

QUEBECERS AND RETIREMENT

From dreams to reality

"Quebecers get it. They understand that they need to start saving for retirement sooner rather than later. Many have registered retirement savings plans (RRSPs) — even starting at a young age; unfortunately, they don't always have a clear plan in mind."

At least, this is the conclusion Nathalie Madore, head of the department of statistics and surveys at the Régie des rentes du Québec (RRQ) and project manager for Question Retraite's polling and research committee¹, has drawn from a SOM survey of 2,400 Quebecers².

THE INTEREST IS THERE

Close to 70% of respondents said they were somewhat interested or very interested in planning for their retirement. Most respondents agreed that one has to start saving at a young age. Most also felt that it is first and foremost the employees' responsibility to ensure their own financial security upon retirement, but that the government and, to a lesser degree, the employer should also have a role to play in helping them out in this regard.

However, people appear to be saving just for the sake of saving, with no specific goal in mind, nor a clear idea of what retirement will be like. One out of three employees aged 40 or over has only a vague notion of what their income will be when they retire. "We were expecting this group to be a little more aware of what was awaiting them post-retirement," remarks Nathalie Madore.

Among non-retirees, one in two respondents had no idea what percentage of their current income they will need when they retire. One out of three felt they would be able to live well on less than 60% of their salary. Generally, however, a good plan should yield between 60% and 80% of the individual's employment earnings after retirement, depending on the standard of living the individual would like to maintain.

LACK OF CONCERN AND IDYLIC VISION

Lack of concern is still quite prevalent. "About three out of four people are not too worried about their retirement," explains Ms. Madore. "Given how little retirement planning they are actually doing, maybe they should be a bit more concerned." Without wanting to alarm people, Ms. Madore reckons that workers should pay more attention to the realities of retirement. "Many people have a bit of an idyllic view of what it would be like to retire in their early fifties," she adds. "However, the answers provided by actual retirees in our survey paint a different picture."

Half of all people who retire between the ages of 50 and 55 are doing so because they have to, not because they want to. This is not good news, since having to retire two or three years earlier than planned could



mean a difference of a few thousand dollars a year. "Retiring earlier than planned is not all that unusual," warns Nathalie Madore. "This just shows how important it is to have a Plan B, and to make your plan based on realistic hypotheses."

In short, Quebecers have fully assimilated the first step of retirement planning, which is to start saving when you're young; however, they still have to perfect their method of going about it and structure their efforts a little better. "There's still a lot of work to be done when it comes to educating people about, for instance, possible sources of retirement income," Ms. Madore insists. In fact, 14% of respondents could not spontaneously name one single possible source of retirement income.

PHASED OR DELAYED RETIREMENT?

"A new concept of retirement is coming to light, explains Nathalie Madore. People are no longer necessarily seeing themselves breaking totally away from the labour market." According to the survey, 55% of Quebecers strongly hope to take advantage of phased retirement, i.e. gradually reducing the number of hours they work.

"A good plan will yield between 60 % et 80 % of employment earnings at retirement."

1. Question Retraite is a group of public and private organizations dedicated to promoting financial security after retirement.

2. The survey was conducted on behalf of Question Retraite, the Régie des rentes du Québec and the Investors Group Chair in Financial Planning at Université Laval. The telephone interviews were carried out in December 2007 and January 2008, i.e. at the height of RRSP season. The 2,400 respondents were distributed equally among three different age categories. The interviewers polled as many retirees as non-retirees.



Individuals who retire sooner than planned usually do so for the following reasons...

- ... health issues (22%)
- ... lay-off or forced retirement (12%)
- ... reaching retirement age (12%)
- ... chronic lack of interest in their work (11%)

For example, an employee who plans on completely retiring at age 60 will want to start their phased retirement at age 57. However, employers tend to think that gradual retirement means they'll get to keep the employee until age 63.

That said, phased retirement is not a reality yet. Only 18% of retirees had been able to take advantage of it, while close to two out of three (63%) experienced a complete and permanent break with the labour market.

Be it full, partial or gradual, retirement always requires a minimum amount of planning. But Quebecers still seem somewhat reticent about putting in the necessary effort. **D**

A stable standard of living ?

Most non-retirees (61%) do not expect their standard of living to change when they retire. About one out of five people (21%) believe it will worsen and 16% believe it will improve.

Most retirees say that they have actually maintained their standard of living post-retirement. However, more than one in five (22%) feel their standard of living has gone down. More than half of the latter say they hadn't seen it coming and one third cannot explain why their situation has deteriorated. Poor planning and illness were the top two reasons cited.



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