Life Series by Epsilon Money

How to Financially Plan for Your Ageing Parents

You can borrow for education. You can finance a home. You cannot borrow for retirement!

The sandwich generation - those simultaneously raising children and supporting ageing parents is the most financially stretched demographic in India today. And yet, it remains the least planned for.

India's silver economy is arriving faster than our financial infrastructure. Over 15 crore Indians are above the age of 60 today. By 2050, that number will cross 34 crore. Healthcare inflation in India runs at 12–14% per annum, which is nearly double the general consumer inflation rate. And unlike the West, India has no universal social security net. We have seen families operate on assumptions. "Dad has his pension." Assumptions are not a plan.

STEP 1

Begin with an honest audit

The first step is to construct a precise financial picture of your parents' position - assets, income, liabilities, and protection gaps with the same rigour you would apply to any serious financial due diligence.
What you are solving for is simple but important: **the gap between their self-sustaining income and their projected annual expenditure. That gap is your financial obligation.** It will grow over time as healthcare costs rise and earning capacity declines. Every year you delay mapping this number is a year you lose to inflation and compounding.

The Four-Quadrant Audit

Assets: Real estate, physical gold (weight, purity, estimated value), fixed deposits, mutual fund folios, EPF/PPF balances, any listed equity or demat holdings.

Income: Pension or annuity (if any), rental income, interest income on deposits. Critically — is any of this inflation-indexed?

Liabilities: Outstanding borrowings, guarantees extended to third parties, pending litigation, or unresolved property disputes.

Protection: Existing health insurance sum insured, whether it covers hospitalisation adequately, and whether a critical illness or super top-up layer exists.

STEP 2

Quantify the healthcare liability

Healthcare is the largest financial risk of ageing in India. A serious illness like cancer, cardiac intervention, kidney failure, stroke can cost anywhere between ₹10 lakh and ₹1 crore, depending on the city, hospital, and course of treatment. Long-term home care for conditions like dementia or post-surgical recovery can easily run ₹40,000–80,000 per month. Of all the financial risks associated with ageing, healthcare is simultaneously the largest, the least predictable, and the most inflation-prone.
Your first action should be to obtain a comprehensive health insurance policy for your parents if one does not exist. The sweet spot is a sum insured of ₹50 lakh - 1 Crore, preferably with a super top-up policy layered on top. Yes, premiums will be high; especially for parents above 70. But they are a fraction of the financial devastation a single hospitalisation can cause without cover.

What to build

- Base health cover: ₹50 lakh - 1 Crore sum insured
- Super top-up: ₹50–75 lakh additional layer
- Critical illness lump-sum rider
- Domiciliary and home care cover
- Room rent waiver clause in policy

What to watch

- Premiums are high above age 65 - start early
- Pre-existing disease waiting periods (2–4 years)
- Sub-limits on specific treatments
- Network hospital adequacy in your city
- Co-payment clauses that shift burden back to you

STEP 3

Build a monthly income stream that outlasts them

The most psychologically distressing aspect of ageing, for both parents and children, is financial dependence. **The goal of a good plan is not merely to ensure your parents have money, but it is to ensure they feel financially independent for as long as possible.**
Several instruments work well together to construct this income architecture:

01 Core Monthly Income: SWP from Conservative Hybrid or Balanced Advantage Funds

A Systematic Withdrawal Plan drawn from a well-selected Conservative Hybrid or Balanced Advantage fund is the most efficient income mechanism available today. It delivers predictable monthly cash flow, the corpus continues compounding on the balance, and the tax treatment is significantly more efficient. For a parent requiring ₹1,00,000/ per month, a corpus of approximately ₹2.5 crore deployed into a conservative hybrid fund with a 5% annual SWP rate is typically sufficient, depending on fund returns.

02 Yield Enhancement: High-Quality PSU or Corporate Bond Funds

A curated allocation to AAA/AA+ rated corporate bond or short duration funds can add approximately 50–80 basis points of yield over liquid or overnight instruments, with lower (though not negligible) credit and duration risk. Rolled with a monthly SWP, this can serve as a productive second tier of the income stack for parents aged 65–72 with a 15+ year planning horizon, provided rate cycle positioning and credit quality are actively monitored.

03 Inflation Hedge

Most families building a retirement corpus for parents focus entirely on safety- fixed deposits, liquid funds, short-term debt. What they miss is a growth layer: an allocation to a dynamic asset allocation or multi-asset fund whose sole job is to outpace healthcare inflation over 10–15 years. Healthcare inflation in India runs at 8–12% annually. A corpus that earns 6–7% in debt instruments is quietly shrinking in real terms every year. Over a 20-year horizon, that gap is not a rounding error but it is the difference between a corpus that lasts and one that doesn't due to inflation. This is the layer sometimes families omit. And the omission is expensive; not immediately visible, but compounding silently in the wrong direction. The caveat worth stating clearly: this layer requires the discipline to stay invested through market corrections. It is not an income instrument. It works only when left undisturbed while the debt and liquid tiers handle month-to-month needs.

Planning Framework by Parental Age

Parent Age	Monthly Need	Target Corpus
60–68 (Active)	₹80K–₹1L	₹1.9Cr–₹2.5Cr
68–75 (Medical Needs)	₹1L–₹1.5L	₹2.5Cr–₹3Cr
75+ (High Care)	₹1.5L–₹2L+	₹3Cr–₹4Cr+

*Assumes 7% net return on corpus, 12% healthcare inflation, 20-year planning horizon. Figures are indicative.

STEP 4

The sibling conversation nobody wants to have

The most explosive financial disputes we witness are not between clients and markets. They are between siblings. If you have brothers or sisters, the financial responsibility of caring for ageing parents must be discussed openly and structured formally - not assumed, and not implied.

STEP 5

Plan for your own retirement!!!

Here is the hardest truth, and it is one rooted not in selfishness but in wisdom: you cannot pour from an empty cup. Supporting your parents financially is a noble and deeply Indian value. But neglecting your own retirement planning in the process creates an almost certain tragedy: your children will one day face the same situation you are facing today, perhaps with fewer resources. If you become financially dependent yourself, you have not supported your family, You have deferred the problem by one generation. What this means in practice: do not liquidate your NPS, EPF, or long-term mutual fund SIPs to fund parental care. Instead, create the dedicated parental fund described earlier, optimise their own assets, bring siblings into the financial responsibility, and plug the remaining gap through structured monthly contributions from your cash flow.

Commingling parental care expenses with your household budget leads to two disasters: you either underfund your parents' needs while convincing yourself you are "managing," or you silently drain your own retirement corpus. Neither outcome is acceptable.

Parental Care Fund — Quick Action Checklist

- ✔ Open a dedicated folio or savings account for parental care
- ✔ Automate a monthly SIP into a conservative hybrid or balanced advantage funds
- ✔ Set a 10-year target corpus based on estimated healthcare and living costs
- ✔ Review and step up SIP by 10% every year
- ✔ Do not use this corpus for any other financial goal

Build the corpus before the corpus is required.

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