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AXE THE TAX WITH HEALTH INSURANCE

Young professionals, who avoid spending money on health insurance, forget the fact that health care inflation is rising at an alarming rate

BY BHASKAR NERURKAR

When 32-year-old Avinash Saran woke up all of a sudden with pain in his chest and upper back, he was rushed to hospital. He had suffered a heart attack, but was given immediate treatment. The doctors found blockage in the arteries. The sudden hospitalisation set him back by nearly ₹7 lakh. It was a double whammy for Avinash as he realised the expenses were not going to be covered by his previous employers' group medical cover. He had recently jumped on to the entrepreneurial bandwagon, and, therefore, would have to bear the medical expenses on his own.

This is a common scenario as health insurance is often ignored by young professionals. They avoid buying insurance simply because they feel they are covered under their employers' group health insurance plan. While such group health covers are convenient and useful, they forget that when they change or lose their job, they will not be covered under the corporate health insurance. Also, there is no guarantee that the new employer will offer the same quantum of insurance cover.

Often, they fail to understand that the basic group health insurance cover may not be enough to cover all their family's medical expenses. Some plans cover only the employee and not their dependents. The sum assured under corporate health plans is generally fixed by taking into account only the most common reasons for hospitalisation and when an incident occurs that requires a higher expense, this cover is insufficient. This scenario can be particularly disastrous, when employees who were covered by the employers' group medical cover, retire after several years of service and realise that they do not have personal health insurance. And, to face a medical incident, they have to meet the expenses out of their lifelong savings.

BUYING HEALTH INSURANCE WHEN YOUNG

When healthy, many individuals avoid spending money on health insurance. But, they forget the fact that health care inflation is rising at an alarming rate of 15 per cent annually. With lifestyle diseases and medical inflation on the rise, it is crucial to evaluate your current health insurance coverage and ensure that your family is well-protected to tackle any medical crisis. Buying health insurance early ensures that the individual will get past the waiting period for pre-existing diseases, enjoy benefits of comprehensive and holistic coverage, accumulate loyalty and no-claim bonuses, life-long renewals and also gain tax benefits, right from an early age.

TAX SAVINGS VIA HEALTH INSURANCE

Many young tax payers fail to maximise their tax savings as they do not look beyond the popular section 80C (of the Income Tax Act) investments. While providing protection against expenses related to medical emergencies, health insurance also offers tax benefits as an added advantage. The premium paid for a health insurance policy can be deducted from the total income under section 80D of the Income Tax Act. In fact, the premium paid for not only the individual and family, but also their parents, makes one eligible for income tax exemption under section 80D. One can save as much as ₹60,000 every year by opting for plans for the whole family, including children and dependent parents.

On the health insurance premium paid for self, spouse, children and parents, deduction can be availed up to ₹25,000 per annum, provided the age of the individual is not above 60. If the premium paid by an individual is towards health insurance policy for his or her parent, a senior citizen of age 60 or more, the maximum is capped at ₹30,000. A taxpayer may therefore maximise tax benefits under section 80D to a total of ₹55,000, if his age is below 60 and if the parents' age is above 60. For those tax payers who are 60 or above, and are also paying health insurance premium for their parents, the maximum tax benefit under section 80D would therefore be a total of ₹60,000.

Therefore, cumulatively, it can add as significant tax savings over the years while providing much needed protection against any medical exigencies. Health-related emergencies occur without any warning and an adequate medical cover will ensure that you are covered for such emergencies and help you plan your future better. It is strongly recommended to have one's own health insurance plan over and above any policy that may provide coverage during employment. Such a plan will continue to offer coverage after retirement, and to meet medical expenses, one need not dip into savings, especially in the twilight years.

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