

THAT'S LIFE

# IN INDIA, WE HAVE TO WORRY!

*We may spend less as we age. But unlike the US which provides social security for its aged, the seniors in India still need to worry as they hardly get any economic relief from the government, says Meenakshi Doraiswami.*

I have before me a file named *Senior Spending* with an article called "What, Me Worry? We'll Just Spend Less as We Age" by Tait Trussel. The task at hand is to Indianise it and give my views, if any. I'll try but don't know how far I'll succeed in localising and presenting it to Indian readers.

Yes, all the financial consultants do keep warning their clients to start vigorous savings and investments to make sure the money is there for us as we live longer. We, the middle class, especially in India, with one of the highest savings rates, need very little prodding to do so. This at least has been true till globalization. And the credit card culture has crept in making us spend before we save and not the other way around.

### **Middle Class Mentality**

If we do have money to spare after taking care of our family liabilities like education, festivals, weddings, funerals etc.- here, I include brothers and sisters in the traditional family sense – we have tended to save our money in risk free low yielding instruments individually but save we do for a rainy day. That increasingly includes our old age, what with the children being unable or unwilling

to take care of the parents. That is the *Baghban* effect for you!

Among the families that do manage to put by something for old age, the worry is very much there

and we do want to save more than we may probably need. We don't want to touch the capital unless as a last resort and we do need a large capital in these days of diminishing returns for our revenue expenses which have to catch up with the inflation.

Remember, unlike the US, we have neither social security nor effective senior citizens' medical insurance to take care of unforeseen domiciliary and hospitalization expenses. In fact, senior citizens in India receive no concession from either public or private authorities, except for travel, for any other expenditure like eating out, hotel stay, entertainment, drug purchase etc.

### **The US Scene**

Now let's see why Trussel feels we need not worry. His basic contention is that as years pass, specially with children grown, seniors tend to spend less even with expenses on vacation or financial help to the children – in our case, vacation may also

**"There're no extra incentives from the Government for the aged like tax exemption, Mediclaim, or facilities for subsidised old age homes (self or relatives have to search for one within the budget). The Government should reduce its unnecessary expenses like foreign travels with coterie and use it to help seniors."**

*- Shobhana Ved,  
retired bank official*

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include pilgrimage and lingering marriage and education expenses in the family even after retirement. But are the living expenses of seniors going down as they become older?

Trussell quotes an article in *US News and World Report*, according to which a typical couple, age 75, on an average spent about \$ 25,000 in 2005, whereas in 1984, the same household would have spent \$ 43,000 in inflation adjusted dollars. He is not clear though if the household's expenditure in 1984 included the dollars spent on children, if any. He concurs that there may be big financial outgo right after retirement. As seniors age, most spend less and less and he buttresses his argument with confirmation from the US Department of Labor's recent figures.

Though many seniors in US may still be working, they neither spend much nor save at the same rate. According to the Department, average household spending was \$ 44,640 by age 55-64; \$34,555 by age 65-74; and \$24,362 by age 75 and older. Of this, the percentage expenditure was as follows : -

Age	55-64	65-74	75 and above
Clothing	4.17%	3.47%	2.48%
Entertainment	6.32%	5.44%	4.06%
Food and alcohol	14.24%	15.05%	15.22%
Transportation	18.86%	18.83%	13.49%
Housing	32.12%	32.27%	38.51%
Personal insurance and pensions	13.05%	6.79%	3.51%
Cash contributions	3.92%	7.15%	6.33%
Health care	7.32%	10.99%	16.40%

Here, there are two interesting observations. First, not only have they been shown to spend less in absolute terms, they are spending less and less portion of the

**“Generally most health issues arise after 50-55. So it’s regressive to withdraw the facility when most needed. What of the premiums we’ve paid throughout our working life? It’s really tough for a middle-class family to face the exorbitant cost of healthcare without any proper income. So I try to maintain my health with a proper diet and exercise for fear of falling ill.”**

*-Kanubhai C Mehta*

total under each heading. Second, the major trend breaker is the health care expenses. Even these, though the percentage is more, seems to have only marginal increase in real terms.

Trussell therefore argues that while financial experts say the people fear they will not have enough for the future as they age, the figures show, on the contrary, people spend less as years go by and so they need not worry. This probably is very much the case in India. People do spend less but should they then not save or want to save for old age?

**What Happens in India?**

Remember, there are slight variations in the circumstances between the two societies.

One, our inflation rate has been consistently much higher. Two, we have no fall back on social security. In US, Medicare through health insurers shows a more human face. Seniors do have to pay, apart from premiums, minimum charges or what they call deductibles. Also, in every slab, you still have to foot a

percentage of drug bills. But the insurers cover 75 – 95 per cent on prescriptions, depending on the amount spent on medicines, leaving out premiums.

What is the scene here? A traditional caring joint family society has turned into an uncaring one, with the government and insurers joining hands to see it is so. The door of Medclaim has been slammed rudely and abruptly on the seniors' faces. This is an additional burden to seniors as they become feeble in body and mind. When society and the rulers are expected to chip in to meet the additional costs of medicines, tests, hospitalization, nursing and attendant care, one by one, avenues are blocked due to inflation, taxes and zero insurance.

So, do the elders need to worry in India? Yes, they certainly need to and prepare and plan well in advance for their future. They should aim to save a tidy sum to take care of their (declining) daily expenses to take the sting out of an uncaring environment and for financial independence. ❖