PERSPECTIVE

Retirees in Quebec: A Family Picture

Retirement is a day some people aspire to, while others must postpone it. Although retirement has long been seen as the ideal break, more and more people are looking at it as the longest period of freedom they get. However, it doesn't take much to realize that something that was once seen as a period in which everything slows down is no longer quite accurate. Retirement involves a plethora of situations, and clichés must be banished. Retirees are active in the real estate market; some of them have assets, while others don't. A good many people 65 and older carry debt. Career extension, as shown by the increase in the participation rate of people aged 60 to 64 and 65 to 69, does not seem to have allowed everyone to build the financial foundation needed for a worry-free retirement. More and more people will be hitting 65 and wanting to leave their jobs, meaning that substantial preparation is needed.

Retirees: What's in a Word?

Not everyone has the same definition of a retired person. Many of us think of retirees as people who have stopped working, or else people who get age-related government pensions. The plot thickens when we start looking for data. According to Statistics Canada, a retiree is "a person who is aged 55 and over, is not in the labour force and receives 50% or more of his or her total income from retirement-like sources." According to Statistics Canada's *Labour Force Survey* (LFS), retirees are people who cited "retired" as the reason they aren't working.

Several different terms are used in attempting to paint a picture of "retirees." Retired people can be "people 65 and older," "seniors," or "senior families," depending on the data source consulted. It is specified for each definition selected for analysis.

Some Basic Parameters

A quick glance provides an idea of the size of Quebec's population aged 65 and older. The box on page 2 (graphs 1 to 6) shows the statistics mentioned in this section. Initially, it is clear that people 65 and older are a rapidly growing segment of Quebec's population. They represented 5.8% of the population in 1961, a proportion that has more than tripled, rising to 18.8% in 2018. They will reach 27.7% in 2066, according to projections by the Institut de la statistique du Québec (ISQ). Note that, within less than 15 years, in 2031, one out of four people in Quebec will be 65 or older. The number of centenarians will rise from 2,338 (in 2018) more than 6,000 in 2031, and more than 45,000 in 2066.

In 2016, life expectancy from birth was 80.5 years for men and 84.1 years for women. For people who were 65 in that year, it was estimated to be 19.5 years for men and 22.0 years for women. This is why a financial plan that covers many years is needed, particularly for people who leave work before age 65. There were more women than men among people aged 65 and older in 2018 (54% and 46% respectively).

A look at the employment data shows that retirement from the labour force has been occurring later and later in Quebec, over time. Based on LFS figures, we estimate that, in 2009, those under 60 represented 43.4% of new retirees. They fell to 27.1% in 2018. Last year, those 60 and older represented 72.9% of new retirees.

A final piece of this quick snapshot, but not the least important: housing. We might tend to think that many of those 65 and older live in long-term care centres, given how frequently the issue is in the news. However, the data provided in the Quebec government's *2018–2023 Action Plan* shows that just under 3% of those 65 and older live in long-term care centres, just under 50,000 people in 2018. The proportion is, of course, higher among older cohorts than among people who are still in their sixties.

This initial, rough snapshot confirms some things we already know: population ageing, postponement of retirement, and a larger proportion of women among those age 65 and older. It also contradicts the belief that long-term care centres house an important proportion of that group. However, many people aged 75 and older (data available) live in private residences for

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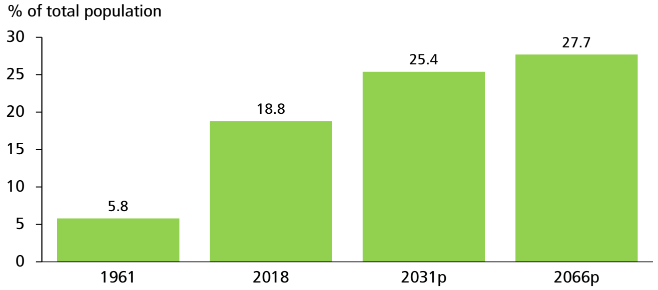
BOX

Proportion of population of people aged 65 and older

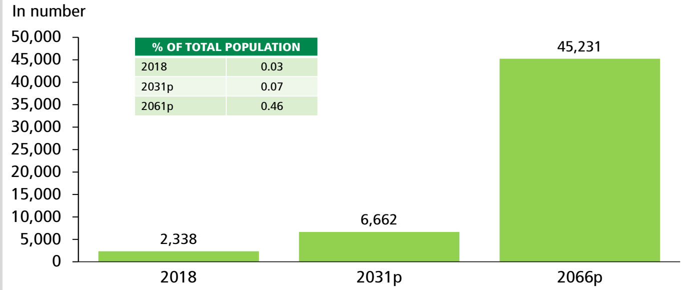
GRAPH 1
Increase in the proportion of people 65 and older in Quebec's population



p: Institut de la statistique du Québec projections
Sources: Quebec government and Desjardins, Economic Studies

People 100 and older

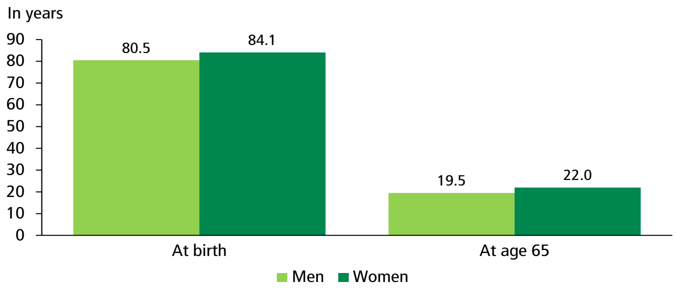
GRAPH 2
The number of people aged 100 or older in Quebec is also increasing



p: Institut de la statistique du Québec projections
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Life expectancy

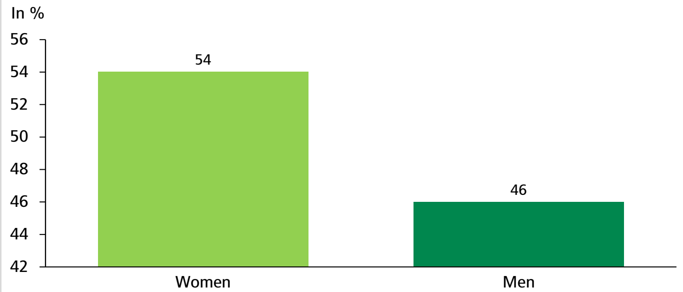
GRAPH 3
In 2016, Quebec life expectancy remained high after age 65



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Proportion of women 65 and older

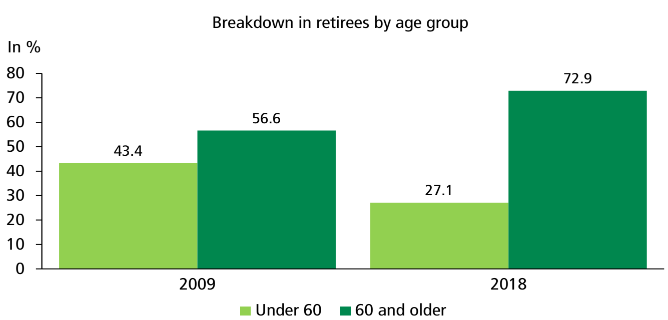
GRAPH 4
54% of people aged 65 and older were women in Quebec in 2018



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Retirement

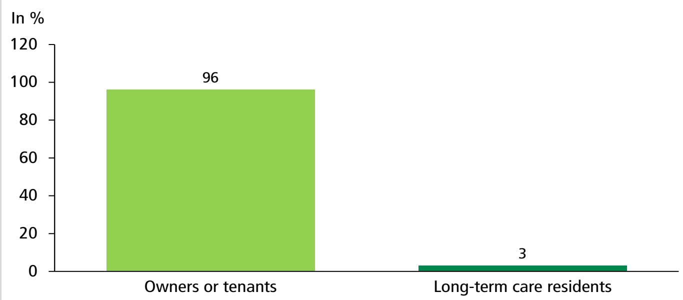
GRAPH 5
Retirement after age 60 increases in Quebec



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Place of residence

GRAPH 6
Just under 3% of those aged 65 and older live in long-term care centres in Quebec



Note: Some people are not living at home or in long-term care centres.
Sources: Quebec government and Desjardins, Economic Studies

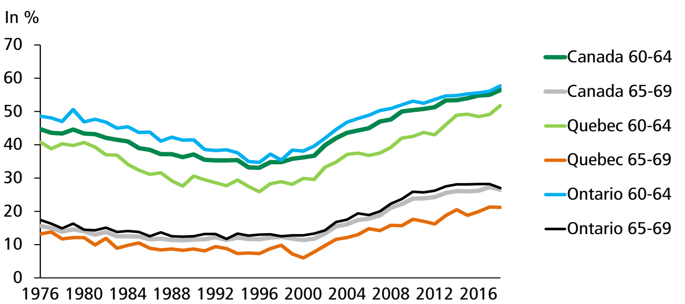
independent and semi-independent seniors. We will discuss this a little later.

Retirement Is Happening Later than Before

According to data from Statistics Canada and the Institut de la statistique du Québec, Quebec workers have been retiring later in recent years. However, they are leaving the workforce earlier than workers in Ontario and western Canada. Between 2014 and 2018, 60.9% of Quebec's new retirees were under 65. In western Canada, the group represented 53.6% of new retirees, while they were 52.8% in Ontario.

It is interesting to look at the change in labour market participation among 60- to 64-year-olds and 65- to 69-year-olds. Comparing Quebec and Canada (graph 7) shows that the participation rate, which includes workers and job-seekers, is lower in Quebec than Canada for both age groups considered between 1976 and 2018. Moreover, rates have clearly increased since the end of the 1990s. In all cases, the participation rate was higher in 2018 than it was 42 years earlier, when this statistical series began.

GRAPH 7
The participation rate is up sharply for those aged 60 to 64 and 65 to 69



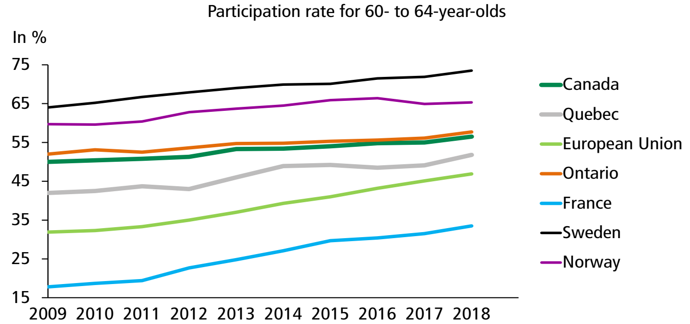
Sources: Statistics Canada and Desjardins, Economic Studies

The increase in the participation rate is not a phenomenon restricted to Quebec and Canada. It also went up in Europe (graph 8). A few countries have been selected for comparison. In Sweden and Norway, the 60-to-64 age group has a higher participation rate than it does in Canada and Quebec. However, Canada, Quebec and Ontario are above the average for the European Union.

The participation rate also increased among 65- to 69-year-olds between 2009 and 2018, even in countries with high rates (graph 9). Once again, Canada, Quebec and Ontario are above the average for the European Union.

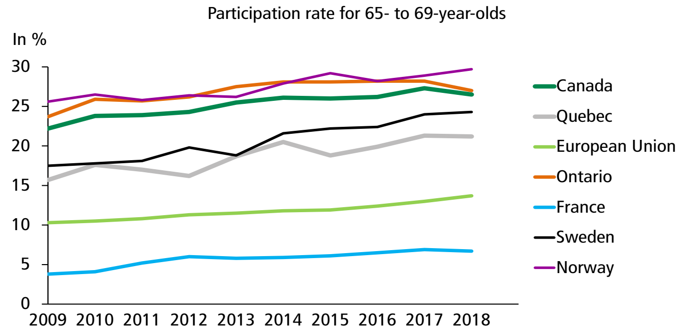
Quebecers are tending to work longer. They aren't alone in this, as shown by the increase in the participation rate among those 60 to 64, and those 65 and older elsewhere in the world,

GRAPH 8
The participation rate among those aged 60 to 64 has increased over the last ten years, and not just in Canada and Quebec



Sources: Eurostat, Statistics Canada and Desjardins, Economic Studies

GRAPH 9
In the last ten years, the participation rate of 65- to 69-year-olds has increased, even in countries where it was already high



Sources: Eurostat, Statistics Canada and Desjardins, Economic Studies

especially in Europe. While Quebecers do not rank first, they are above the European Union average, and are not far down in the rankings.

Pension Benefits: To Delay or Not to Delay

There is no unanimous opinion on the timing of retirement, particularly regarding the age for receiving government pensions. Some would like to see the age of eligibility pushed back. They suggest postponing the age at which early retirement benefits can be received (such as from age 60 to 62), and recommend pushing back the age at which retirees can receive full benefits (for example, moving it from age 65 to 66 or 67). Supporters think this would get workers to retire later, which would help with the labour shortage and ease the burden on the state. Some countries, including Finland, have already taken steps in this direction by progressively decreasing early retirement advantages.

Other groups oppose such arrangements, citing such things as tougher working conditions in certain environments, trades or professions. It would be hard for such people to work longer in their sixties, and they would be penalized. The concern is that inequality would increase.

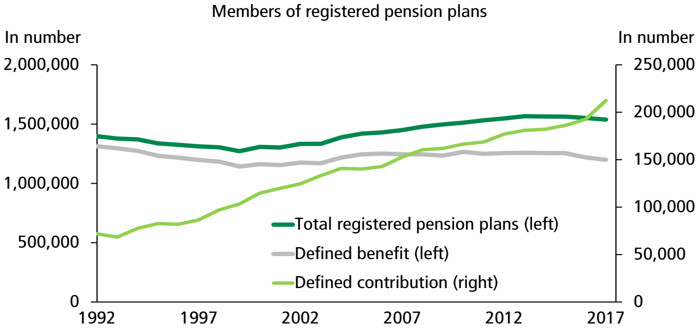
Last spring, workers aged 60 and up got some tax relief in exchange for staying on the job longer. The measures are incentives, not coercive. In the Quebec budget tabled in March 2019, 60-year-old workers received a tax credit designed to encourage them to keep working and join the 61-to-64 labour force age group. Moreover, the level at which a worker aged 60 and over starts paying income tax goes from $18,129 to $28,226. These efforts combine with the federal government's initiatives to extend workforce participation by experienced workers.

Leaving the Job Market: Fundamentally, a Question of Money...

We do not intend here to do a comprehensive analysis of the financial tools at retirees' disposal. Rather, we want to provide an overview of the resources they can draw on, then look at the topics of consumption and debt. To get a quick idea of the sources of income, picture a beehive in which nectar—the financial resources needed to live on and deal with the unexpected—is building up on four levels.

The universal plans are at the bottom (Old Age Security pension, Guaranteed Income Supplement). The second level features the Quebec Pension Plan (for Quebecers) and Canada Pension Plan benefits, elsewhere in the country. At the third level are the pension plans offered by different employers (here, there has been an increase in the number of members of defined contribution plans, while membership in defined benefit plans has stagnated [graph 10]). On the top level are the funds from property and other investments, dividends, savings amassed in registered retirement savings plans (RRSPs), tax-free savings plans (TFSAs), etc.

GRAPH 10
In Quebec, the number of defined contribution plan members is up



Sources: Statistics Canada and Desjardins, Economic Studies

There are numerous sources of income, but not all retirees have access to all four levels of the hive. Although increasing effort is going toward keeping people at home and helping seniors, not everyone can make ends meet. We will discuss this a little later. First, we will look at housing.

Housing, a Major Budget Item

The Canada Mortgage and Housing Corporation (CMHC) takes the housing market's pulse and has just updated its data on seniors' housing. According to the organization's estimates, in Quebec, 1 out of 5 people 75 and older lived in a seniors' residence. This is much more than in the rest of Canada, where it was about 1 out of 20 people.

According to the CMHC, in 2018, the province had 123,563 available spaces. The vacancy rate was up slightly (to 7.0%), with supply growth slightly exceeding demand growth, particularly since 2015. The 123,563 spaces were in 1,259 residences. The number of residents was slightly higher (127,910), given that, in some cases, a unit is divided and can be rented to more than one person (example: a room with two beds).

According to the CMHC, the average monthly price was $1,788 for a standard space. It issued a warning as to how this figure is interpreted. A standard space is defined as a "space where the resident does not receive high-level care (that is, the resident receives less than 1.5 hours of care per day) or is not required to pay an extra amount to receive high-level care." The monthly cost is established according to the basic services offered, functionalities offered by the establishment, building age, etc. Note that 32% of the standard spaces cost over $1,900 per month last year.

Housing is a major component of a household's expenses. Living in one's own house or condo, a rental property, a seniors' residence or long-term care centre is not free. Here, a growing number of seniors are struggling to make ends meet. We will look at this issue in the next section.

The Finances of Senior Families

In April 2019, Statistics Canada released a study on the debts and assets of senior Canadian families between 1999 and 2016. Senior families are defined as "families whose major income earner was at least 65 years of age."

The study reached a few broad conclusions. Here is the first: "Median debt increases for senior families, but median assets also rise." We may assume that the substantial increase in home values, and in housing overall, is being reflected in both the value of mortgage debt, and the value of the homes themselves. In fact, the median debt to income ratio has increased for senior Quebec families. Similarly, the median debt to asset ratio increased between 1999 and 2016 (table 1 on page 5).

TABLE 1
Quebec: Change in median debt/income and debt/asset ratios for senior families*

MEDIAN RATIO	TREND	ESTIMATE 1999 – %	ESTIMATE 2016 – %
Debt/income	↑	17.9	38.3
Debt/asset	↑	5.4	6.5

* Families whose major income earner was at least 65.
Sources: Statistics Canada and Desjardins, Economic Studies

Another, highly important study finding was that "While senior families with debt saw the value of their assets increase, the proportion of senior families carrying debt rose […]" In Quebec, the proportion increased from 27.5% in 1999 to 40.1% in 2016, slightly below the Canadian average. Table 2 on page 5 shows that the percentage of senior Quebec families carrying mortgage debt went from 6.5% in 1999 to 11.4% in 2016. The proportion of senior families carrying consumer debt went from just over one quarter (26.6%) to just over one third (36.0%) of senior families in less than 20 years.

How much debt is this? In 2016, Statistics Canada estimated the median debt of senior Quebec families carrying debt to be $16,500, double what it was in 1999 ($8,300 in 2016 dollars). In exchange, median assets went from $275,200 to $406,000. Here again, the housing market's appreciation played a big role in raising the value of assets.

Another part of the analysis looked at the change in average debt and assets in senior families carrying debt. In Quebec, between 1999 and 2016, two thirds of the change in average debt was attributable to mortgage debt, with the other third coming from consumer debt (table 3). In contrast, half (49.8%) of the change in average assets was related to real estate, with 14.7% coming from pension plan assets and 35.5% from other assets.

Another question we could ask is how much income senior families receive each year. Statistics Canada compiled the numbers. The data in table 4 on page 6 is in 2016 constant dollars, making it possible to compare the numbers over time. In Quebec, overall, senior families' before-tax income was estimated to be $33,000 in 1999; that increased to $36,700 in 2016. After tax, the amounts were $32,100 and $34,800 respectively. In all cases, the average figures for Canada were higher than Quebec's.

TABLE 2
Percentage of senior families* with debt

	1999			2016		
IN %	All debt	Mortgage debt	Consumer debt	All debt	Mortgage debt	Consumer debt
Canada	27.4	7.7	24.3	42.0	13.9	37.4
Quebec	27.5	6.5	26.6	40.1	11.4	36.0

* Families whose major income earner was at least 65.
Sources: Statistics Canada and Desjardins, Economic Studies

TABLE 3
Breakdown of the change in average debt and assets between 1999 and 2016, senior families* with debt

	CHANGE IN AVERAGE DEBT			CHANGE IN AVERAGE ASSETS			
	Change from 1999 to 2016	Due to mortgage debt	Due to consumer debt	Change from 1999 to 2016	Due to real estate assets	Due to pension assets	Due to other assets
	2016 constant dollars	Percentage		2016 constant dollars	Percentage		
Canada	50,000	67.2	32.8	500,900	51.7	12.3	36.0
Quebec	26,100	67.1	32.9	252,200	49.8	14.7	35.5

* Families whose major income earner was at least 65.
Sources: Statistics Canada and Desjardins, Economic Studies

TABLE 4

Before and after tax income, senior families* with or without debt

2016 CONSTANT DOLLARS	BEFORE TAX 1999	BEFORE TAX 2016	AFTER TAX 1999	AFTER TAX 2016
Canada	36,200	43,300	33,500	40,300
Quebec	33,300	36,700	32,100	34,800

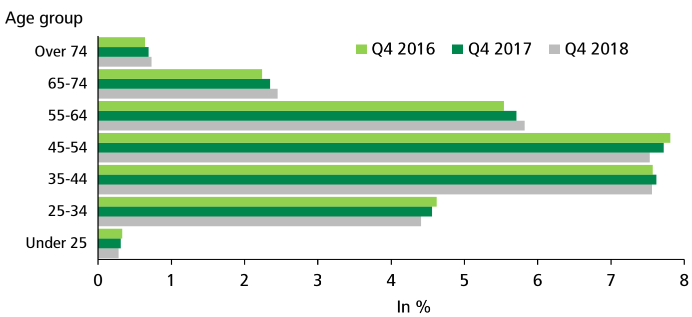
* Families whose major income earner was at least 65.
Sources: Statistics Canada and Desjardins, Economic Studies

Mortgage Debt Is Changing

The CMHC looked at mortgage debt and, in a study released in May 2019, revealed a few facts about Canadians 65 and older. According to the study, the proportion of mortgage holders aged 65 and older continued to advance (graph 11). The phenomenon occurred in both the 64-to-74 age group and among those 75 and older. The same finding applies to a slightly younger group, people aged 55 to 64.

GRAPH 11

Proportion of consumers with mortgage debt by age group



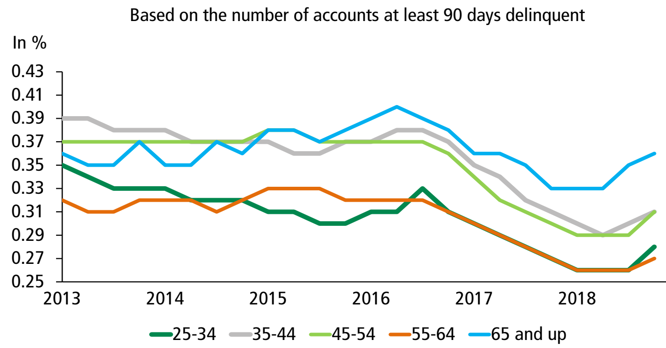
Sources: Equifax, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

At the same time, the mortgage delinquency rate among those 65 and older has increased since the fall of 2018 (graph 12). People 65 and older have the highest delinquency rate of all age groups; they have been leading in this category since the end of 2015. Although this may sound alarming initially, the fact is that mortgage delinquency rates remain relatively low in relation to all mortgage holders.

Aside from housing, which is a major budget item, vehicle ownership is also expensive. In 2016, more than 1.0 million people aged 65 and older had driver's licences. There were 152,000 in 1978, and the figure is projected to reach 1.5 million in 2030. According to the snapshot provided in the *2018–2023 Action Plan*: motor vehicles continue to be seniors' main mode of transportation. Buying and maintaining a vehicle is, at this point, still part of the budget equation for people aged 65 and older.

GRAPH 12

Delinquency rate by age of mortgage borrower



Sources: Equifax, Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

We may wonder why older people struggle financially. As reported by Radio-Canada, a conference held in Ottawa in 2017 examined the issue. One finding was that the precarious financial situation some seniors are in resulted from a combination of factors. These include an increase in shelter costs, divorces (break-ups), illness, death, a lack of preparation for retirement, the vagaries of the financial markets, and abuse cases. Another finding was that more and more seniors are going into debt to help adult children. However, every retiree has their own story. We can't generalize.

Coping with Retirement: Yes, No, Yes but...

What prompts people to retire aside from a desire to do something different after working for so many years? Turning 65 (a milestone for many people), health issues or getting laid off are among the reasons that can trigger such a decision. Tax policy, when it penalizes the people who stay in the workforce, can be an additional incentive. However, tax arrangements to remedy this situation have proliferated in recent years. Inflexible working conditions (lack of flexibility for gradual retirement, inability to have a four-day schedule, no access to flexible hours, etc.) can also make some people retire early. Moreover, accumulated savings, government generosity toward pensioners, and being responsible for a loved one's care can also weigh heavily in a decision to leave the workforce.

In contrast, what could prompt people to extend their careers? Some reasons could be the opposite of the reasons just listed. Beyond that, a poor yield on investment portfolios could make someone put off retiring. Similarly, the factors that could encourage people to keep working include the gradual transition from defined benefit to defined contribution pension plans, career extension tax credits, an education level that provides for a well-paying job, a longer life expectancy, or a less physically demanding job.

According to a Statistics Canada study on the reasons for working at 60 and beyond, published in December 2018, "Half of older workers who worked or wanted to work in the previous year did so out of necessity […]" The finding applies equally to men and women. Note that fewer than 5% of those who identified themselves as retired had worked the previous year. Among individuals aged 70 or older who worked or wanted to work, 28.4% cited necessity as the reason for it.

Those who kept working at 60 and older cited a variety of reasons, such as needing the money, liking what they do, wanting to stay busy, and socializing with co-workers. Those who work out of necessity primarily mention the need to pay essential expenses (bills, mortgage, food, etc.), not being eligible for full pension benefits or needing to help family members. Lastly, people who remain on the job primarily out of choice say that this makes it possible to pay for products and services they want (vacations, recreation, etc.), that they stay because they love their job, they want to remain engaged or because they simply don't feel ready to retire.

But what could motivate someone who has retired to go back to work? According to those in charge of job search sites for people 50 and older, retired and semi-retired people sometimes want to work part-time for the recognition, for fun, or to feel useful. They do not necessarily look for a job in the field in which they spent most of their career. Some retirees also want to go back to work after being off for a year or two because they love their trade or profession; however, they may want less responsibility and stress than they used to have. Note, however, that half of the people aged 60 and older who were working in Canada were working due to necessity.

Retire Now or Later: Preparation Is Required

People aged 65 and older, whom we often considered "retired," represent a growing proportion of the population. According to the ISQ's demographic projections, one out of four people in Quebec will be part of this group in 2031. With many years to live after age 65, it is important to plan. Although, in Quebec, retirement has been coming later in the last twenty years (at 63.1 years on average in 2018, compared with just under 60 at the end of the 1990s), at the same time, the proportion of senior families carrying debt also increased between 1999 and 2016. Career extension, as shown by the increase in the participation rate of people aged 60 to 64, and 65 to 69, does not seem to have allowed people to build the financial foundation needed for a worry-free retirement. We have to wonder whether the coveted freedom we mentioned in the introduction is in keeping with financial means. As more and more people will be hitting 65 and wanting to leave their jobs, a lot of preparation work remains to be done.

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