INFLATION &
Impact on lives of
Middle class families in India
An ANALYSIS

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Value of ₹1 Crore Over Next 50 Years
(Assuming 6% Inflation)

Year	Future Value of ₹1 Crore (in Lacs)	Percentage Loss in Value
2025	₹100 Lacs (₹1 Crore)	-
2030	₹74.72 Lacs	25.28%
2035	₹55.83 Lacs	44.17%
2045	₹31.18 Lacs	68.82%
2055	₹17.41 Lacs	82.59%
2065	₹9.72 Lacs	90.28%
2075	₹5.42 Lacs	94.58%

The image illustrates how **inflation at 6% per annum erodes the purchasing power of ₹1 crore over the next 50 years**.

Key Message: Even if the amount remains ₹1 crore nominally, its **real value (purchasing power)** keeps declining sharply due to inflation.

Snapshot of Impact (6% Inflation)

- **2025:** ₹1 crore = ₹100 lakhs (no loss)
- **2030:** Worth ~₹74.7 lakhs → **25% value lost**
- **2035:** Worth ~₹55.8 lakhs → **44% value lost**
- **2045:** Worth ~₹31.2 lakhs → **69% value lost**
- **2055:** Worth ~₹17.4 lakhs → **83% value lost**
- **2065:** Worth ~₹9.7 lakhs → **90% value lost**
- **2075:** Worth only ~₹5.4 lakhs → **~95% value erosion**

Core Insight

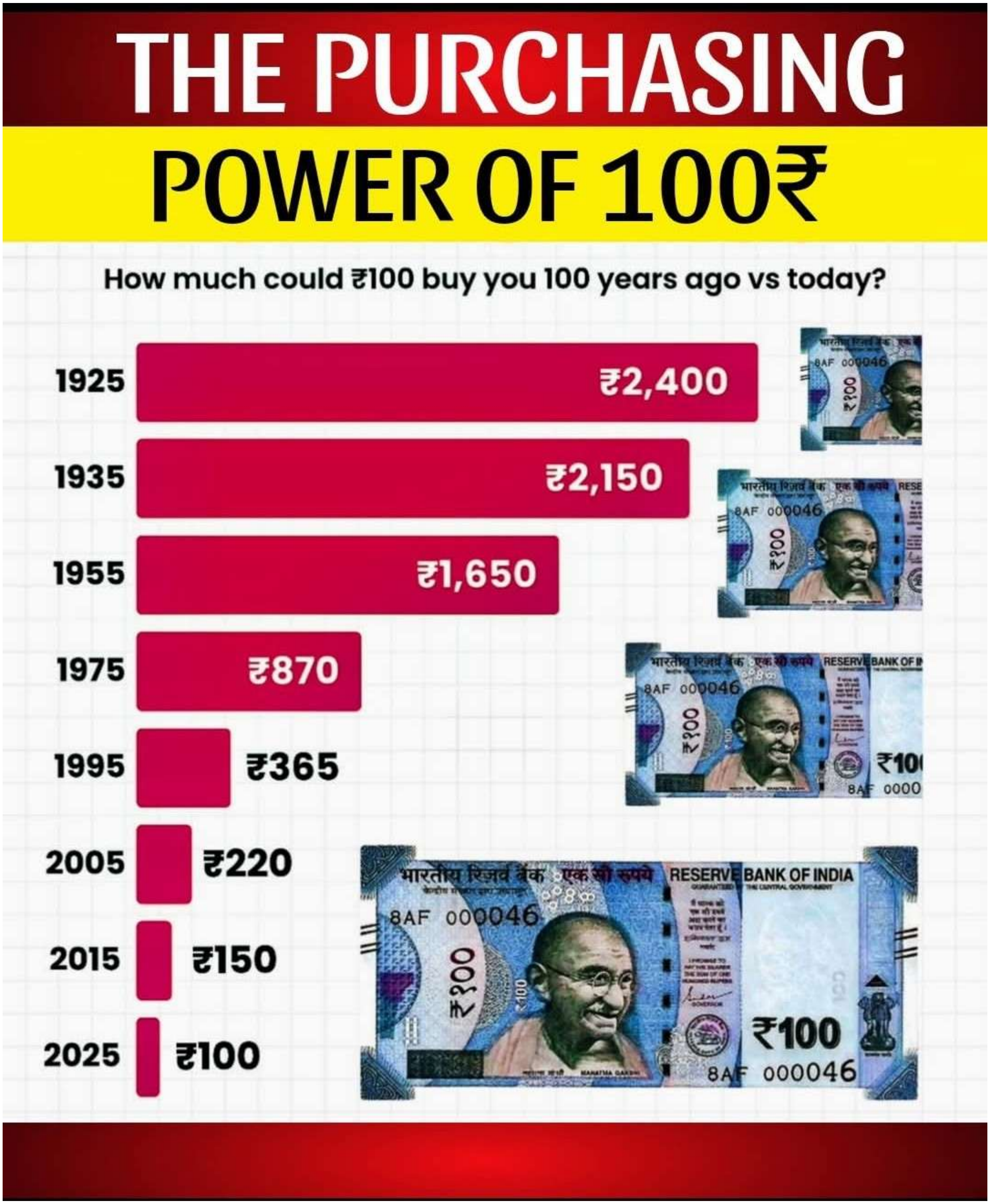
- **Inflation is a silent wealth destroyer**
- Keeping money idle (cash, low-yield savings, FDs below inflation) results in **massive long-term loss of real value**
- Long-term financial goals (retirement, legacy planning) **require growth-oriented investments** that beat inflation

Practical Takeaway

To preserve and grow wealth:

- Returns must **exceed inflation**
- Long-term instruments like **equities, pension plans, market-linked products, and inflation-beating assets** are essential

📌 **Conclusion:** ₹1 crore today may feel substantial, but without inflation-adjusted growth, it can become financially insignificant over time.


THE PURCHASING
POWER OF 100₹
How much could ₹100 buy you 100 years ago vs today?
1925
₹2,400
1935
₹2,150
1955
₹1,650
1975
₹870
1995
₹365
2005
₹220
2015
₹150
2025
₹100
भारतीय रिज़र्व बैंक
एक सौ रुपये
RESERVE BANK OF INDIA
8AF 000046
₹100
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E**veryday living costs in India between 2010 and 2025**, clearly highlighting the sharp rise in expenses due to **inflation and lifestyle changes**.

Key Cost Comparisons (2010 → 2025)

- **Petrol (1 litre):** ₹51 → ₹110
- **Milk (1 litre):** ₹28 → ₹65
- **Movie Tickets:** ₹85 → ₹247
- **Monthly Rent (Metro Cities):** ₹12,000 → ₹30,000
- **iPhone (Base Model):** ₹35,000 → ₹72,000
- **Internet (Monthly):** ₹800 → ₹299 *(cost reduced due to competition & technology)*
- **School Fees (Annual):** ₹30,000 → ₹1,50,000
- **Gas Cylinder (Non-subsidised):** ₹700+ → ₹800+

Core Insights

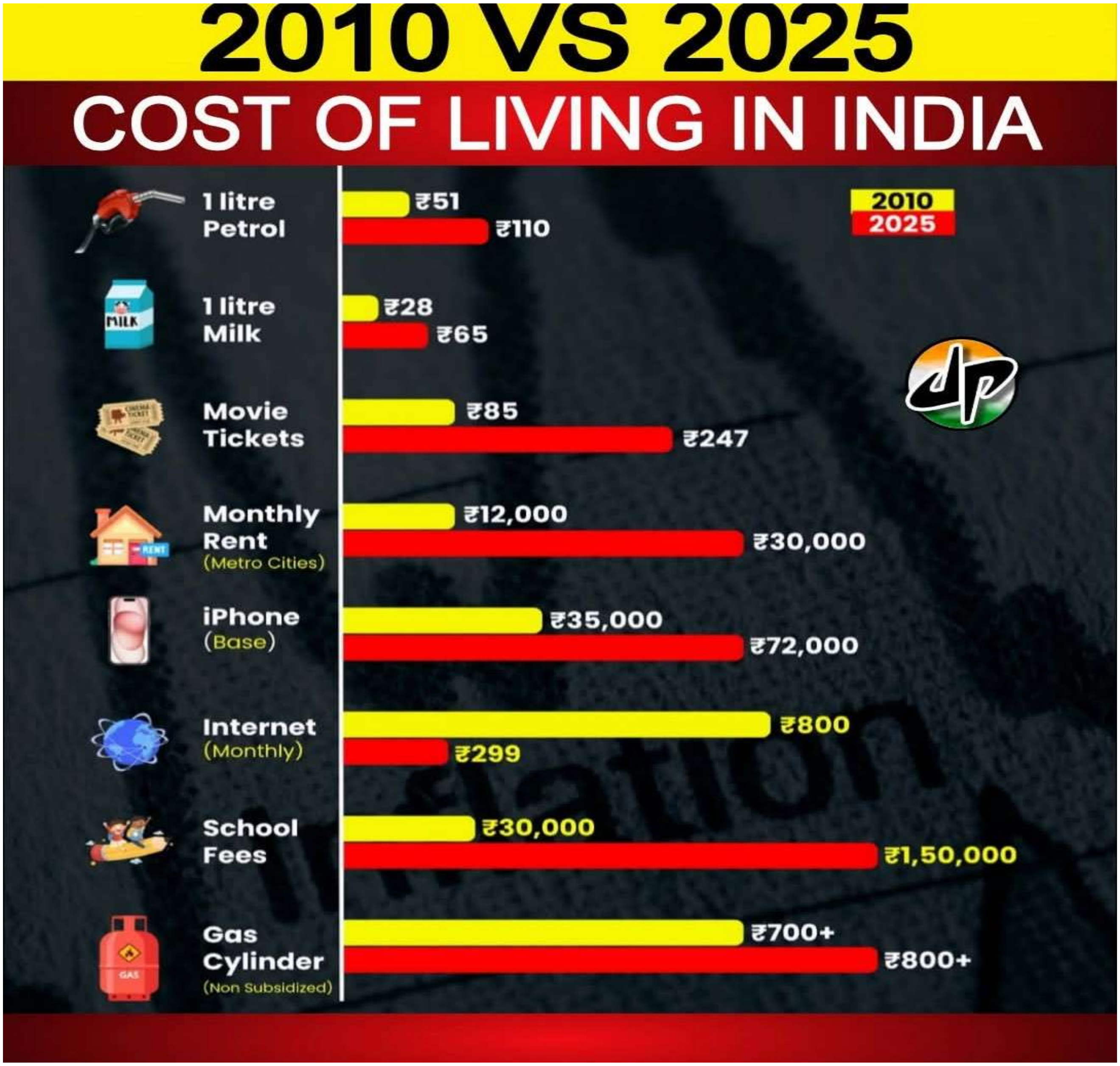
- **Essential expenses** like fuel, food, housing, and education have **increased 2–5 times**
- **Education and rent** show the steepest rise, putting pressure on middle-class households
- **Technology services (internet)** are an exception, becoming more affordable
- Income growth has **not kept pace** with rising costs for many families

Summary :

The image strongly emphasizes that **the cost of living in India has increased significantly over 15 years**, reinforcing the importance of:

- Inflation-aware financial planning
- Long-term investments that beat inflation
- Adequate savings for education, housing, and retirement

📌 **Conclusion:** What was affordable in 2010 now requires substantially higher income in 2025, making proactive financial planning more critical than ever.



RETURN OF INVESTMENT (ROI%)

INVESTMENT	SAFETY	LIQUIDITY	RETURN/YIELD
BANK	MORE	MORE	LOW
GOLD/SILVER	MEDIUM	MORE	LOW
EQUITY/MF/STOCK	LOW	MEDIUM	MORE
REAL ESTATE	MEDIUM	LOW	MORE
INSURANCE	MORE	LOW	MEDIUM

RETURN OF INVESTMENT (ROI%)

INVESTMENT INSTRUMENT	EXPECTED ROI (p.a.)	TAXES & CHARGES	NET ROI (p.a.)
MUTUAL FUNDS	8-12%	• DDT: 10-25% • CGT: 10-20% • GST on management fees: 18% • Exit load: 0.5-2% • Management fees: 0.5-2.5%	5.5-8.5%
STOCKS (EQUITY)	8-12%	• STT: 0.001-0.1% • CGT: 10-20% • GST on brokerage: 18% • Brokerage: 0.01-0.5%	6.5-9.5%
REAL ESTATE	5-8%	• Stamp duty: 5-10% • Registration charges: 1-2% • GST: 5-12% • CGT: 20-30%	2.5-5.5%

INVESTMENT INSTRUMENT	EXPECTED ROI (p.a.)	TAXES & CHARGES	NET ROI (p.a.)
GOLD	4-6%	• GST: 3% • CGT: 20-30% • Wealth tax: 1% on net wealth exceeding ₹30 lakhs	2.5-4.5%
BANK (FD/RD)	4-7%	• TDS: 10-20% • Interest Rate: Fluctuating as per RBI	3.2-4.8%
INSURANCE	5-8%	• GST: 0	5 - 8%

- GST-GOODS SERVICE TAX;
- CGT- CAPITAL GAIN TAX;
- STT-SECURITIES TRANSACTION TAX;
- DDT- DIVIDEND DISTRIBUTION TAX

This compares **different investment options** based on **safety, liquidity, returns, taxes, and net effective ROI**, highlighting how taxation and charges significantly impact actual returns.

1️⃣ Investment Options: Risk–Liquidity–Return Trade-off

Investment	Safety	Liquidity	Return Potential
Bank (FD/RD)	High	High	Low
Gold / Silver	Medium	High	Low
Equity / MF / Stocks	Low	Medium	High
Real Estate	Medium	Low	High
Insurance	High	Low	Medium

🔑 **Insight:** Higher safety usually means lower returns, while higher returns come with higher risk and lower liquidity.

2️⃣ Expected ROI vs Net ROI (After Taxes & Charges)

🔹 Mutual Funds

Expected ROI: 8–12% p.a.

- **Taxes & Charges:**
  - DDT: 10–25%
  - Capital Gains Tax: 10–20%
  - GST on fees: 18%
  - Exit load & management fees
- **Net ROI: ~5.5–8.5%**

🔹 Stocks (Equity)

- **Expected ROI: 8–12% p.a**.
- **Taxes & Charges:**
  - STT: 0.001–0.1%
  - CGT: 10–20%
  - GST on brokerage: 18%
  - Brokerage costs
- **Net ROI: ~6.5–9.5%**

🔹 Real Estate

- **Expected ROI: 5–8% p.a.**
- **Taxes & Charges:**
  - Stamp duty: 5–10%
  - Registration: 1–2%
  - GST: 5–12%
  - Capital Gains Tax: 20–30%
- **Net ROI: ~2.5–5.5%**

🔹 Gold/Silver/Metal

- **Expected ROI: 4–6% p.a.**
- **Taxes & Charges:**
  - GST: 3%
  - Capital Gains Tax: 20–30%
  - Wealth tax (above ₹30 lakh)
- **Net ROI: ~2.5–4.5%**

🔹 Bank FD / RD

- **Expected ROI:** 4–7% p.a.
- **Taxes & Charges:**
  - TDS: 10–20% & Interest rates fluctuate
- **Net ROI: ~3.2–4.8%**

🔹 Insurance (Long-term)

- **Expected ROI: 5–8% p.a.**
- **Taxes & Charges:**
  - GST: 0 (on returns)
- **Net ROI: ~5–8% (tax-efficient)**

📌 Key Takeaways

- **Gross returns can be misleading**; net returns matter
- **Taxes & hidden charges significantly reduce actual gains**
- **Equity & insurance-based long-term products** are better positioned to **beat inflation**
- Bank FDs, gold, and real estate may **fail to preserve real wealth** over long periods

✅ Conclusion

A well-balanced portfolio should focus on **inflation-adjusted, tax-efficient investments**, rather than just perceived safety or nominal returns.

Why Retirement Planning Should Start Now

Start Early, Retire Stress-Free
The power of compounding works best when you start in your 20s or 30s.

Inflation Is Real
₹100 today won't buy the same in 20 years. Plan ahead to protect purchasing power.

Less Dependency On Children
Financial independence means you won't need to rely on your kids later.

PF & PPF Alone Aren't Enough
Provident Fund is good, but you also need mutual funds, NPS, or SIPs for growth.

Healthcare Costs Are Rising
Medical expenses in old age can be financially draining without a solid plan.

Freedom To Choose Your Retirement Life
Want to travel, pursue hobbies, or live peacefully? Planning gives you choices.

Inflation — the last ~15 years: the big picture

Over the 2010s and early 2020s India's headline CPI inflation has moved through cycles:

A high-inflation phase around 2012–2014 (double-digit/near-double-digit spikes), a moderation period mid/late-2010s, then a renewed upswing around 2021–2022 (global commodity shocks + supply issues) and moderation again into 2024–2025.

Measured averages across the period are in the mid-single digits (roughly ~5–6% p.a. on average depending on the exact years and index used). Using an average ~5.71% p.a. as a representative figure calculated for following illustrations

The most recent official releases show inflation easing into low-to-moderate territory in 2024–2025 (giving central banks room to cut rates), but food and core components can still move sharply and affect household budgets quickly.

What that means for a middle-class family — a concrete example (step-by-step arithmetic)

Assumption (illustrative):

current total annual household expenses	₹600,000 (₹50,000 per month).
average inflation	5.71% p.a.
horizon	15 years
Future price factor after 15 years	(1 + 0.0571)^15. (1.0571)^15 = ≈ 2.30007.

That means: prices ≈ 2.30× what they are today (i.e., same basket that costs ₹6 lakh today will cost ≈ ₹6 lakh × 2.30007 ≈ ₹13.8 lakh in 15 years).

Put another way, ₹10 lakh of savings held as cash today, if not earning a return > inflation, will have the **real purchasing power of about ₹10,00,000 ÷ 2.30007 ≈ ₹4.35 lakh in today's rupee terms after 15 years.**

So—inflation more than doubles many costs over 15 years at mid-single-digit inflation rates That's why planning only with "nominal" amounts (the amounts you see today) underestimates what you'll need.

(**Computations above use the representative average rate 5.71% p.a.; actual year-by-year inflation will change the precise factor**.)

How you must protect Your Retirement Corpus Today

1. **Inflation Is Eroding Your Retirement Corpus Faster Than You Think as Inflation isn't just a number — it quietly shrinks value of savings year after year.**

Official Indian data shows that headline inflation has recently stayed extremely low around 0.7% (Nov 2025) — but this number masks how prices behave over long periods. Over time, even modest inflation compounds and reduces real purchasing power of money.

Let's illustrate:> **If you need ₹1 crore to live comfortably in retirement today, then at a 5% real inflation rate (a realistic long-term assumption), in 20 years you would need around ₹2.65 crore to maintain the same lifestyle. At 6% inflation, this grows to over ₹3.20 crore**

2. **RBI's Frequent Repo Rate Cuts Are Hurting Safe Savings: In 2025, the Reserve Bank of India has cut the policy repo rate cumulatively by over 125 basis points (1.25%)** amid slowing inflation and robust growth. This has improved credit conditions for borrowers — but it has simultaneously driven down returns on safe, low-risk savings such as:

   - Bank Fixed Deposits
   - Post Office Schemes/PPF
   - Small Savings Instruments

Recent moves by **SBI and HDFC Bank** show fixed-deposit rates falling even further, with some tenures now offering near or under **6.5% p.a.** for typical savers.

Compare this with even average long-term inflation over the past decade — savings interest often fails to keep pace, meaning the real value of your conservative corpus is actually shrinking.

3. **Stock Markets Can Grow Wealth — But Are Unpredictable in the Short Term:** Equity markets can outperform inflation over long horizons — but they also swing sharply in the short term. A sudden correction or bear phase can force emergency withdrawals from your retirement or contingency funds at depressed values.

This risk is particularly acute for middle-class professionals who don't have decades to wait out downturns.

A balanced retirement plan should not be 100% exposed to market volatility, especially for funds you can't afford to withdraw during downturns.

4. **Medical & Health Costs Are Rising Rapidly** — Your Savings alone won't cover Emergencies: General consumer inflation has been modest recently, but medical inflation is a very different story:

- Estimates of medical cost inflation in India are around **12–15% per year** — far higher than general CPI.
- Professional reports show employee **medical costs in India expected to rise ~11.5% in 2026.**

This means a **medical treatment that costs ₹5 lakh today can cost over ₹15 lakh in just a few years** if costs grow at double-digit rates. No retirement corpus can survive repeated emergency bleed-outs from rising hospitalisation and treatment costs

5. **Why Health and Life Insurance Are Non-Negotiable Today:** As medical costs rise faster than average inflation, health insurance becomes a risk transfer tool — not just a financial product. Without adequate cover:

- A single major hospitalisation can wipe out several years of savings & Retirement corpus can be prematurely depleted to pay for treatments

Families may face financial distress when the breadwinner is vulnerable. Life insurance ensures your family's long-term financial security is protected even if the unexpected happens.

6. **How Axis Max Life Retirement Solutions Help Protect Your Corpus: A** well-designed retirement product from Axis Max Life Insurance offers several advantages:

✓ **Disciplined Long-Term Savings**: Encourages consistent saving with structured deposits that beat inflation over long horizons.

✓ **Inflation-Adjusted Payouts:** Many retirement products offer income streams that are designed to rise over time, helping protect real spending power.

✓ **Protection from Market Swings**: These solutions combine stable guaranteed components with growth potential without exposing all your corpus to market risk.

✓ **Emergency & Health Safety**: With embedded riders or linked health & life cover options, your retirement savings aren't the first buffer when you face health emergencies.

Summary: What This Means for You

Risk Factor	Impact on Middle-Class Saver
Inflation (CPI low but real cost rising)	Reduces value of corpus
Repo rate cuts & low safe returns	Traditional savings don't keep pace with inflation
Market volatility	Retirement funds exposed to risk
Medical inflation	Costs rising faster than savings growth

Lack of insurance Wealth gets diverted to unplanned expenses

👉 A balanced plan including insurance-backed retirement products, adequate health cover, and life cover preserves value, protects dependents, and secures your financial independence — even in an unpredictable economic environment.

Retirement Planning Comparison: 2015 vs 2025 (India)

Parameter	2015 Reality	2025 Reality	What Changed for the Worse
Average Bank FD Rate	**8.5% – 9.5%**	**4.5% – 6%**	Interest income nearly halved
Inflation (CPI Avg.)	**~5%**	**~5–6%**	Inflation still high
Medical Inflation	**~7–8%**	**10–15%**	Explosive healthcare cost rise
Post-Tax FD Return (20% slab)	**~7.0–7.5%**	**~4.0–4.5%**	Real income collapse
Real Return on FD (After Inflation)	**+2% to +3% (Positive)**	**–1% to 0% (Negative)**	Guaranteed wealth erosion
Life Expectancy at Retirement	**72–75 years**	**78–85 years**	Savings must last **10+ extra years**
Health Insurance Premium (60+)	**₹18k – ₹30k/year**	**₹40k – ₹90k/year**	Premiums doubled/tripled
Retirement Investment Style	**Mostly FDs, PPF, SCSS**	**Forced into MF, NPS, stocks**	Safety replaced by risk
Ideal Monthly Retirement Expense (Urban)	**₹25k – ₹30k**	**₹45k – ₹70k**	Cost of living doubled
Retirement Corpus Needed for Same Lifestyle	**₹1 crore**	**₹2.5–3 crore**	**Target moved out of reach**
Retirement Anxiety Level	**Low–Moderate**	**Very High**	**Mental & financial stress**

Income Comparison on the Same Retirement Corpus

Example: ₹1 Crore Retirement Corpus

	2015	2025
FD Rate	9%	5.25%
Annual Income	₹9,00,000	₹5,25,000
Monthly Income	₹75,000	₹43,750
Inflation -Medical Inflation	~5%	8–12%
STATUS	Comfortable, dignified retirement	Struggling for the same lifestyle

Loss of ₹31,250 per month on the SAME ₹1 crore corpus

Shock Reality Table (Monthly Income vs Extra Corpus)

Monthly Retirement Income	Corpus Needed in 2015 (9%)	Corpus Needed in 2025 (5.25%)	Extra Corpus Required
₹40,000	₹53 lakh	₹91 lakh	₹38 lakh more
₹50,000	₹67 lakh	₹1.14 cr	₹47 lakh more
₹75,000	₹1.00 cr	₹1.71 cr	₹71 lakh more
₹1,00,000	₹1.33 cr	₹2.29 cr	₹96 lakh more

Now Add Inflation + Medical Costs (The Real Bomb)

1. Safe post-tax FD return ≈ 4%
2. Medical inflation ≈ **12%**
3. Average living inflation ≈ **6%**

To safely withdraw ₹50,000/month long term: **₹6,00,000÷4%=₹1.5crore**

Year	Corpus Required	Difference
2015	₹67 lakh	0
2025 (Real Safe)	₹1.50 crore	₹83 lakh EXTRA

The same retirement lifestyle now costs nearly ₹80–85 lakh MORE purely because of policy-driven low FD returns + inflation.

CORE PRINCIPLE (Very Important):In 2025, no single "safe product" can protect retirement alone. Survival now requires a *combination of safety + income + limited growth*.

₹1.5 Crore Retirement Corpus (Safe Allocation)

Segment	**Amount**	Monthly Support
Safety Income (50%)	₹75 lakh	₹30k–35k
Inflation Protection (25%)	₹37.5 lakh	Future protection
Medical & Longevity (25%)	₹37.5 lakh	Emergency cushion

Why Retirement Became Harder in 2025

1. Interest income collapsed
2. Medical costs exploded
3. People are living longer without pensions
4. Tax eats up whatever little interest remains
5. Risk is being pushed at the wrong age
6. No universal government pension
7. FD is safe but financially weak

In 2015, ₹1 crore meant peace of mind. In 2025, even ₹2 crore no longer guarantees a stress-free retirement.

What This Means for Today's Middle-Class Worker (30–50 yrs)

If someone plans retirement today using old 2015 assumptions, that person will face:

1. Corpus shortfall of **₹1–1.5 crore**
2. Lower monthly income
3. Forced dependence on children
4. High medical vulnerability

Medical Shock Comparison

Medical Event	**2015 Cost**	**2025 Cost**
Normal Hospitalization	₹80,000 – ₹1.5L	₹3–5L
Heart Surgery	₹2.5–3.5L	₹6–10L
Cancer Treatment (1 yr)	₹6–10L	₹15–35L+
Inflation -Medical Inflation	~5%	8–12%

THE RATE OF MEDICAL INFLATION IN INDIA as on today: Here are the key recent data points:

Several industry reports **estimate medical inflation in India to be in the 10 % to 15 % per annum range. A specific figure says medical inflation "currently around 13.2%" in India. compared to general inflation of 4-6%.**

Why is medical inflation higher than general inflation : Here are the main drivers:

- Increase in non-communicable diseases (diabetes, hypertension, cardiovascular) → more treatments, more recurring costs.

- Rising cost of advanced medical technology, imported devices, diagnostics, newer therapies.\

- Supply constraints: fewer beds, skilled professionals, infrastructure costs, which push up costs.

- Out-of-pocket burden: Many treatments are paid by households directly, which makes inflation felt more immediately.

Impacts a middle-class family over next 5 years: In case of middle-class families—Let's pick a baseline cost today and then project for 5 years using medical inflation.

Example scenario: Suppose a middle-class family currently has **average annual medical/healthcare cost (including hospitalisation + diagnostics + medicines) of ₹1,00,000 /-.**

Assume **medical inflation at 12% per year (within the 10-15% range).** - **Over 5 years, cost will grow by factor = (1 + 12%)^5 ≈ 1.12^5≈ 1.762 (i.e. ~76% higher).** - **So in 5 years, annual cost would be ~ ₹1,76,000** (from ₹1,00,000).

- **If inflation is at 14% then factor is 1.14^5 ≈ 1.925 → cost ~₹1,92,500. What it means: What you're paying today (₹1 lakh) may nearly double (or at least increase significantly) in 5 years.**

For a middle family this means the "healthcare budget" has to grow, or else you will find yourself under-budgeting / underinsured.

If incomes are growing at say 6-8% per year for many middleclass households, they will grow by maybe ~1.06^5 ≈ 1.34 (i.e.34% growth) over 5 years. But healthcare cost could grow by ~76-90%. So healthcare cost growth > income growth →increasing burden.

This has implications for savings, insurance planning, health cover adequacy, emergency funds, etc. **Additional risk features: Hospitalisation or major treatment costs: These get magnified**. For instance, **cost of some treatments has doubled in 5 years.** Even if you have insurance, premium hikes and co-payments may increase. Coverage that looks adequate today may become insufficient in 5 years.

Out-of-pocket expenses remain significant in India. So unless you plan ahead, you may face "bill shock".Simply inflation-adjusting with general inflation (say 6%) is insufficient; the healthcare inflation is much higher. So if we assumed cost doubling in 12 years (at 6%) we are underestimating.

India's medical inflation is currently **estimated at 10-15% per year**, among the highest in Asia. This projection shows how healthcare costs for a typical middle class family may rise over the next 5 years. Such inflation highlights the importance of reviewing your health insurance cover regularly to keep up with the rising cost of treatment and hospitalization.

Enclosed Table showing projected medical costs over 5 years for different starting value:

BASE ANNUAL COST (as TODAY): INR 50,000/-

MEDICAL INFLATION	YEAR	PROJECTED ANNUAL COST
10%	1	55,000
	2	60,500
	3	66,550
	4	73,205
	5	**80,526**
12%	1	56,000
	2	62,720
	3	70,246
	4	78,676
	5	**88,117**
14%	1	57,000
	2	64,980
	3	74,077
	4	84,448
	5	**96,271**

BASE ANNUAL COST (as TODAY): INR 1.00,000/-

MEDICAL INFLATION	YEAR	PROJECTED ANNUAL COST
10%	1	1,10,000
	2	1,21,000
	3	1,33,100
	4	1,46,410
	5	**1,61,051**
12%	1	1,12,000
	2	1,25,440
	3	1,40,493
	4	1,57,352
	5	**1,76,234**
14%	1	1,14,000
	2	1,29,960
	3	1,48,154
	4	1.68.896
	5	**1,92,541**

BASE ANNUAL COST (as TODAY): INR 2,00,000/-

MEDICAL INFLATION	YEAR	PROJECTED ANNUAL COST
10%	1	2,20,000
	2	2,42,000
	3	2,66,200
	4	2,92,820
	5	**3,22,102**
12%	1	2,24,000
	2	2,50,880
	3	2,80,986
	4	3,14,704
	5	**3,52,468**
14%	1	2,28,000
	2	2,59,920
	3	2,96,309
	4	3,37,792
	5	**3,85,083**

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