



Rethinking Retirement

Will market turbulence force Canadians to rethink their retirement objectives and savings plans?

The results of the Rethink Retirement survey carried out between June and August 2008 by the SOM polling firm for Desjardins Financial Security showed that most Canadians were confident about their financial security and retirement plans. However, with the increasing financial market turmoil, a second survey carried out in October revealed that 42% of Canadians over 40 planned to defer their retirement by an average of 5.9 years, and that more women (50%) than men (36%) felt that way.

Nowadays, people are taking an increasingly active role in their retirement planning. They can no longer rely exclusively on their employer's plan or government programs. According to the Rethink Retirement survey, 62% of respondents considered they were saving enough towards their retirement, 73% felt that their financial security was good, very good or excellent, 81% reported that they knew exactly where their retirement income would come from, and 85% had easy access to a financial advisor.

Certainly, the age group, level of income and even the geographic region of respondents have a significant effect on their answers, but the overall situation seems encouraging. Canadians seem well aware of the challenges in preparing for their retirement and are actively involved in developing a plan to ensure their financial security.

CANADIANS SEEM SOMEWHAT PESSIMISTIC

Statistics Canada indicated that in 2005, Canadians owed \$1.16 for each dollar of disposable income. At \$28,390, the national debt per capita at that time was five times higher than 25 years previously. During that time, personal savings dropped from 20.2% in 1982 to a very low 1.2% in 2005.¹

Worse still, more than one in three respondents (37%), convinced that they would never be able to save enough for their retirement regardless of how much they earned, literally gave up, and one in four (24%) admitted they had little or no interest in planning for their retirement.

Fortunately, the outlook is more positive for workers approaching retirement. Almost all employees (94%) retiring within the next five years felt that their last day would be a happy event, and the same number were confident they knew how they would be spending their retirement years.

However, 30% do not think they will be able to retire at their ideal age. The main reason? Two-thirds of them (66%) quite simply believe they

won't have enough money. Just over a third (31%) hope to delay their departure from the workforce for as long as possible

AT THE BEGINNING OF RETIREMENT

At this critical point in their lives when they are making the shift from the accumulation of assets to payout, new retirees are more inclined (25%) to seek help from a personal finance advisor to improve their financial security than those already retired (16%).

That said, their incomes are decreasing considerably. While 49% of respondents five years or less from retirement reported that their family income totalled more than \$100,000, only 20% of those in their last year at work were able to account for as much. After two or more years of retirement, the majority of households (70%) make do with less than \$50,000 per year.

The majority of those who are enjoying a comfortable retirement do not have a lot of debt. In fact, 73% have a personal debt of \$1,000 or less, excluding mortgages. Neither do they have many assets. Only 30% have savings and investments totalling \$100,000 or more in addition to their main residence, and 24% admit to having only \$1,000 or less.

While life expectancy has increased, low savings could mean that some retirees may need to consider using other resources, including the net value of their home, to stay within their budget. This means they will leave fewer assets to their children, who may be relying on their inheritance to finance their own retirement.

PLANNING IS KEY

Making the switch from work to retirement requires thought and preparation. Planning is the safest means to reach your retirement goals and accumulate sufficient capital to achieve your desired quality of life. To properly plan your retirement, you must take into account life expectancy, the constant fluctuation of the capital markets, interest rates and inflation, your retirement objectives, the income needed for everyday expenses, as well as your ability to accumulate capital and increase its value. Most importantly, remember that the personal finance advisors at your Desjardins caisse are there to help you begin planning your retirement. **D**

For more information: www.rethinkretirement.ca

1. Statistics Canada. *Perpectives on Labour and Income. Personal Debt, January 2007.*