Indian Economy · GS - III

Examine how the proposed Systematic Withdrawal Plan (SWP) under EPFO could strengthen retirement income security in India. Discuss the importance of integrating periodic withdrawals with pension-based social security.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 21/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

EPF retirement corpus, systematic withdrawals, EPS pension, income continuity, compounding, longevity risk, inflation, financial literacy, social security, pension adequacy.

Model Answer

Introduction

Retirement income security requires both accumulated savings and predictable periodic income. The proposed EPFO Systematic Withdrawal Plan (SWP) seeks to provide retirees with structured withdrawals from their EPF corpus alongside eligible monthly EPS pension.

Potential Benefits

1. **Regular income:** Periodic EPF withdrawals can provide retirees with a predictable income stream instead of requiring a large lump-sum withdrawal.
2. **Continued returns:** The unwithdrawn corpus may continue earning interest, helping preserve retirement savings.

3. **Multiple income sources:** Eligible retirees can combine EPF withdrawals with EPS pension, improving income continuity.
4. **Financial flexibility:** Withdrawal schedules can help retirees manage recurring expenses and plan their post-retirement finances.

Key Concerns

- **Longevity risk:** Excessive withdrawals may exhaust savings if retirees live longer than expected.
- **Inflation:** Fixed withdrawals may lose purchasing power over time.
- **Pension adequacy:** EPS benefits depend on prescribed salary and service-based calculations and may not meet all retirement needs.
- **Financial awareness:** Clear disclosure of withdrawal rates, tax implications and residual balances is essential.

Conclusion

The proposed SWP can make retirement savings more flexible, but it should complement rather than replace pension protection. Transparent rules, prudent withdrawal limits and financial literacy are necessary for sustainable retirement security.

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