



## INVESTMENT OPTIONS IN PRESENT SITUATION FOR SENIOR CITIZEN

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## KEYWORDS :

**INTRODUCTION:**

In every human society, the elders or the senior citizens are given the pride of place. These individuals have spent a lifetime working, creating life and chiseling paths in the roughest terrains for the ease of the generations that are to follow them. And, the collective society hasn't forgotten these contributions- honoring its elders with many facilities and considerations that are tasked to make the lives of our older generation better. When it comes to saving schemes for senior citizens in India, the government has a wide collection of very attractive programs in store.

**About Senior Citizen Saving Scheme in India**

Designated for individuals above the age of 60, the Saving Schemes for senior citizens in India are effective, long term saving options and offer unmatched security and features that are usually associated with any government sponsored savings program. These schemes are available through certified banks as well as the network post offices spread across India. The typical Senior Citizen Saving Scheme (SCSS) account extends upto 5 years and upon maturity can be subsequently extended for an additional 3 years. The depositor is allowed to make one deposit into this account, an amount that is a multiple of Rs.1,000 and not extend beyond Rs.15 lakhs. SCSS accounts are robust, safe, highly targeted and a long term savings prospect. After spending a lifetime supporting others and running in the mad rat race of life, the various senior citizen saving schemes in India offer the aged folk a medium of effective savings for their twilight years.

**Benefits of Senior Citizen Saving Schemes**

As a savings and investment product for the 60+ year olds, the Senior Citizen Saving Scheme is a heaven-sent. Boasting of one of the best interest rates for any government sponsored investment product in India, the senior citizen saving scheme is customized to suit the specific requirements of an investment minded senior citizen. The salient features and benefits of this option are as follows-

- 1. Easily Available-** Fill up a simple application form at your local bank or post office and you are set.
- 2. Reliability-** This is a Government of India sponsored investment product and comes with all the security and assurance associated with that tag.
- 3. Multiple Accounts-** A single applicant can open multiple SCSS accounts, either individually or with a joint investor (must be the spouse of the primary investor).
- 4. High Returns-** At 8.6% per annum, the returns on your SCSS accounts are very impressive.
- 5. Flexible Tenure-** The account has a tenure of 5 years but can be stretched to add another 3 years. Thus, your senior citizen saving scheme serves as either a medium range investment or a long term plan.
- 6. Save Tax-** As per the dictates of Section 80C, Income Tax Act, 1961, the TDS can be saved.
- 7. Choose Your Investment-** Only one investment is allowed per SCSS account. This amount must be a multiple of Rs.1000 and not exceed Rs.15 lakhs. Thus, the SCSS investment is immensely affordable and scalable.
- 8. Premature Termination-** In extreme financial duress, your SCSS account can be closed and the money accessed. While this option only applies after the account has existed for a minimum of one year, it still is a ready source of funds that can be called to

help at a moment's notice. However, after 1 year, a penalty of 1.5% of the funds in the SCSS account will be deducted while the same is 1% after the completion of 2 years.

- 9. Minimum Documentation-** KYC documents that prove your age. The documents that can be submitted to substantiate this are- Passport/ Birth Certificate/ Voter's ID/ Senior Citizen Card/ PAN, etc.

**Eligibility for Senior Citizens Saving Schemes in India**

In order to qualify for the saving schemes for senior citizens in India, said applicant must be-

1. Aged 60 years or above.
2. Must be aged 55 years or above, but less than 60 years, provided he/she has retired from his/her employment as per VRS/superannuation and must open said SCSS account within one month of the receipt of retirement benefits. Also, the invested amount must not exceed the amount of the retirement benefits.
3. In case of a joint account, the eligibility is decided per the aforementioned age requirements of the primary depositor. There is no age restrictions/requirements imposed on the second applicant.

**Senior Citizen Saving Schemes Interest Rates**

A lucrative, savings oriented investment option, the senior citizen saving schemes interest rate is set at 8.6% per annum (FY 2016-2017). Instead of parking their savings in the low yield savings bank accounts or risky propositions like mutual funds, the senior citizen saving schemes offer the Indian senior population the option to invest in a safe, high yielding and popular savings portfolio.

**Senior Citizen Saving Scheme Rules**

A structured approach is crucial for success and peace of mind. When looking to enrol with the senior citizen saving scheme, ensure that you are well aware of the following conditions-

1. You must be 60 years or above to enrol. In certain conditions, individuals in the age group of 55 years and above can also apply successfully.
2. Only one deposit is permitted per SCSS account. The deposit must be in multiples of Rs.1,000 with a maximum permissible investment of Rs.15 lakhs.
3. Interest on the money accumulated in the SCSS account is payable on 31st March/30th September/31st December in the first instance and thereafter interest is payable as of 31st March, 30th June, 30th September and 31st December of each year.
4. Maximum tenure of this saving scheme is 5 years. However, after maturity, the tenure can be extended for a further 3 years, pending the application for the same in the designated format.
5. An applicant can operate multiple accounts simultaneously, individually or with a joint account holder who is the spouse. However, the account holder must ensure that all requirements pertaining to the validity and operation of these accounts must be met, including maintaining the minimum balance.
6. It must be noted that cash is an acceptable medium of investment if the initial amount is less than Rs.1 lakh. If this amount is larger than Rs.1 lakh then a cheque must be used.
7. Account can be easily and quickly transferred from one bank/post office onto another.
8. SCSS provides nomination facility that can be availed at the time of opening the account or after said account has been in

- operation for a set duration of time.
9. If the depositor chooses to terminate the account prematurely then the following penalty applies- 1.5% of deposit amount after one year and 1% of the deposit amount after two years. Kindly note that premature closure of the senior citizen saving scheme account is only possible after the account has been in operation for a minimum of one year.
  10. In case of joint accounts, the primary account holder is deemed the investor while the second stakeholder must be the primary account holder's spouse.
  11. Tax is deducted at source if the accumulated interest on the invested amount exceeds Rs.10,000 per annum.
  12. Accumulated interest is deposited onto a designated savings account, maintained at the bank/post office, wherein the senior citizen saving scheme is maintained. These deposits are actioned through the auto credit facility via money orders or PDCs.
  13. Investments in the SCSS account saves tax as per the provisions laid out in Section 80C of the Income Tax Act, 1961.

In summary, the standard SCSS is a feature rich offering that helps you save for the medium to long haul while avoiding the common concerns arising from similarly placed products that are actively promoted by non-governmental organizations. It's your life and future- safety and reliability are definitely top priority.

### Senior Citizen Saving Schemes Calculator

Often, the dimensions of your senior citizen saving scheme- the tenure, invested amount and the necessary paperwork & upkeep- will show you the larger picture while putting the bottom line (ie, the accumulated interest amount) in the background. Enter the senior citizen saving scheme calculator, a handy tool that helps you briskly calculate and be completely privy to what your SCSS account is doing for you. Remember, the government of India updates the interest rate on its Senior Citizen Saving Scheme on an annual basis but the same is calculated and paid out every quarter. As mentioned before, interest is payable as of 31st March, 30th June, 30th September and 31st December of each year. Thus, the task of the senior citizen saving scheme interest calculator includes the calculation of the applicable quarterly interest rate. Let us further illustrate this aspect-

- Applicable interest rate on SCSS deposit= 8.6% per annum
- Applicable interest rate per quarter= 8.6%/4 quarters = 2.175%
- ie, interest accumulated for every Rs.100 = Rs .2.175
- ie, interest accumulated for every Rs.1 = (2.175/100)= 0.02175

Hence, for every Rs.1 invested as part of the senior citizen saving scheme in India, Rs. 0.02175 will be paid out as applicable interest after every 3 months. By simply multiplying this rate with the invested amount, the applicable interest rate for that quarter can be ascertained.

A simpler iteration of the above formulae is as follows-  $P/400$  wherein, P= principal amount, r= interest rate per annum.

### Tax Benefits of Senior Citizen Saving Schemes

Most of us save monies in strategic investment portfolio or other simpler instruments while adhering to two set targets- a) Savings for the rainy days in the future, and b) To save on income tax that must be paid annually and attracts an almost legendary vile reaction from anybody who is gainfully employed and is obligated to pay his/her taxes. However, the following are the ground realities when it comes to Senior Citizen Saving Schemes in India and the associated tax implications-

1. If the investment churns out an interest amount in excess of Rs.10,000 per year, then Tax Deducted at Source (TDS) applies. However, interest that amounts to less than this number is free from tax.
2. All investments made per the SCSS account saves tax in accordance with the provisions laid out in Section 80C of the Income Tax Act, 1961.

Hence, aside from being a secure, scalable option with high returns,

the senior citizen saving scheme is also a potent tax saver. All the elements are in alignment when it comes to your SCSS account and the prospect of tax savings.

### Senior Citizen Saving Schemes in Post Office

The Indian postal system is an icon when it comes to staying connected with the grass root levels of the Indian society. No wonder, in this age of email and digital communication, the humble post box is still a strong contender in the Indian context, especially in the rural confines of this immense country. This is also the reason why the government of India actively employs the services of the Indian Postal system to propagate a plethora of its savings and investment themed programs. The Senior Citizen Saving Scheme (SCSS) is also offered at your local post office and just as in the case of the friendly National Savings Certificate (NSC) and National Savings Scheme (NSS), the SCSS has also managed to garner in a sizable fan following. Note that the interest amount generated by the SCSS account can be credited (using PDCs or money order) onto a savings account that is created in the same post office. Post offices are also a much preferred option especially amongst the non-urban folk as, they are deemed to be easily approachable, involves less influx of initial investments (service charges, account opening, etc.) and are more friendly in terms of the returns as a very limited number of people and systems are operational between this government scheme and its intended beneficiary.

### Senior Citizen Saving Schemes Offered by Different Banks

Alongside post offices, the Senior Citizen Saving Scheme is also offered by select banking organizations across the country. In recent times, banking in India has seen a renaissance of sorts wherein the usage of the latest banking technology, modernization of pioneering public sector banks and the emergence of a number of super competitive private sector banking firms has spiced up the Indian banking scene. Thus, quite naturally, a vast number of people, mainly the urban and semi-urban population, have a 24x7 relationship with their respective banks that include a number of portfolios other than the basic savings account. Into this scene walks the Senior Citizen Saving Scheme that offers a wide range of senior citizen friendly savings/investment options. Its quite easy for said citizens to open a SCSS account with their favourite bank rather than the nearest post office. A mere extension as compared to a whole new relationship. As of 2004, 24 public sector and one private sector bank are authorized to offer the SCSS option. The following is the comprehensive list of said banks.

#### Public Sector Banks

1. Allahabad Bank
2. Andhra bank
3. State Bank of India
4. State Bank of Mysore
5. State Bank of Bikaner and Jaipur
6. State Bank of Patiala
7. State Bank of Travancore
8. State Bank of Hyderabad
9. Bank of Maharashtra
10. Bank of Baroda
11. Bank of India
12. Corporation Bank
13. Canara Bank
14. Central Bank of India
15. Dena Bank
16. Syndicate Bank
17. UCO Bank
18. Union Bank of India
19. Vijaya Bank
20. IDBI Bank
21. Indian Bank
22. Indian Overseas Bank
23. Punjab National Bank
24. United Bank of India