Don't Buy Health Insurance Just To Save Taxes

BY GUEST CONTRIBUTOR · APRIL 18, 2016

"It is health that is real wealth and not pieces of gold and silver." – Mahatma Gandhi

Now that the new financial year has begun, you must be all set not to repeat last year's mistakes and start planning for your taxes from the beginning of year itself. There are many sections under which you can save taxes, and one of them is Section 80D of the Income Tax Act of 1961. You can get a tax deduction of maximum INR 25,000/- on the health insurance premium for self and family. And if there are senior citizen parents, then there is a separate limit of INR 30,000/- Hence, a total of INR 55,000/- can be saved on taxes if you invest in health insurance.

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But is it wise to take health insurance only to save taxes? No, it certainly isn't.

As per the Health Research report prepared by Big Decisions, a NewsCorp Company, healthcare in India is witnessing a double digit inflation. This was calculated by taking into account 500,000 actual bills between 2011 and 2015. The survey also says that though the cost of treatment for various ailments is rising, it is still not at par with other developing nations like Malaysia and Thailand. So, there is still a scope of further increase in the healthcare costs.

This survey also brought notice to the very fact that most of us think that our company-based health insurance is enough for us to survive in tough times. But in actuality, more the treatment costs, lesser the claim received in proportion to the bill amount. And this is primarily due to our belief that if we have company cover, then we don't need additional cover over and above that.

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There should be two parameters that you should carefully look upon if you have company health cover:

1. In case of higher claims, the cost of treatment should not eat into your retirement savings since you will have to bear it. This will have a double negative impact on you. Firstly, your health will not be the same post your illness and you might not be able to work at the same pace as before, which will impact your earnings and ultimately your savings. And secondly, if you retire early due to some post-hospitalization condition, then you might not have ample savings for your retirement days.

2. Are you planning to work in the same manner all your life? As per the upcoming trends, people are shifting more towards freelancing, or towards entrepreneurship, where they can show their abilities to the fullest and also do multiple tasks at the same time. In such kind of work environment, there won't be any safety net of company-provided health insurance.

Health insurance is one of the primary verticals of financial planning. One should not ignore it. Even according to various studies, we human beings are becoming more prone to ailments at a much younger age due to our mostly sedentary lifestyle and stress levels in work environment. Why look anywhere else? There are celebrities like Yuvraj Singh, Manisha Koirala, and Lisa Ray who became victims to diseases at a considerably young age. So, one should be prepared for any kind of uncertainty life is going to throw at our face.

Take health insurance immediately. It will be a boon in your times of health troubles.

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Guest Author bio: *Sinhasi Consultants Pvt Ltd was established in June 2005 under the leadership of the Founder and Managing Director, Ms. Mimi Partha Sarathy. Sinhasi Consultants Pvt Ltd is a reputed personalized investment manager, offering end to end financial planning and financial advisory services as well as execution services. Sinhasi has crossed many milestones over the past 8 years. Today, Sinhasi is one of the top independent financial advisory firms with several high profile clients and companies from various spheres of life, based in Bangalore and Mumbai. Mimi holds a Masters in Finance, Masters in Marketing, and Diploma in Accounting from the Webster University in Geneva, Switzerland.*