

# Sun Life Canadian Unretirement™ Index

2013 Canadian Unretirement Index Report



Life's brighter under the sun

Sun   
Life Financial



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# Five years of the Canadian Unretirement™ Index

As we began work on the inaugural Canadian Unretirement™ Index in 2008, we had a sense that the retirement plans of Canadians across the country were changing in important ways. Baby boomers have been challenging social norms for decades. And there was every reason to believe they were going to do the same to retirement.

What we didn't know of course, was that a financial crisis – centred first in the U.S. and later in Europe – was about to add a whole new layer of complexity.

Five years on, the data tells a great deal about what we can expect retirement to look like in the near future. Four key trends have emerged:

- **Few Canadians expect to be retired at 66.** In 2008, half of our respondents said they expected to be retired at 66. Even that percentage was striking at the time. Statistics Canada data show that the average retirement age fell from 65 to 61 during the two decades that followed 1976. It ticked up after then, but remained in the low 60s. This year, a little more than a quarter of Canadians say they expect to be retired at 66. The average response to our question about when you expect to retire came in at 66.8.
- **Unretirement means different things to different people.** Some work past 65 by choice. They enjoy what they do, and they recognize the benefits of remaining active socially, mentally and otherwise. Increasingly though, Canadians who expect to keep working after the traditional retirement age will do so for economic reasons. They can't afford to retire. Our current study shows that more than three in five Canadians who expect to work past 65 say they'll do so because they "need to." Fully one-quarter of Canadians expect to be working full time at 66.
- **Phased retirement has become a popular strategy.** Few of the old rules apply, including the one that says you should stop working altogether after retirement. We've been asking Canadians about phased retirement for two years now, and both times about half have said it is part of their plans. Again, this is a financial decision for many.
- **Financial advice helps.** Each year we have conducted this research, Canadians who work with financial advisors have told us they're more optimistic about retirement and less worried about their finances.

As always, our goal with this study is to learn from Canadians what they expect from retirement, what they want from retirement and what they're doing to get there. The fact that the answers to these questions have changed so dramatically suggests more shifts are to come.

All the more reason to keep asking questions.

## Kevin Press

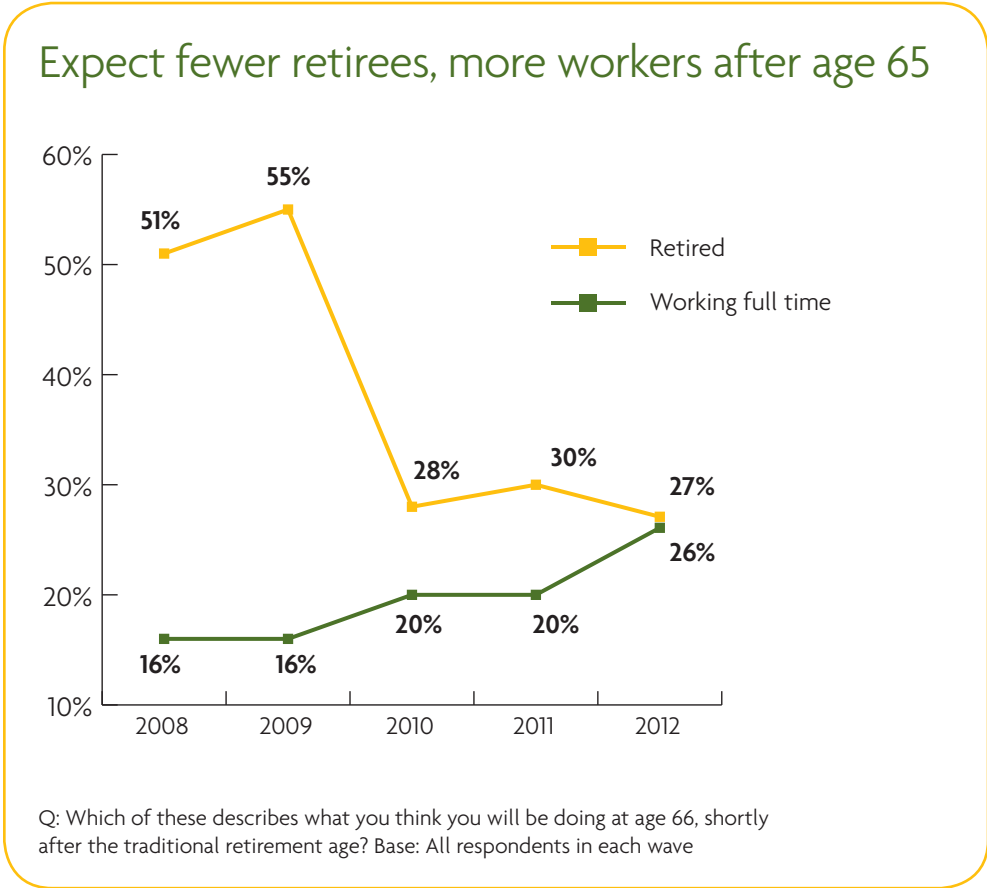
Assistant Vice-President, Market Insights  
Sun Life Financial

# Section 1: A late retirement will become the norm

Most Canadians expect to work past the traditional retirement age of 65. In fact, the number of Canadians who expect to be retired at 66 has declined by nearly half since 2008. Just 27% of respondents expect to be retired at that age, versus 51% five years ago.

Not surprisingly, we see a corresponding increase in the number of Canadians who expect to be working in retirement. And for the most part, we're not talking about part-time work. Over one-quarter (26%) of respondents now expect to be working full time at 66.

The number of Canadians who expect to be working full time at 66 is roughly equal to the number who expect to be retired (27%).

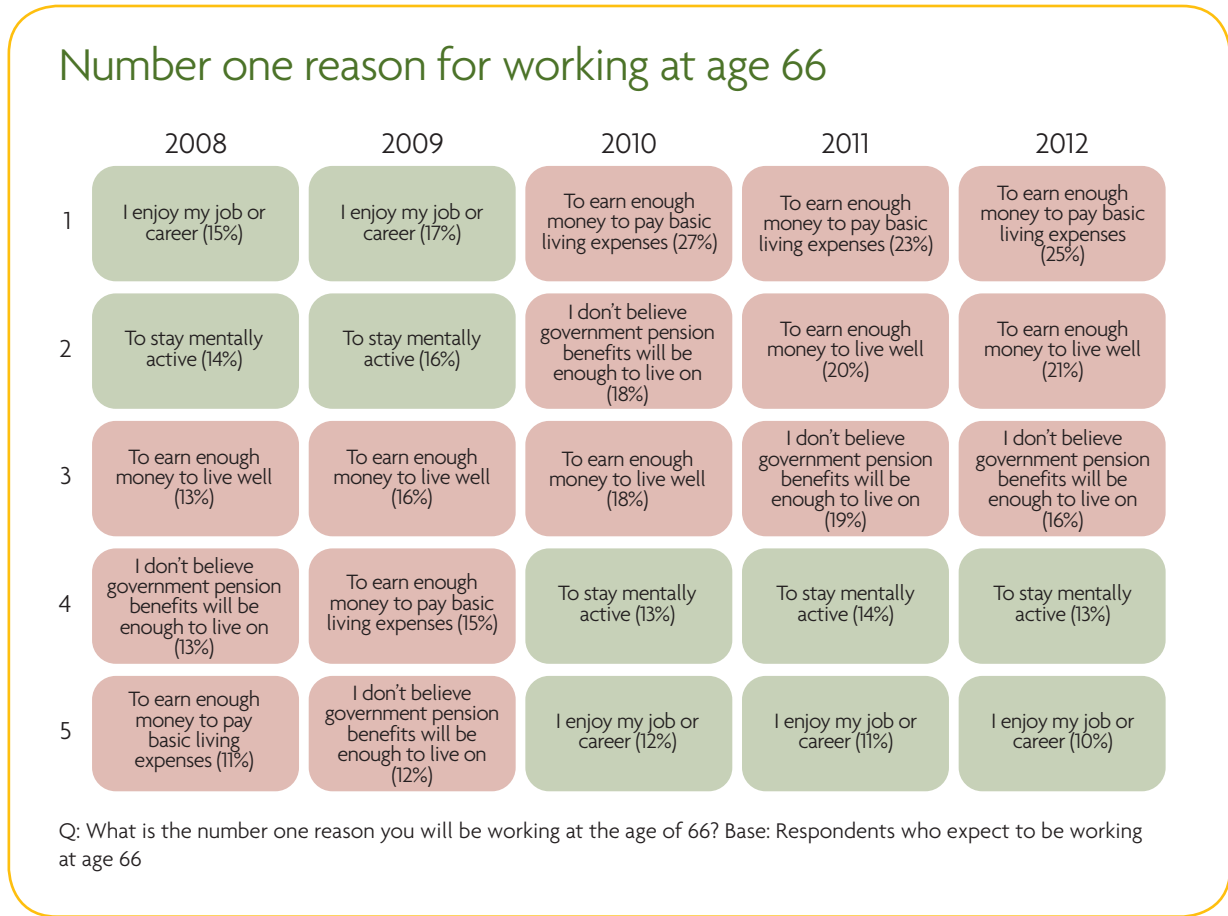


The number of people who expect to be retired at age 66 is virtually equal to the number who expect to be working full time

That 26% figure represents a 10-percentage point increase in the number of Canadians who expect to be working full time at 66 since 2008. Meanwhile, the percentage who expect to work part time has remained steady at 32%.

Lifestyle reasons continue to play a role. For example, 47% of those expecting to work after age 65 are doing so in part to stay mentally active. And 29% say their enjoyment of their job or career is one of their reasons for continuing to work full time.

But it's economics that is driving the move to later retirement primarily, at least since 2010. When we examine the number one reason Canadians expect to be working full time at 66, financial concerns now dominate.



The green squares in the chart above represent lifestyle reasons for working at age 66, the want-to-keep-working reasons. The red squares represent financial reasons for staying at work, the need-to-keep-working reasons.

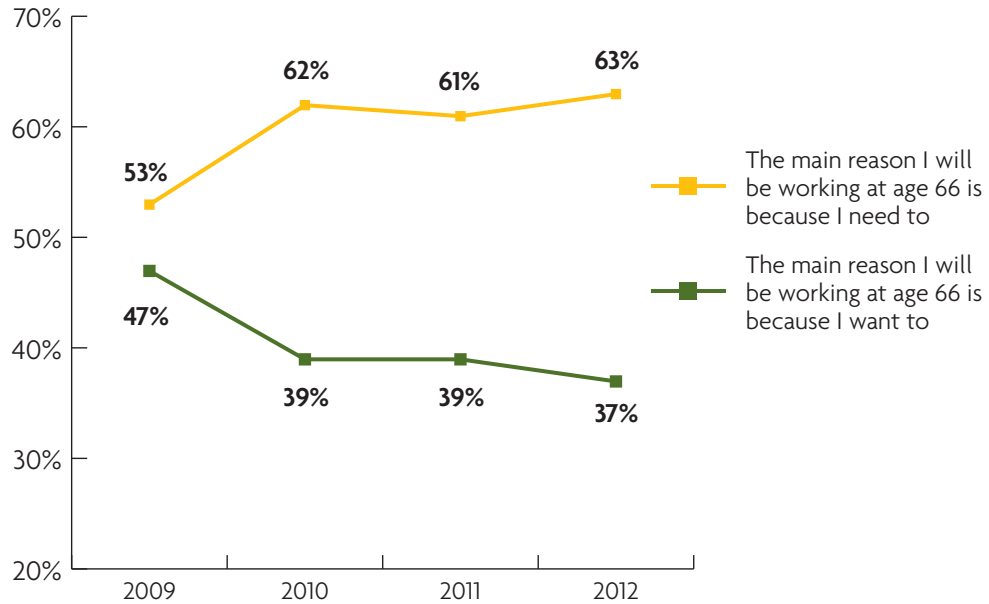
This shift between 2009 and 2010 mirrors other findings. The average age Canadians expect to retire jumped from 64.2 in 2009 to 67.7 a year later. The overall Unretirement™ Index score dropped from 51 in 2009 to 39 in 2010.

The data doesn't tell us why there was a delayed reaction to the 2008 financial crisis. Here's what we know though. Our first study was conducted just a couple of months after the crisis hit, so the gravity of what had occurred may not have been fully clear to our respondents. Research for year two came at a time of some optimism, at least for the Canadian economy. The Canadian recession was mild by historic standards, and there was a feeling among some that we'd escaped the worst of the crisis. By 2010 however, it had become apparent that Canada had entered a slow-growth economic period that was likely to last a considerable amount of time. It's possible that this had an influence on our respondents.

In 2008, only 11% of people who expected to be working at age 66 said that it was to earn enough to cover basic living expenses. By 2012, that number had risen to 25%.

The proportion of Canadians who expect to be working at age 66 because they “need to” increased from 53% in 2009 to 63% in 2012. Conversely, the proportion saying they will be working at age 66 because they “want to” decreased from 47% in 2009 to 37% in 2012.

### The increasing need to work past age 65



Q: Which statement best describes your situation? Base: Respondents who expect to be working at age 66

# Section 2: Retirement dreams and the facts of life

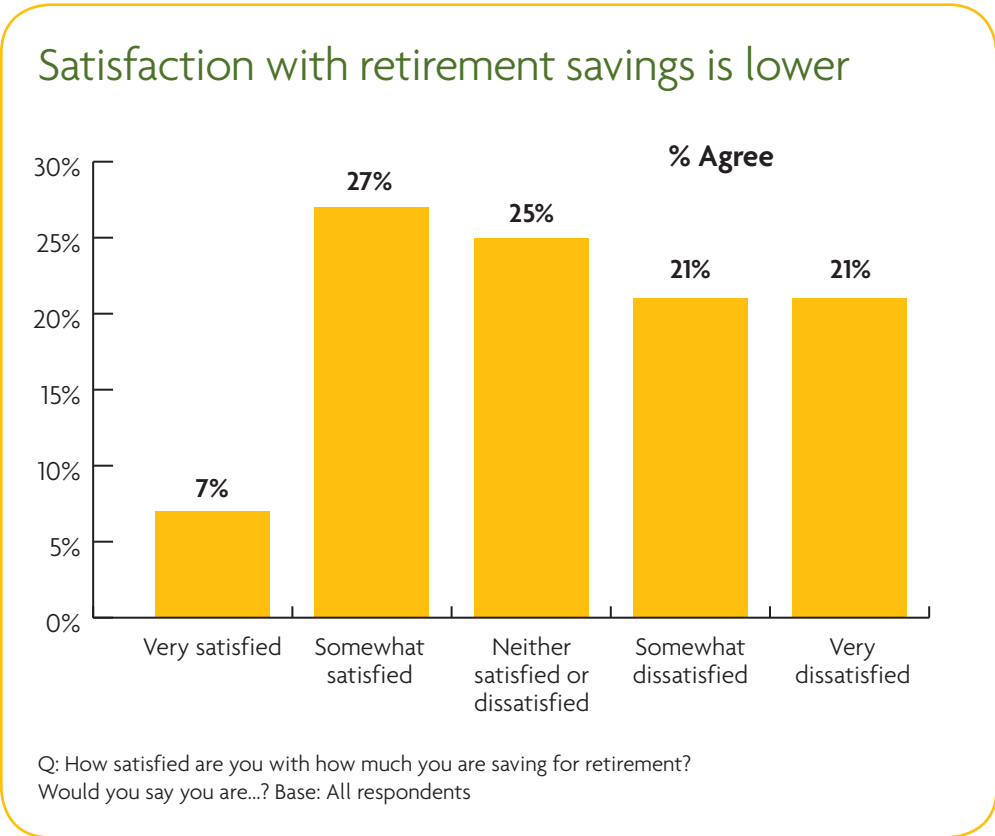
For too many of us, retirement dreams have become just that. There is a disconnect between what a lot of Canadians say they're planning for in retirement and what they're doing to achieve those goals.

On average, Canadians anticipate needing \$46,000 in annual retirement income. And they expect to live in retirement for 20 years. When asked what they expect to have saved by the time they retire though, the average response is \$385,000 (not including the equity they hold in their home or other property). That's well below the amount required to meet these average expectations.

In fact, 59% of Canadians aim to have less than \$250,000 saved for retirement. Thirty-eight per cent say they'll have less than \$100,000 saved.

For some, this shortfall will mean they have to rely on the equity they're holding in real estate or perhaps an inheritance to make up the difference. Others will have to make do with less retirement income, work longer or both.

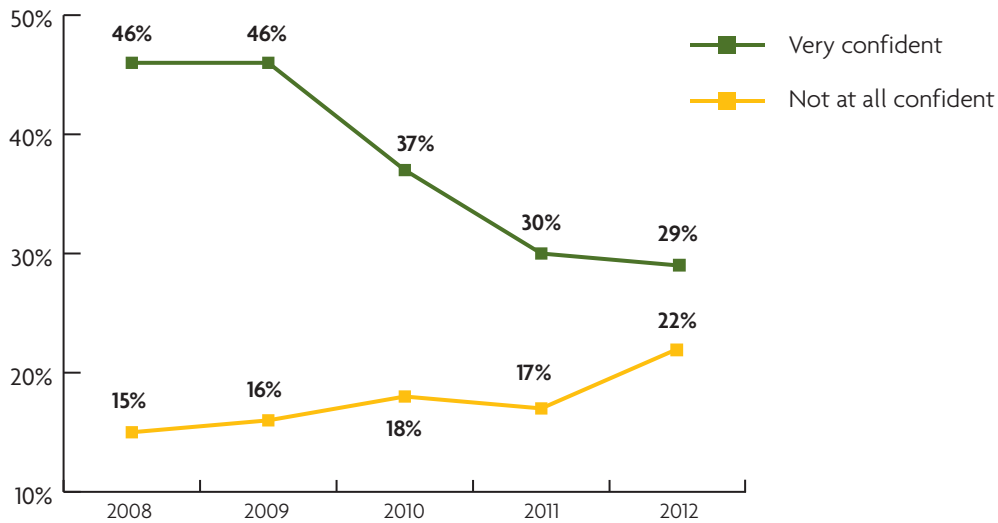
Understandably, there is a level of dissatisfaction among Canadians with how much they are saving for retirement. Only one-third (33%) are "very satisfied" or "somewhat satisfied" with their savings. Forty-two per cent are "very dissatisfied" or "somewhat dissatisfied."





This impacts how confident Canadians are about retirement. There has been a steep decrease in the number of people who say they are “very confident” about meeting basic living expenses in retirement. Forty-six per cent of Canadians said this in 2008. Just 29% are “very confident” now. And nearly a quarter of all Canadians (22%) are “not at all confident” that they will be able to pay for their basic living expenses in retirement. This number has risen steadily over the past five years, from 15% in 2008 to its current level.

### Increasing worry about covering basic living expenses in retirement

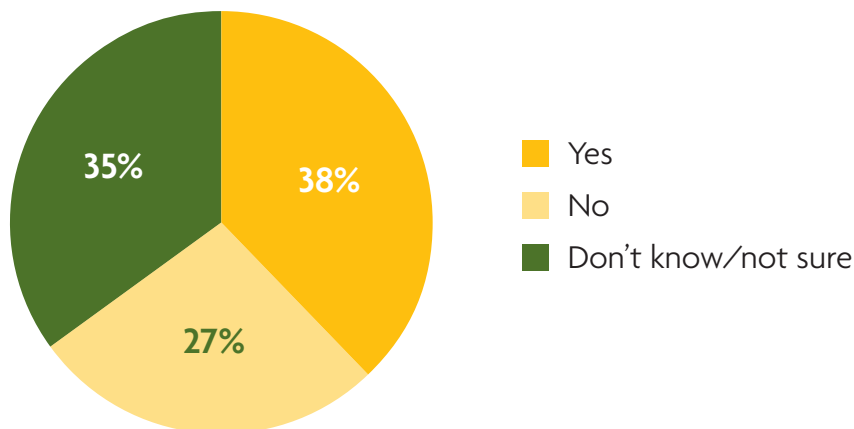


Q: Thinking about when you anticipate receiving retirement income, are you confident that you will be able to take care of basic living expenses? Base: All respondents

Response scale changed in 2010 and then reverted in 2011. Adjustments for comparability of 2010 data have been made.

This relates to another fear: that people will run out of money in retirement. More than one-third of Canadians (38%) say there is a “serious risk” that they will outlive their retirement savings.

### Two in five Canadians are worried about outliving their savings



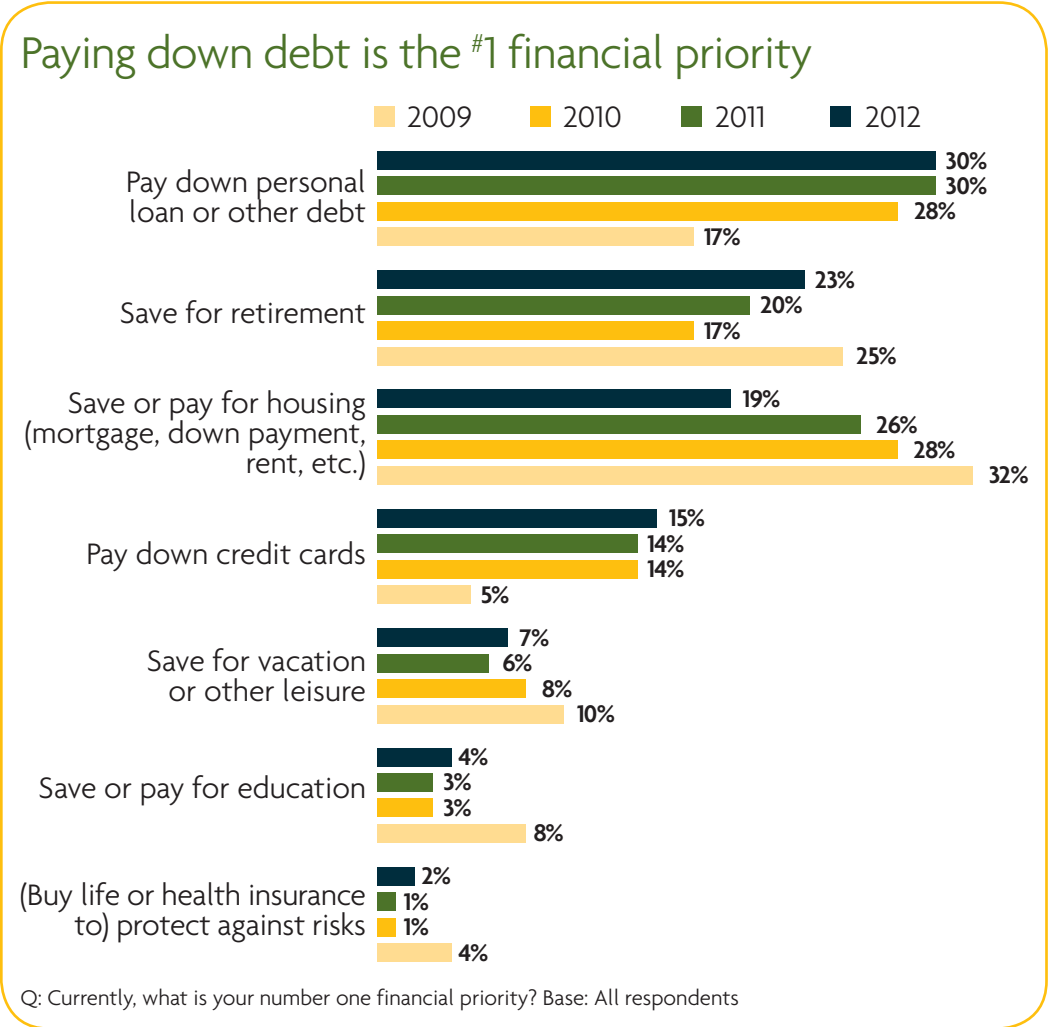
Q: Do you think there is a serious risk you could outlive your retirement savings? Base: All respondents

# Section 3: Competing financial priorities

In recent years, national leaders have repeatedly expressed their concerns about the high level of household debt in Canada. The federal government took action in 2012 to tighten lending rules. Ottawa toughened mortgage qualifying rules, reduced the maximum amortization period and lowered the loan-to-value ratio on revolving credit lines.

Canadians appear to be getting the message. Forty-five per cent say paying down personal loans, credit cards or other debt is their top financial priority. For the remainder:

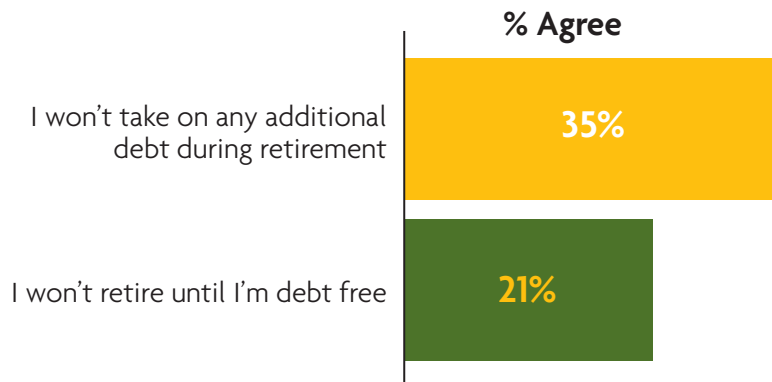
- 23% say it's to save for retirement.
- 19% say it's to save or pay for housing.
- 7% say it's to save for a vacation or other leisure activity.
- 4% say it's to save or pay for education.



Only 23% of Canadians say that saving for retirement is their number one financial priority.

This focus on debt extends into retirement. Twenty-one per cent say they won't retire until they are free of debt. More than one-third (35%) say they "won't take on any additional debt during retirement."

## Many say “no” to debt in retirement



Q: Thinking about when you retire, do you think you will have any debt, or go into debt during your retirement? If so, what types of debt would you be most comfortable having in retirement? Base: All respondents

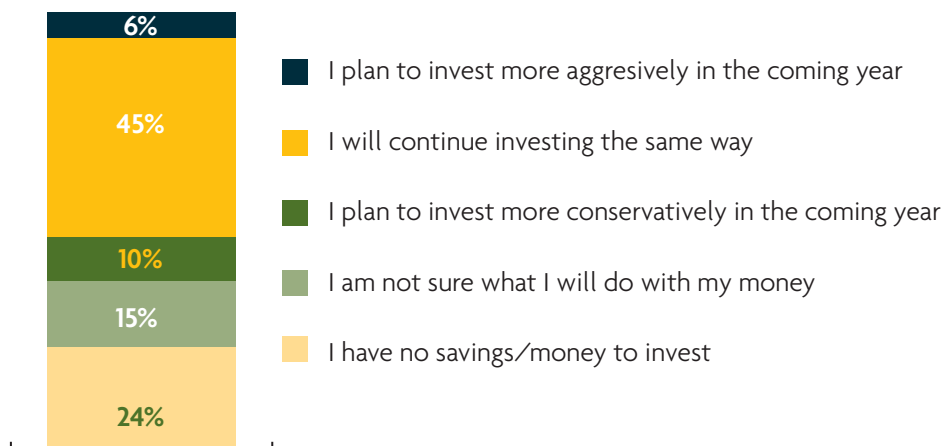
One sign that debt levels may be falling is the view of Canadians on interest rates. One-quarter of Canadians want to see the Bank of Canada's overnight interest rate go up in 2013. That's twice the number who want the rate to go down (13%). The current target for the overnight rate is set at 1%.

Canadians are sharply divided on the outlook for capital markets. When asked about their view for 2013:

- 21% are optimistic about market returns.
- 18% are pessimistic and think overall markets will fall.
- 40% are neutral and think they'll neither rise nor fall.

With little in the way of consensus, 45% of Canadians are planning to maintain the same investment mix through the end of 2013.

## Most people will continue to invest the same way in 2013



Q: Thinking ahead between now and the end of 2013, please select which one of the following statements best reflects your plans. Base: All respondents

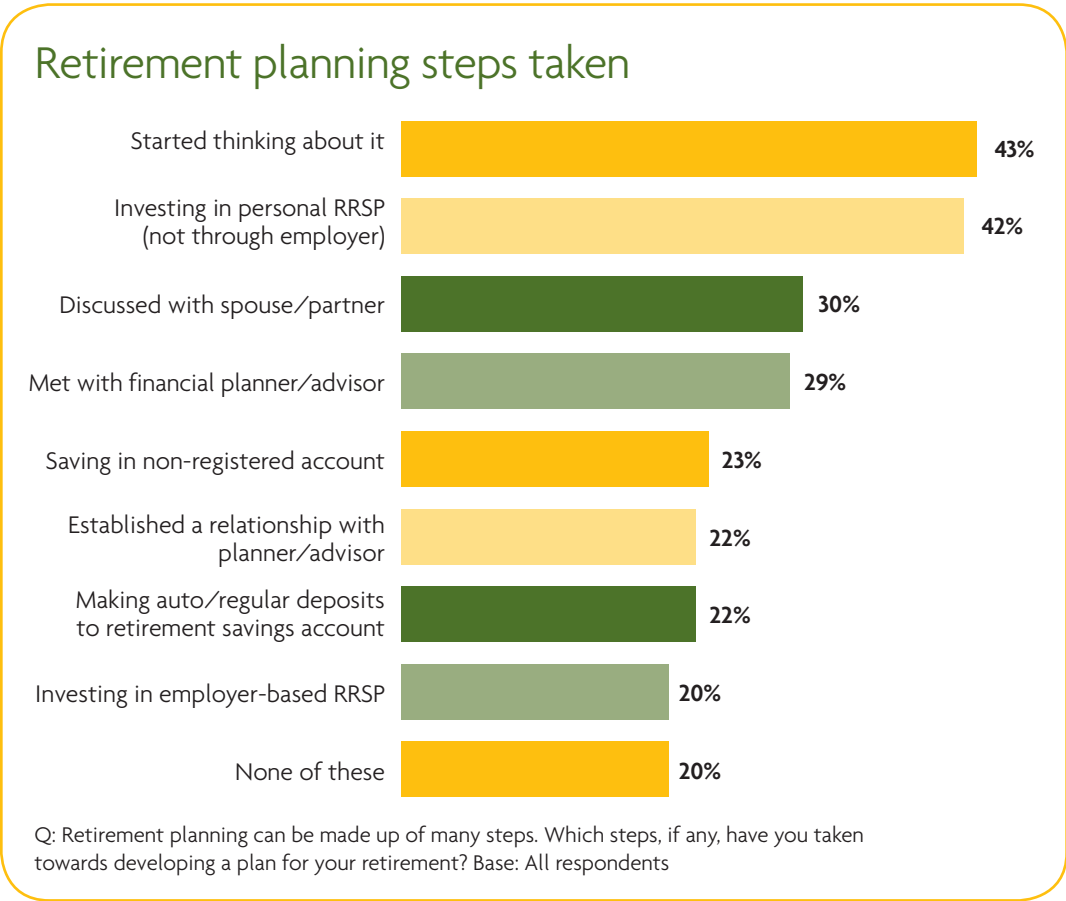
# Section 4: Small steps can make a big difference

Retirement planning involves a number of small tasks or steps that collectively help Canadians prepare for a satisfying retirement. While Canadians overall are not as prepared for retirement as they should be, the good news is that 80% have taken at least one step towards developing a plan.

While these retirement planning steps aren't necessarily progressive – they can be performed in any order – they all contribute to the same goal. The more steps an individual takes, the closer he or she will be to achieving his or her retirement plans.

On average, Canadians have taken 2.4 steps in the retirement planning process. Here's an overview of what they are doing:

- **Thinking:** 43% have started thinking about how to plan for their retirement.
- **Discussing:** 30% have discussed retirement planning with a spouse or partner.
- **Meeting:** 29% have met with a financial advisor, and 22% have established a working relationship with an advisor.
- **Saving:** 42% have saved money in a registered retirement saving plan (RRSP); 23% are saving in a non-registered account; and 22% have started making automatic regular savings deposits. Additionally, 20% are investing in an RRSP through an employer or association.

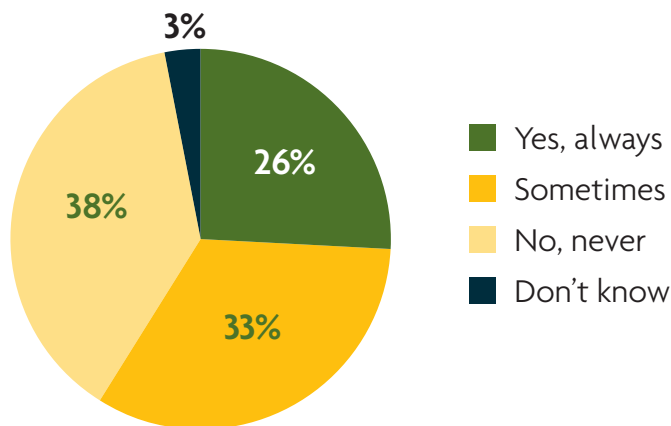


80% of Canadians have taken at least one step towards developing a plan for retirement.

One of the most valuable steps is to “pay yourself first” by setting aside savings before spending on regular living expenses. In that regard, Canadians have a long way to go.

- About one quarter (26%) say that they “always” pay themselves first by setting aside money for savings.
- 33% say that they “sometimes” pay themselves first.
- 38% say that they “never” pay themselves first.

### Only one-quarter of Canadians always pay themselves first

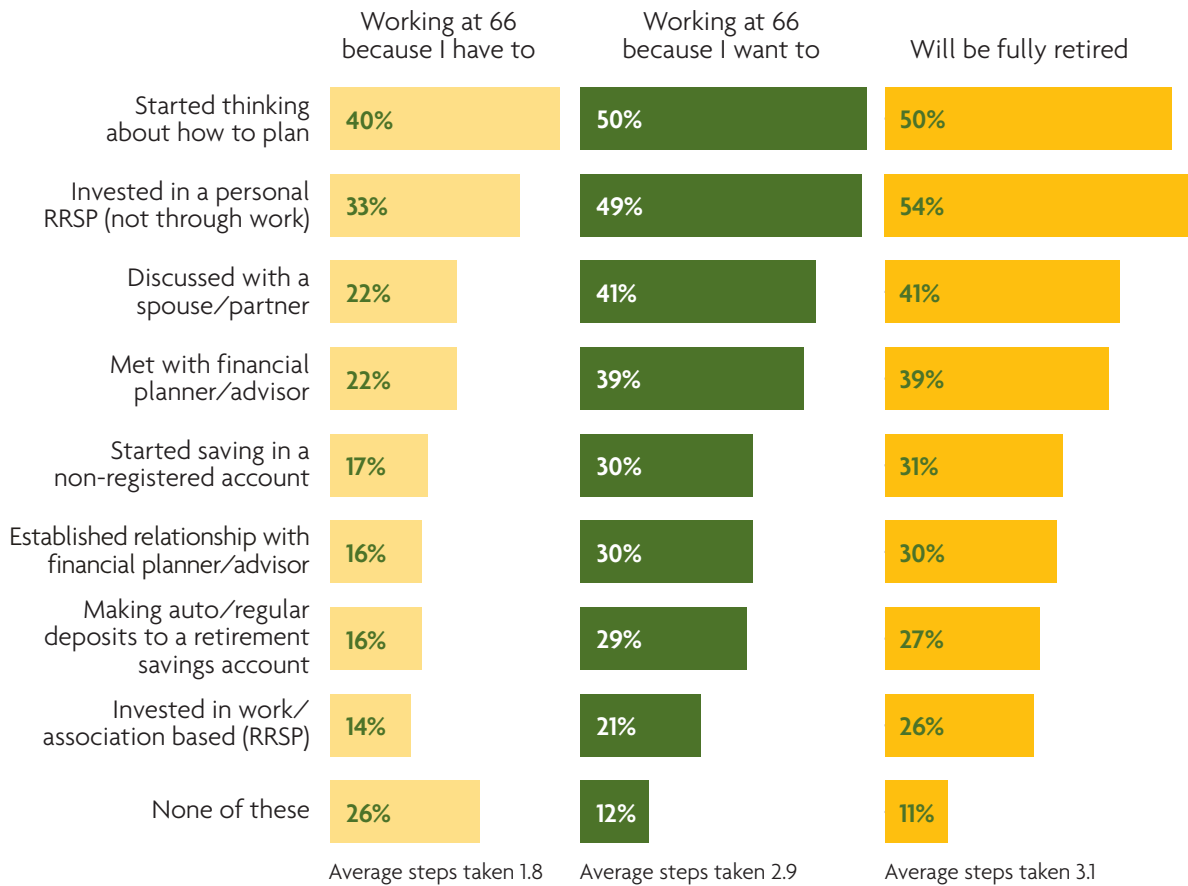


Q: Do you currently pay yourself first, that is, do you set aside an amount for saving first before paying monthly living expenses and making discretionary purchases?  
Base: All respondents

Those that never pay themselves first may find their retirement choices limited. Of those who say they will be working at 66 because they “need to,” 49% say they never pay themselves first.

These retirement planning steps instill Canadians with confidence. Those who say they are likely to be working at 66 because they “have to” report having taken a lower average number of steps (1.8) than those who say they are likely to be working because they “want to” (2.9). Those who expect to be retired at age 66 report taking 3.1 steps on average.

## More steps = more choice in your retirement



Q: Retirement planning can be made up of many steps. Which steps, if any, have you taken towards developing a plan for your retirement? Base: All respondents

## Section 5: The value of planning and advice

Our research has confirmed year after year that individuals who have a written financial plan or work with a professional advisor have a more positive outlook on retirement. Still, only 30% of Canadians work with an expert advisor, and fewer than one in five (17%) have a written financial plan.

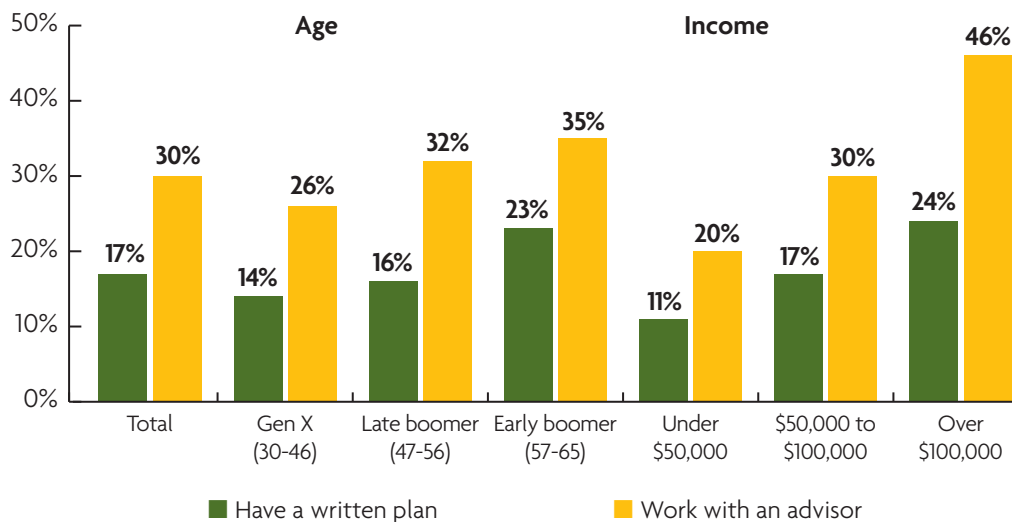
The number of Canadians working with an advisor or who have a written financial plan increases with age. Boomers are more likely to have a written plan. Twenty-three per cent of early boomers and 16% of late boomers have a written financial plan, versus just 14% of Gen Xers.

Boomers are also more likely to use a financial advisor. Thirty-five per cent of early boomers, 32% of late boomers and just 26% of Gen Xers work with an advisor.

The data is also interesting when cut by income level:

- 24% of those who earn more than \$100,000 per year have a written plan (46% work with an advisor).
- 17% of those earning between \$50,000 and \$100,000 per year have a written plan (30% work with an advisor).
- 11% of those earning less than \$50,000 annually have a written plan (20% work with an advisor).

### Use of plans and advisors increases with age and wealth



Canadians who use an advisor or who have a written plan are more satisfied with their savings than those who don't:

- 54% of those with an advisor say they are “very satisfied” or “somewhat satisfied” with how much they are saving for retirement. Twenty-four per cent of those without an advisor say the same.
- 60% of those with a written financial plan say they are “very satisfied” or “somewhat satisfied” with how much they are saving for retirement. Twenty-eight per cent of those without a plan say the same.

Of those who work with an advisor, 72% say they feel they have the financial knowledge to be able to make a plan for their retirement. Among those who don't, 44% say the same.

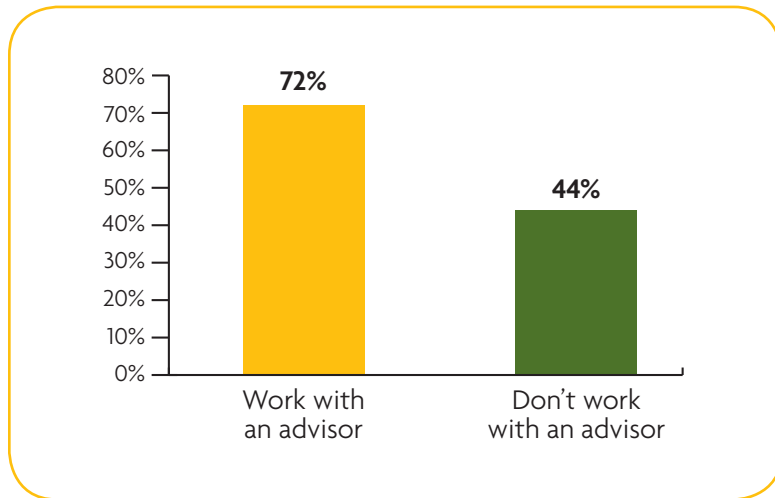
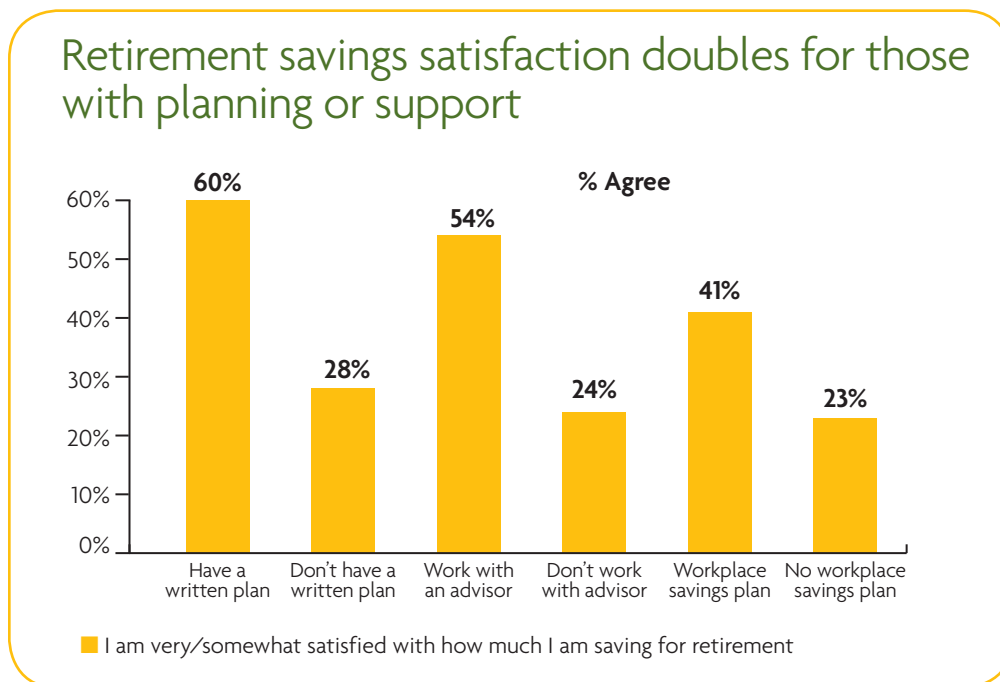


Chart shows % of Canadians who say they feel they have the financial knowledge to be able to make a plan for their retirement.

Not surprisingly, having a workplace savings plan also has an impact on satisfaction levels with retirement savings. Four in 10 (41%) of those who participate in such a plan say they are “very satisfied” or “somewhat satisfied” with their savings, versus just 23% of those who don't participate.



Satisfaction with amount of retirement savings doubles when a written plan or advice support is in place



# Section 6: Canadian Unretirement™ Index score

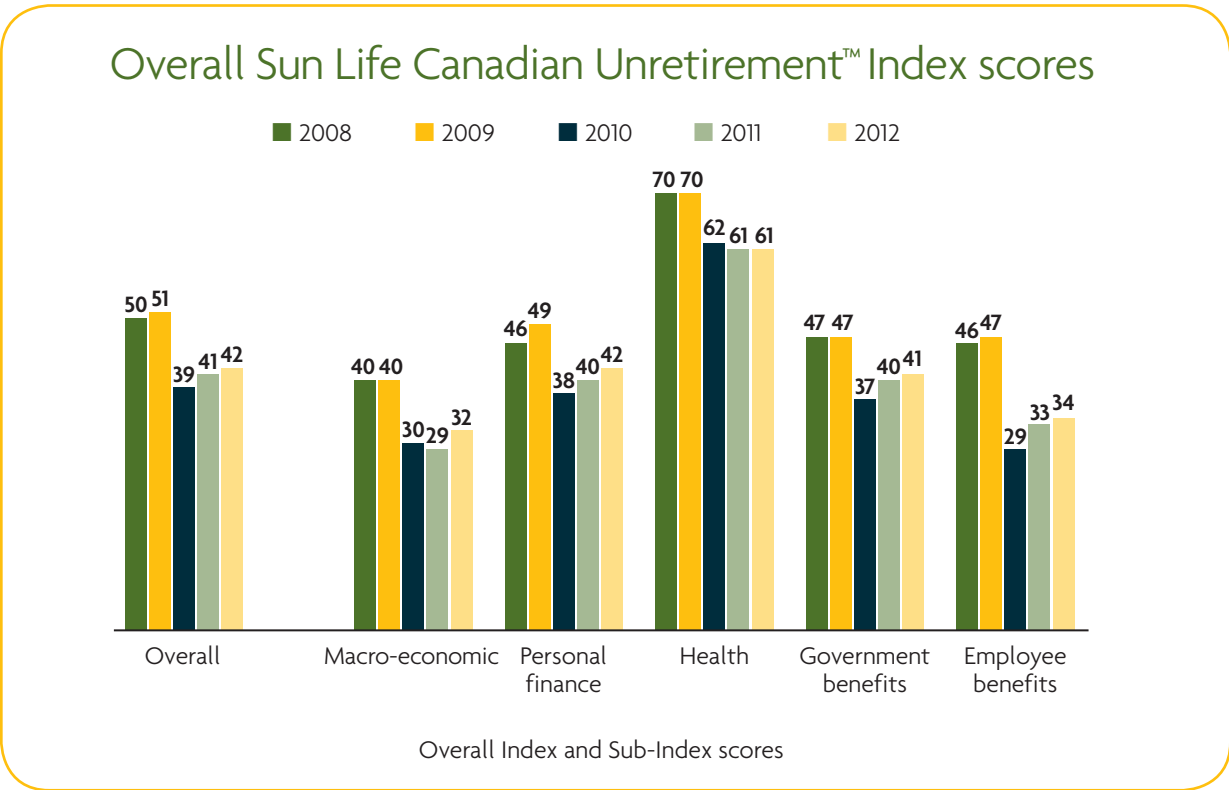
The index runs on a scale of 0 to 100 where 100 represents extreme optimism and the expectation of a perfect retirement. The lower the index number, the more negative or pessimistic the outlook is on issues that influence retirement.

The overall Sun Life Canadian Unretirement™ Index score – measuring the confidence of working Canadians – is 42, up marginally from 41 in 2011. While small, this is the third consecutive year of improvement in the score and suggests that Canadians are becoming somewhat more confident in their retirement outlook as their life and economic conditions improve.

However, results for 2012 remain significantly lower than the highest index scores of 50 in 2008 and 51 in 2009.

The index is comprised of the following sub-indices:

- Macroeconomic – Canadian workers’ view of economic conditions today.
- Personal finance – Canadian workers’ assessment of their current financial well-being.
- Health – Canadian workers’ opinion of their emotional and physical well-being.
- Retirement benefits – Canadian workers’ confidence in receiving government and employer benefits at levels comparable to today.



# Section 7: About the Sun Life Canadian Unretirement™ Index

The Sun Life Canadian Unretirement™ Index tracks how workers' attitudes and expectations about retirement are evolving in response to economic, health and personal forces affecting their lives.

The term “unretirement” refers to the growing trend away from early retirement and towards continued work past the traditional retirement age of 65.

## **About the survey**

The fifth Sun Life Canadian Unretirement™ Index is based on the findings of an Ipsos Reid poll, conducted between November 29 and December 6, 2012 on behalf of Sun Life Financial.

For this survey, Ipsos Reid conducted online interviews with a sample of 3,017 adults from 30 to 65 years of age from Ipsos' Canadian online panel. Weighting was then employed to balance demographics to ensure that the sample's composition reflects that of the adult population according to Census data and to provide results intended to approximate the sample universe.

The precision of Ipsos online surveys is measured using a credibility interval. In this case, the survey is accurate to within +/- 2 percentage points had all Canadian adults been polled. All sample surveys and polls may be subject to other sources of error, including, but not limited to methodological change, coverage error and measurement error.

An online methodology was used from 2010 to 2012. Telephone interviews were conducted in 2008 and 2009. Ipsos Reid is confident in the year-over-year trends indicated and finds them to be consistent with other research they have performed on similar issues by both telephone and online methodologies.

Total sample sizes are as follows:

2008 n= 1226

2009 n= 1202

2010 n= 3422

2011 n= 3701

2012 n= 3017



For more information on the Sun Life Canadian Unretirement™ Index, or any of the information presented in this paper, please contact [kevin.press@sunlife.com](mailto:kevin.press@sunlife.com), or visit [www.sunlife.ca/unretirementindex](http://www.sunlife.ca/unretirementindex).