Indian Economy · GS - III

Why is the conversion of retirement savings into a sustainable post-retirement income as important as corpus accumulation? Discuss in the context of India's National Pension System.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
15	~250 words

Answer Hint

Retirement security, annuity, longevity risk, inflation, NPS, financial inclusion, pension regulation

Model Answer

Retirement planning involves not only accumulating savings during working life but also ensuring that these savings generate a stable income after retirement. This distinction is particularly important as life expectancy increases and traditional family-based support systems evolve.

Why post-retirement income matters:

1. **Longevity risk:** Individuals may outlive their accumulated savings, making sustainable income essential.
2. **Inflation:** Rising living costs gradually reduce the purchasing power of a fixed retirement corpus.
3. **Healthcare expenses:** Increasing medical and long-term care costs create financial uncertainty in old age.
4. **Income continuity:** Regular retirement income helps individuals maintain financial independence after employment.

Role of NPS:

The National Pension System, regulated by PFRDA, provides a defined contribution framework through market-linked investments. Its accumulation phase builds retirement savings, while withdrawal and annuity-related provisions help subscribers plan post-retirement income.

Measures such as digital onboarding, investment flexibility and diversified retirement-income options can improve accessibility and subscriber choice. However, financial literacy and awareness of market risks remain important.

Way forward: Strengthening pension awareness, expanding coverage among informal workers, improving transparency in annuity products and promoting suitable retirement-income planning can enhance pension security.

Conclusion: A successful pension system must focus on both wealth accumulation and reliable income distribution. NPS reforms should therefore combine accessibility, investment choice and long-term retirement security.

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