retirement, titled *The New Social Contract: A Blueprint for Retirement in the 21st Century*, said India leads the way in retirement readiness among the 15 countries surveyed across Europe, the Americas, Asia and Australia. The survey was conducted among middleand high-income individuals.



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"A combination of shorter careers, lack of social security, nuclear families becoming more common which means reduced dependence on children, increasing life expectancy is pushing Indians to focus more and more on retirement," said Vishal Dhawan, certified financial planner and founder, Plan Ahead Wealth Advisors, a financial planning firm.

India is the only country to score more than 7.3 on the Aegon Retirement Readiness Index (ARRI) against a global average of 5.9. ARRI, a part of the Aegon Retirement Readiness Survey 2018, ranks retirement readiness on a scale from 0 to 10. A score between 8 and 10 shows high readiness and a score between 6 and 7.9 shows medium level of readiness. Anything less than 6 shows low preparedness.

“Indians are now more aware that they may not get financial support from their children and this is motivating them to save more. This was not the case some years ago when children felt it was their responsibility to take care of their parents in their old age,” said Shweta Jain, certified financial planner, CEO and founder, Investography Pvt. Ltd, a financial planning firm.

#### RETIREMENT READY

The index ranks BRIC nations China and Brazil behind India, at second and third places, respectively. The report said 47% Indians feel that the future generations of retirees will be better off in their retirement compared to the current retirees with the pension systems in the country improving gradually.

While globally, 30% of the retirement funding comes from own savings and investments, in India as much as half of it is expected to come from this source. Globally, 24% of the retirement income is expected to come from the employer and 46% from the government, but Indians expect 30% from their employer and just 24% from the government.

As much as 55% of working people in India are saving for retirement regularly compared to 39% globally. Also, about 26% Indians are saving occasionally and 9% are not saving currently but do plan to do it in the future. Just 1% of working Indians have never saved for retirement and do not plan to do so.

#### RETIREMENT PLANNING

Financial literacy is playing a key role in getting Indians retirement ready. Most people, as much as 74%, look at retirement with a positive outlook.

Financial planners stress on the importance of having a comprehensive plan in place to ensure you enjoy a comfortable retirement in terms of your finances. Having a plan allows you to understand how much you will need to save and invest in order to accumulate sufficient retirement corpus.

As many as 28% of working Indians have a written financial plan compared to only 13% globally. According to the report, only 33% working Indians know the role of the three important parameters in retirement planning—compound interest, inflation and risk diversification. However, only 22% of the millennials surveyed in India knew what the three parameters meant.

“Indians tend to speak about money more openly than residents of other countries. At least the previous generations did so and seeing younger children spend time in their fathers’ businesses was normal. Today, that is changing, so while people who are looking to retire in the next 15 to 20 years may be better prepared, the younger adults in their 20s are not prepared at all,” said Jain.

Dhawan said lack of social security and pension system and the desire to be financially independent is driving more and more people to plan for retirement well in advance and is giving the option to explore various investments and saving options.

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