

The Future of Retirement

Investing in later life



Fact Sheet Canada¹

HSBC's fourth annual Future of Retirement survey of older people's work and retirement reveals a positive picture of how people see their prospects and lifestyles in retirement. The survey shows a surprising degree of optimism in Canada with regards to financial security and living standards in old age both among those in the working population and retirees. However, a sizeable group of Canadians worry about being in a vulnerable situation in later life.

Investing in Later Life - Key Canada Findings

- Preferred legacy is perspective on life
- Sizeable 'confidence gap' in government retirement provision
- High preference for enforced additional savings
- Little support for reducing pensions
- Lowest proportion in Americas fearing illness/disability and dependency in later life

Taking *Expectations, Choice, Preparedness* and *Inheritance* as its main themes, *Investing in Later Life* highlights the key ways in which individuals in Canada are preparing for their retirement.

1. Expectations: state provision may not be enough

Many governments have promised generous public pensions from 60 or 65 years, but these are seen to be increasingly unsustainable as we live longer

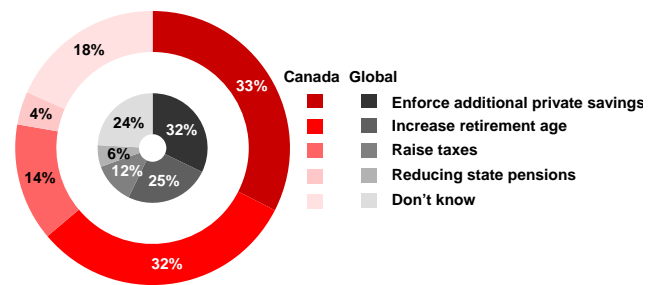
Globally, 31 per cent of respondents feel that governments *should* support them later life. In Canada, 31 per cent of working people and 28 per cent of retirees believe that the state should carry this burden. However, in Canada as elsewhere, confidence in governments living up to this obligation

¹ Definitions of high and low household income Increase cut-off point: 35,000 CAD (annual)

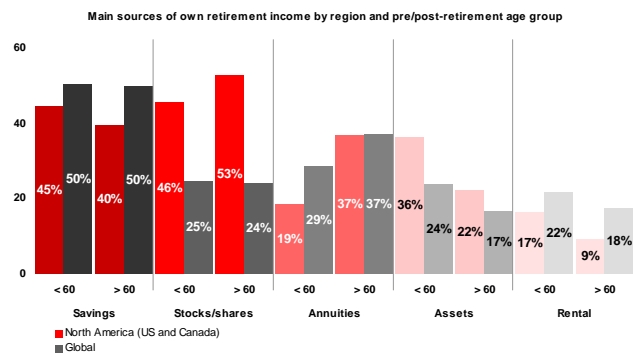
is low, with only 24 per cent of the pre-retirement group and 21 per cent of the post-retirement group confident of adequate state provision in retirement.

2. Choice: how to provide for the ageing population

What should the government do first of all to support the ageing population?



Given the obvious lack of confidence in governmental support, we asked respondents – what needs to be done to address the demands of ageing populations? Although the usual mechanisms of government, such as raising taxes, reducing state pensions or increasing retirement age are generally rejected globally, there is support for a number of these measures in Canada.



Globally, 36 per cent pre-retirement (and 29 per cent post-retirement) feel that governments should *enforce additional private savings*. In Canada, *enforced additional private savings* is the preferred means of providing for the ageing population, with 38 per cent of pre-retirement and 27 per cent of post-retirement respondents favouring this approach. Meanwhile, 28 per cent of the Canadian working population (and 35 per cent of retirees) would increase the retirement age while 16 per cent of this group (and 12 per cent of

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retirees) support increasing taxes. The option of reducing state pensions is unpopular, and only 4 per cent of Canadians see this as the preferred initiative.

3. Preparedness: the four pillars

In Canada, the majority of pre- and post-retirement respondents are *not* worried about being able to cope financially in the future but it is noteworthy that a sizeable proportion *fear* not having enough money in old age. We sought to discover how people in Canada are planning, preparing and investing for their retirement.

Each of the four pillars of retirement income (*government, employer, family and self*) is regarded by Canadian respondents as making a contribution, with both *self* and *government* seen as more important contributors than *family* and *employers*.

Nevertheless, there are significant differences in the importance of these four pillars in relation to household income. For low income Canadian households, *government* is easily the most important followed by *self, family* and *employers*. For high income Canadian households, it is *self* that is the most important contributor followed by *employer, government* and with *family* as the least important.

A sizeable proportion of Canadians fear poor health, dependency on others, and not having enough money in retirement. More of the pre-retirement group (48 per cent) fear lack of money in later life than the retirees (35 per cent).

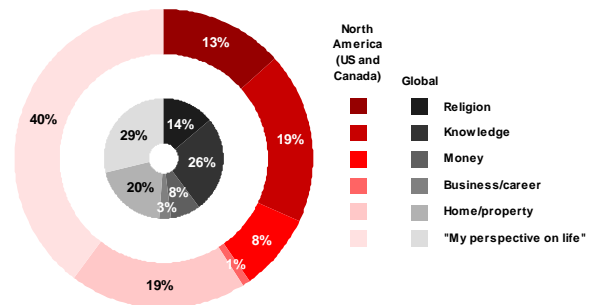
However, Canada has the lowest proportion in the Americas fearing illness/disability and dependency, and it has one of the lowest proportions fearing not having enough money.

4. Inheritance

Globally, most people want to pass on something to their heirs and, perhaps surprisingly, a majority choose the 'soft', less tangible values which we collectively termed *perspective on life* rather than more tangible legacies such as money.

In Canada, the findings show that 77 per cent of the working population and 73 per cent of retirees want their heirs to principally inherit their perspective on life (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). Only 23 per cent of those pre-retirement and 27 per cent of retirees favour leaving behind tangible or material legacies (*home/property, money and business/career*).

What do people want to pass on to their heirs?



Main sources of fear in later life

