

# The Future of Retirement

*Why family matters*



**Canada Fact Sheet**

**HSBC** 



## Introduction

HSBC's The Future of Retirement programme is a world-leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world.

The global report *Why family matters* which accompanies this fact sheet is a supplementary report to the main 2011 report, *The power of planning*, the sixth in the series, and is based on a survey of more than 17,000 people in 17 countries in December 2010.

This country fact sheet, based on the views of 1,033 respondents in Canada, explores how factors relating to family life influence attitudes to retirement, including:

- marital status, gender and generation
- the varying degrees of financial responsibility between the sexes
- how households undertake financial planning and where gaps in plans might arise
- attitudes to risk and what families can do to better prepare themselves

The *Why family matters* global report and all previous reports are available at [www.hsbc.com/retirement/future-of-retirement](http://www.hsbc.com/retirement/future-of-retirement).

## Key findings

- Having children actually adds to people's feelings of retirement security and well-being. People with children in Canada are more likely to believe retirement will be a time of happiness (41%)
- Canadian parents are less likely to see retirement as a time of financial hardship (32%) compared to those without children (42%)
- Canadian women focus on shorter-term financial goals: nearly a half of Canadian women (45%) exercise sole responsibility for managing the household budget – the only area of household finances in which women are more proactive than men
- Household financial plans in Canada contain serious gaps: 23% of those aged 50-59 who had a financial plan are not saving for retirement
- In spite of the aspiration of around one-third of those with children to pass on wealth, tax and inheritance planning are low priorities, with 68% of parents not having made a will
- Only 32% of those aged 50-59 are undertaking tax planning, the age when the value of assets typically peaks

# Part 1: How family life influences attitudes to retirement – a time of happiness or loneliness

66% of Canadian respondents feel that having a loving family and friends is important to enjoying a happy retirement, and this is particularly important to women (71%). Respondents are also keen to live near (but not with) their children in retirement, with 84% seeing this as very or somewhat important.

- Canadian people with children are more likely to believe retirement will be a time of happiness (41%)

- They are also less likely to see retirement as a time of financial hardship (32%) compared to those without children (42%)

Canadian fathers are keener on leaving a financial legacy, with more men than women aspiring to pass on wealth to their children. Mothers are more interested in living near their children and grandchildren in later life (Table 1)

**Table 1: Women with children have different aspirations for retirement and passing on wealth**

Q. People have different personal priorities in life. How important are the following to you today?

	Married men with children %	Co-habiting men with children %	Married women with children %	Co-habiting women with children %	All married with children %	All co-habiting with children %
Living near my children or grandchildren	38	33	54	58	48	46
Passing on wealth to my children when I die	39	50	35	42	37	46

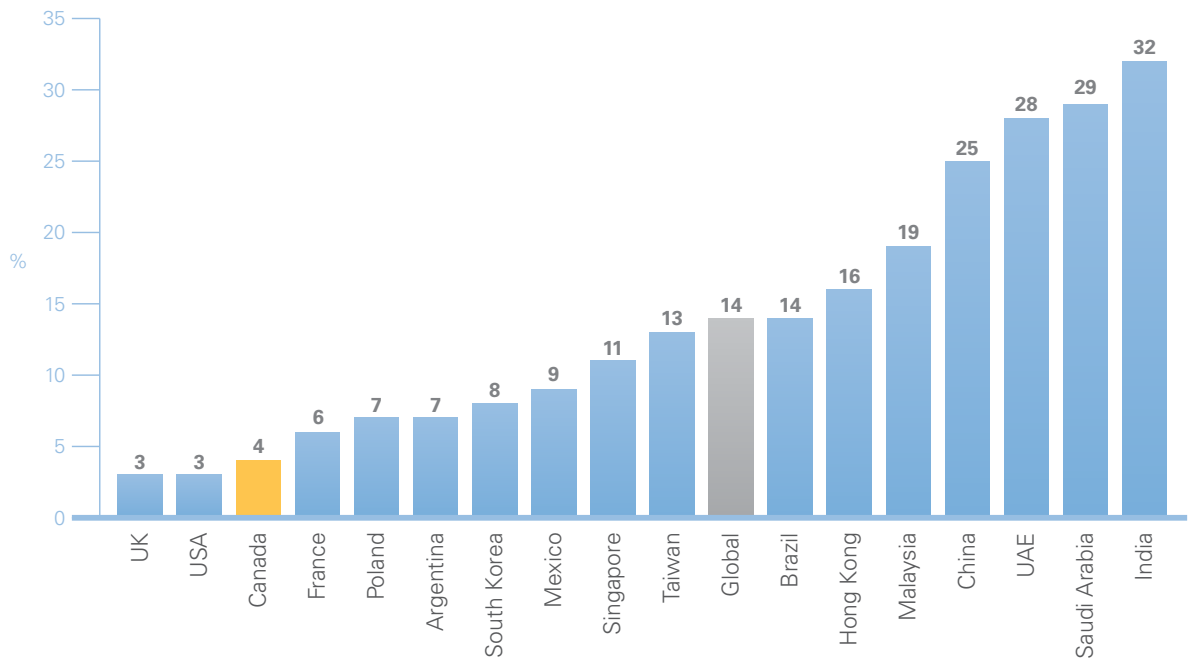
Base: Respondents who claimed 'Very important to me'

Respondents in Canada are among the most likely to see themselves as living independently in their own homes when they retire, with only a fractional 4% of respondents stating that they would like to

live with their children in later life, making Canadian respondents among the least keen globally on this course of action (Figure 1).

**Figure 1: Living arrangements in retirement**

Q. What do you hope will happen to your living arrangements when you retire?



Base: Respondents who answered 'I want to live with my children or other family members'

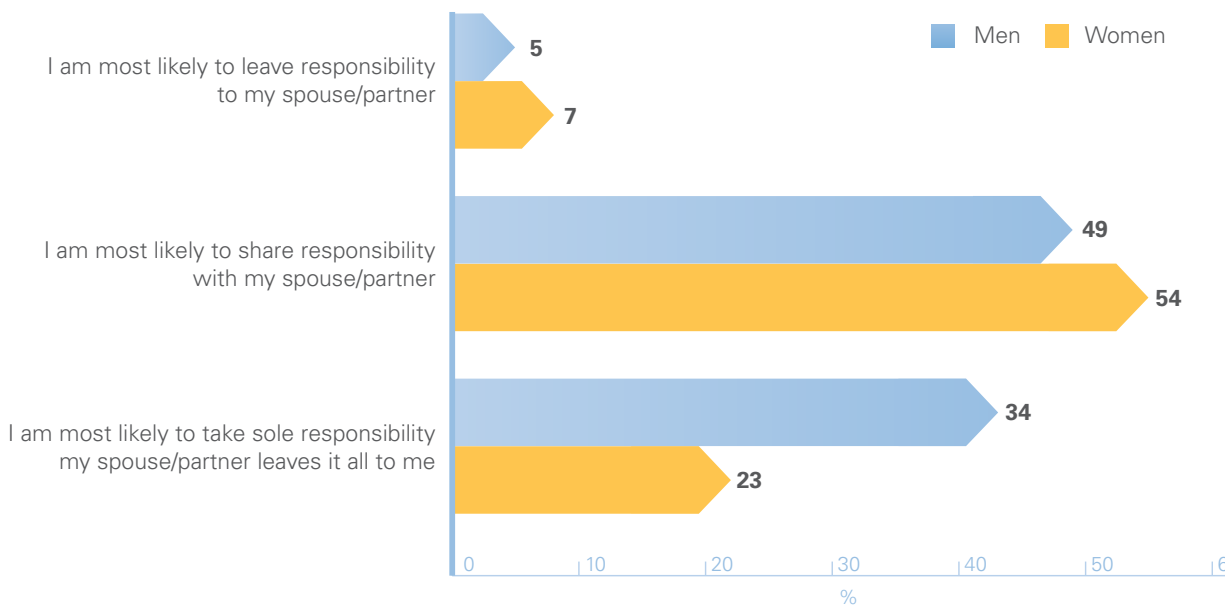
## Part 2: Financial responsibility between the sexes – a clear gender difference in how households financial planning

Our global findings suggest a distinct gender divide on how households plan their finances and the picture is similar in Canada. Whilst Canadian women are more likely to say that financial decisions are shared with their partner, Canadian men usually state that they make all or most financial decisions themselves. Men claim to exercise greater sole responsibility than women in nearly all financial decisions made in the home.

As is the case in most countries surveyed, there is also a clear gender divide when looking at the types of decisions men and women take responsibility for: Canadian men are more proactive when it comes to retirement planning (Figure 2) whereas Canadian women are more likely to take the lead in household budgeting (Figure 3). Crucially, this means that women are much more focused on short-term financial matters and are more likely to be overlooking the importance of planning for retirement in their own right.

**Figure 2: Canadian men take responsibility for retirement planning**

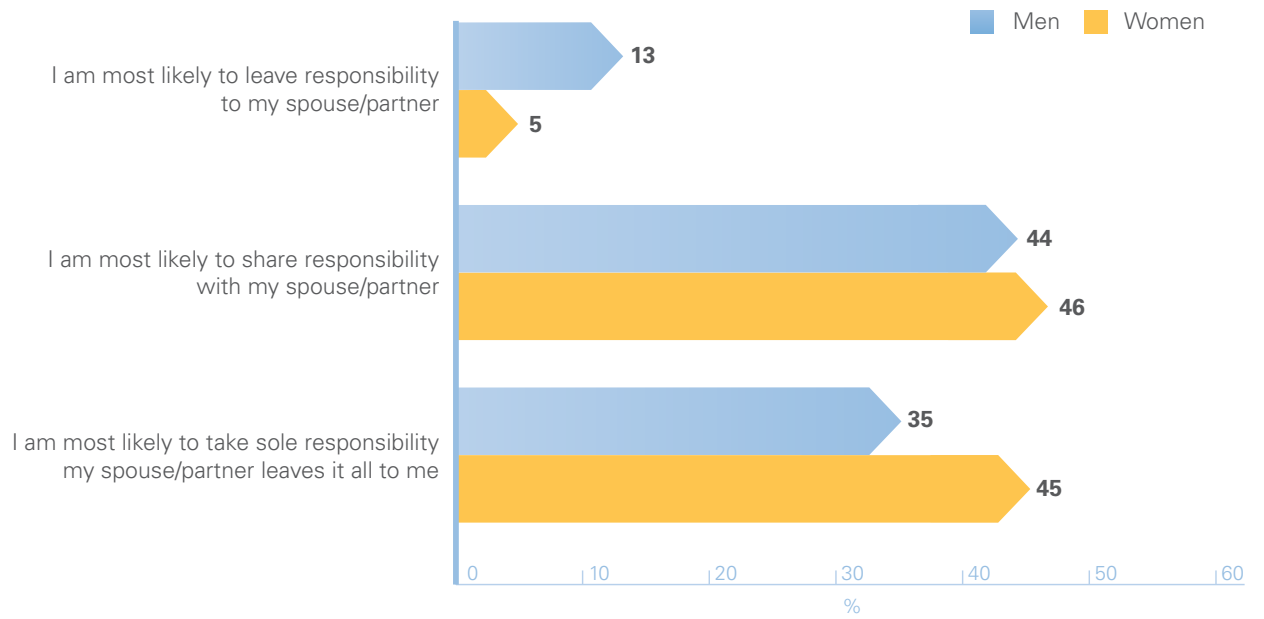
Q: Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

**Figure 3: Canadian women take charge of household budgeting**

Q. Who in your household is most likely to take responsibility for making decisions about managing the Household budget?



Base: All respondents who are married or cohabiting



## Part 3: Household financial planning – where are the gaps in the family’s financial safety net?

Figure 4 illustrates how individuals accumulate wealth during the course of their adult lives. Upon entering work in early adult years we will find that both our incomes and wealth continue to grow well into our 50s and possibly beyond depending on when we enter retirement at which point we start to draw down our savings and investments. Across different societies

and in different households this curve will look different depending on a range of factors – patterns in work and home ownership, family life, retirement trends and life expectancy. Protecting household assets across this accumulation curve is critical to ensure that our retirement assets are not used up before retirement.

Figure 4: **The gaps in Canadian households’ financial plans**

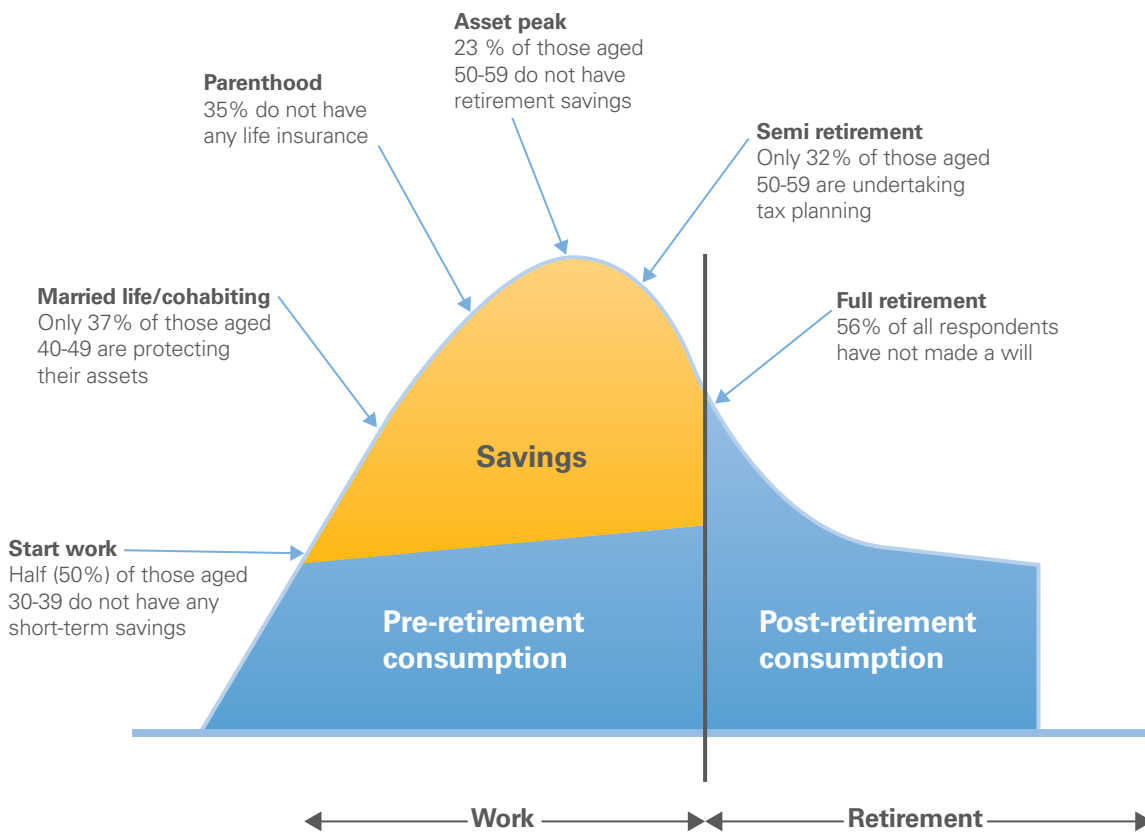


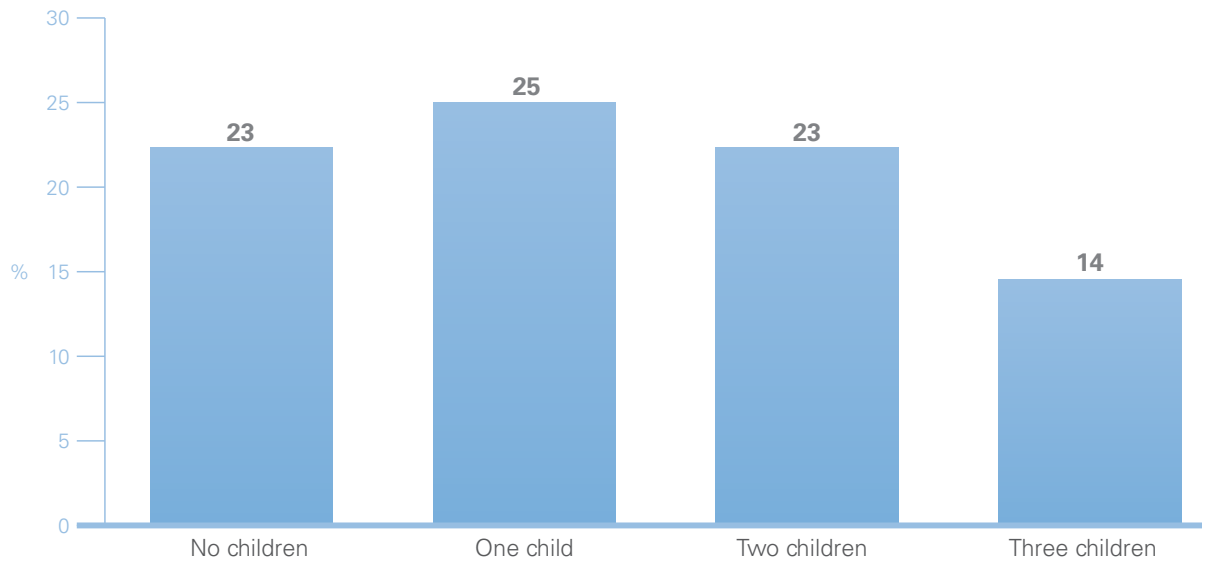
Figure 4 shows some of the key responses from the 35% of Canadian respondents surveyed with a financial plan in place. Even though these households are planning ahead, there are still significant gaps in terms of the planning people are undertaking compared to their present needs. For example, 23% of those aged 50-59 are not saving for retirement. In addition, despite the fact that life insurance is widely available, and all working age parents have a need for

this kind of protection, 35% of Canadian respondents with children have no life insurance. Our survey found that Canadians with larger families are not responding to the greater need for life insurance, with only 14% of those with three children considering not having life insurance as being extremely risky. Surprisingly; this is in fact lower than the proportion of respondents with fewer or no children.

**Figure 5: The risk of not having life insurance**

Q. How risky do you rate the following activities?

A. Not having life insurance



Base: Respondents who answered 'Extremely risky'

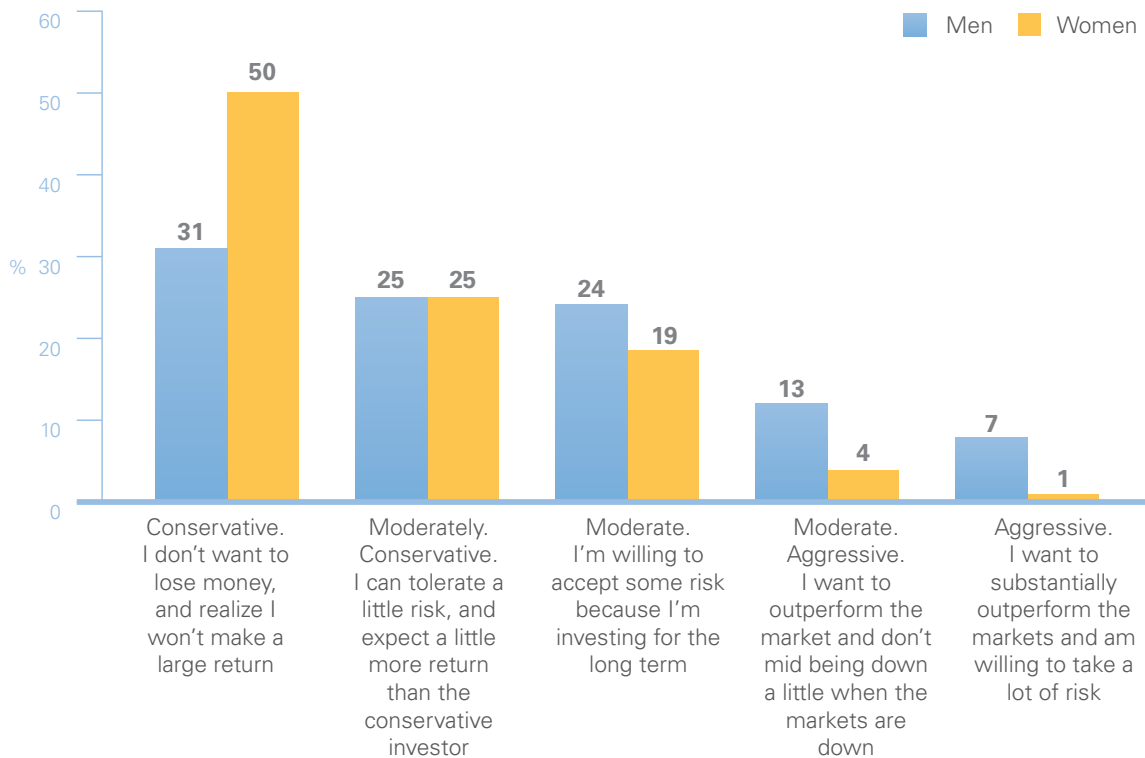
## Part 4: Attitudes to risk; the need to change household risk appetites

As figure 6 shows, Canadian women are significantly more likely than men to describe their attitude to risk as 'conservative', and this is reflected in their reluctance to hold more sophisticated investment products. However, both men and women show a

strong preference for conservatism and are risk averse in their savings attitudes. Consequently, encouraging households to accept more risk in order to secure their financial futures presents a major challenge.

**Figure 6: Women are more likely to sacrifice returns to protect investments**

Q. When it comes to investing, which of the following best describes your risk tolerance?



Base: All respondents

While the risk of investing for the long-term might be a major concern to some Canadian households, and particularly to women, it is equally clear (see table 2) that many people are just as concerned about the risk of doing nothing. Our findings show that respondents perceive the risk of not having retirement funds as higher than the risk of investing for the long-term:

while 16% of all respondents thought that investing in stocks and shares was extremely risky, 22% thought that not having a retirement fund was extremely risky. The fact that people in Canada already understand the danger of not planning sufficiently for retirement should help efforts to encourage more people to prepare adequately.

**Table 2: The risk of not planning household finances**

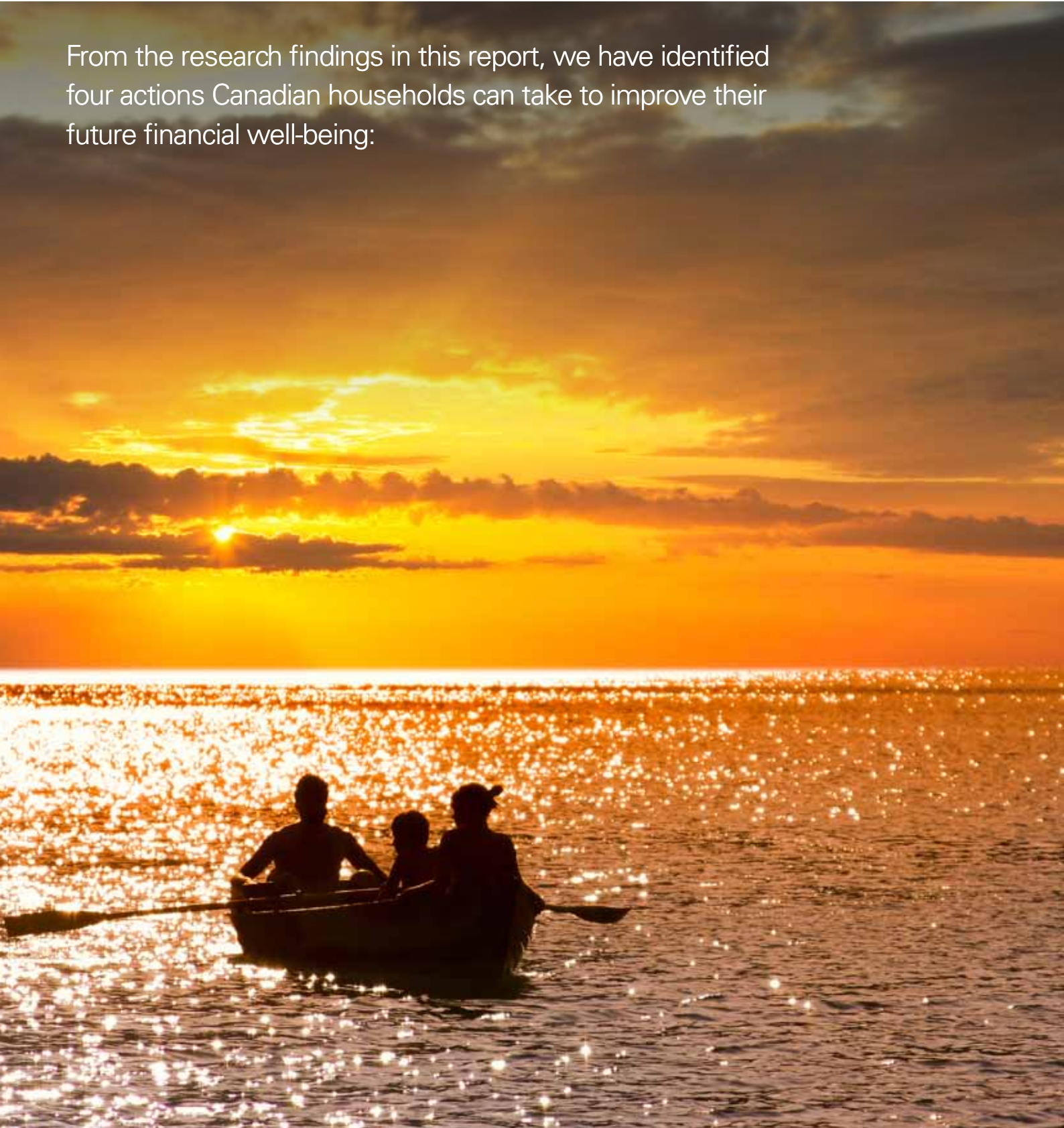
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares	13	18	16
Not having life insurance	18	27	23
Not having a private retirement fund	16	26	22
Going on holiday without travel insurance	22	31	27

Base: Respondents who answered 'Extremely risky'

# What families can do to better prepare for the future

From the research findings in this report, we have identified four actions Canadian households can take to improve their future financial well-being:





Action **1**

## Share your financial decision-making

Make sure that financial planning decisions which affect the household – in particular retirement and protection needs – are shared and discussed with your partner, to make sure you are both better prepared for retirement and other life goals.

*Women across all age groups continue to lag behind their male peers when it comes to taking charge of their own retirement savings.*

Action **2**

## Use life events to start and review your financial plan

Understand the importance of the life events and life stages, then use these events as prompts to take action (for example, having children, saving for college fees, dealing with bereavement, divorce etc). It is important to consider the whole family when planning for your own financial needs.

*Large numbers of younger families do not have life insurance in place, while many still overlook the need to build retirement savings or undertake estate planning to ensure that their wealth is protected and managed as tax-efficiently as possible.*

Action **3**

## Review your financial plan with a professional adviser

Sense-check financial decisions and plans with an expert, to make sure that all eventualities are covered. Many household financial plans contain gaps and omissions: get a professional review of your family's financial plan.

*Many people still prefer to apply a do-it-yourself approach to financial planning, with 54% not having sought professional financial advice*

Action **4**

## Take a balanced approach to managing investment risk

Balance the need to protect your investments in the short- and medium-term with the need to generate an adequate retirement income in the long-term.

*50% of Canadian women describe themselves as being conservative, which may possibly lead to lower incomes in retirement if they fail to strike the right balance when choosing whether to save or invest.*





© HSBC Insurance Holdings Limited 2011

All Rights Reserved.

Excerpts from this report may be used or quoted, provided they are accompanied by the following attribution: 'Reproduced with permission from The Future of Retirement, published in 2011 by HSBC Insurance Holdings Limited, London.'

Published by HSBC Insurance Holdings Limited, London

Designed and produced by Global Publishing Services

**[www.hsbc.com/retirement](http://www.hsbc.com/retirement)**

HSBC Insurance Holdings Limited  
8 Canada Square  
London E14 5HQ