

Canadian Institute of Actuaries

# 2020 RETIREMENT RISK SURVEY

**KEY FINDINGS**

## Acknowledgments

This research is supported by the Canadian Institute of Actuaries (CIA). We would like to express our deepest gratitude to the CIA project oversight group members, Anna Doudina (Chair), Andrea Kojlak, Chris Fievoli, Krista Sacrey, and Umair Ali, for providing insightful comments and suggestions. We would also like to thank Ipsos for developing and managing the survey.



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# INTRODUCTION AND METHODOLOGY

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## SUMMARY

This report provides the key findings of an online survey conducted by Ipsos on behalf of the Canadian Institute of Actuaries (CIA) in 2020. Ipsos previously conducted a retirement risk survey for the CIA in 2010<sup>i</sup> with a follow-up survey in 2012. Where relevant, this report compares 2020 survey responses to those from 2010 and/or 2012. The questionnaire for the study was designed by Ipsos, in cooperation with the CIA. The questionnaire can be found in the Appendix.



## PURPOSE

The purpose of the study was to evaluate Canadians' retirement risk concerns and preparedness, how well Canadians understood longevity and life in retirement, and how accurate their expectations are around being disabled in retirement and needing long-term care. In addition, the impact of COVID-19 was assessed.



## SAMPLE

For this survey, a sample of n=1,529 Canadians aged 18+ were interviewed online. Included within this sample is n=1,008 Canadians aged 55+. Canadians aged 55+ were intentionally oversampled as they represent the segment most likely to be retired or in a pre-retirement mindset.

The combined data have been weighted by age, gender, and region to ensure the overall sample's composition reflects the overall Canadian population aged 18+ according to census information.



## PRECISION AND ACCURACY

The precision of Ipsos online surveys is calculated via a credibility interval. In this case, the sample is considered accurate to within +/- 2.9 percentage points had all Canadians over the age of 18 been surveyed.

Note: Where totals do not add to 100% it is due to rounding or because respondents were permitted to offer more than one response.



## TIMING

Fieldwork was conducted between July 17 and August 12, 2020.



## DEFINITIONS

**Student** refers to Canadians aged 18+ who identify as students.

**Retiree** refers to Canadians aged 18+ who identify as retired and no longer actively employed or as retired from their primary occupation and working a little on the side. Of the 1,529 Canadians interviewed, 659 were retirees.

**Non-retiree** or **non-retired** refers to Canadians aged 18+ who do not identify themselves as retired. Of the 1,529 Canadians interviewed, 870 were non-retirees.

**Pre-retiree** or **pre-retired** refers to Canadians aged 45+ who do not identify themselves as retired. Of the 870 non-retirees interviewed, 502 were pre-retirees.

**Gen Z** are those aged 18 to 23 at the time of the survey.

# 1: THE IMPACT OF COVID-19

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## SUMMARY

When surveyed in summer 2020, a significant number of Canadians were already feeling the financial sting of the COVID-19 pandemic. In addition to immediate impacts on household income and debt, COVID-19 is changing Canadians' planned timelines for retirement and their views of assisted living facilities.



## HIGHLIGHTS

### 1.1: HOUSEHOLD INCOME AND DEBT

- **1.1.1: Household income:** 36% of Canadians report earning less household income due to the COVID-19 pandemic, with higher percentages being seen amongst Albertans (53%), those born outside Canada (48%), non-retirees (43%), and members of the Gen Z generation (58%).
- **1.1.2: Additional debt:** 25% of Canadians report taking on additional debt due to the COVID-19 pandemic, with higher percentages being seen amongst students and self-employed Canadians (both at 33%), those who rent their home (34%), and those without a financial plan for retirement (32%).

### 1.2: RETIREMENT TIMELINE

- Nearly one in four Canadians (23%) report that COVID-19 has impacted their (or their spouse's) timeline to retirement.
- **1.2.1: Impact on retirement timelines:** Amongst those who report that COVID-19 has impacted their timeline to retirement, the majority (69%) say they and/or their spouse will work longer than planned because they need the income.

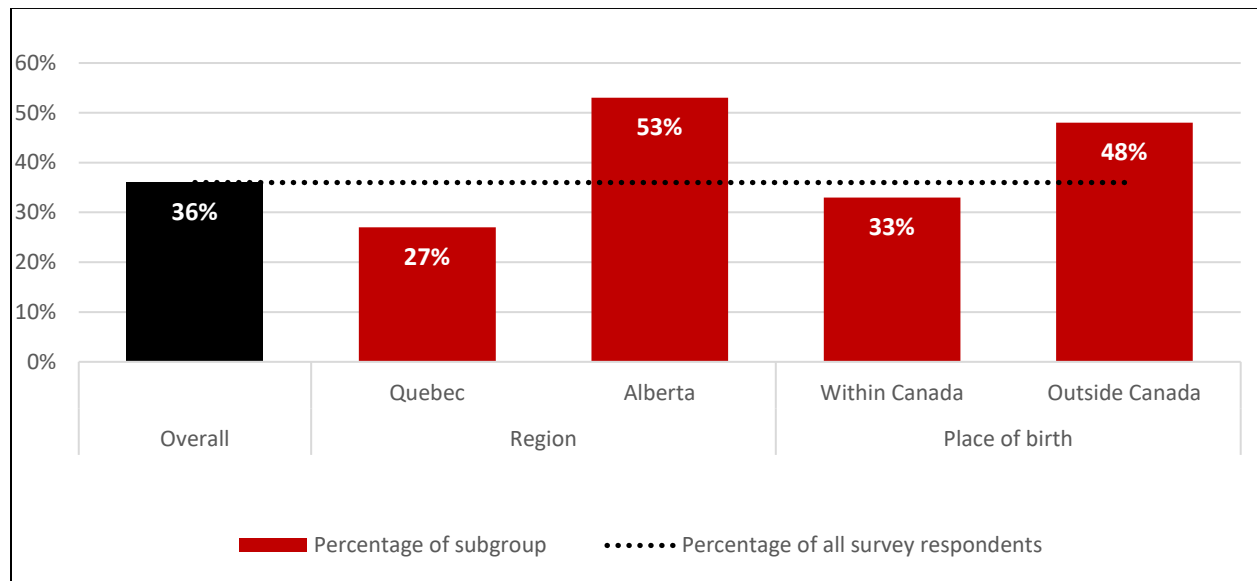
### 1.3: ASSISTED LIVING FACILITIES

- 63% of Canadians have a more negative view of assisted living facilities as a result of the COVID-19 pandemic, with higher percentages being seen amongst females (67%), retirees (70%), and those with chronic health issues (71%). A lower percentage (49%) was seen amongst those in Saskatchewan and Manitoba.

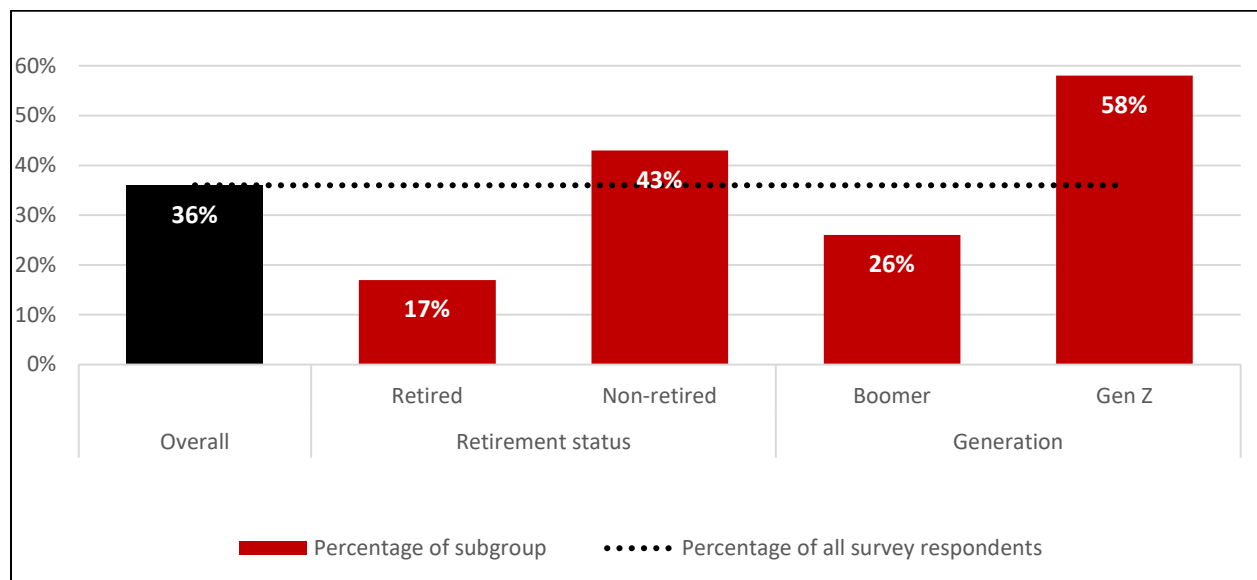
## 1.1: HOUSEHOLD INCOME AND DEBT

### 1.1.1: HOUSEHOLD INCOME

Overall, 36% of Canadians report earning less household income due to the COVID-19 pandemic. The charts below highlight some variations from this overall trend, illustrating the disproportionate impact on household income that was reported by respondents in Alberta, those born outside of Canada, non-retirees, and those who identify as being part of the Gen Z generation.



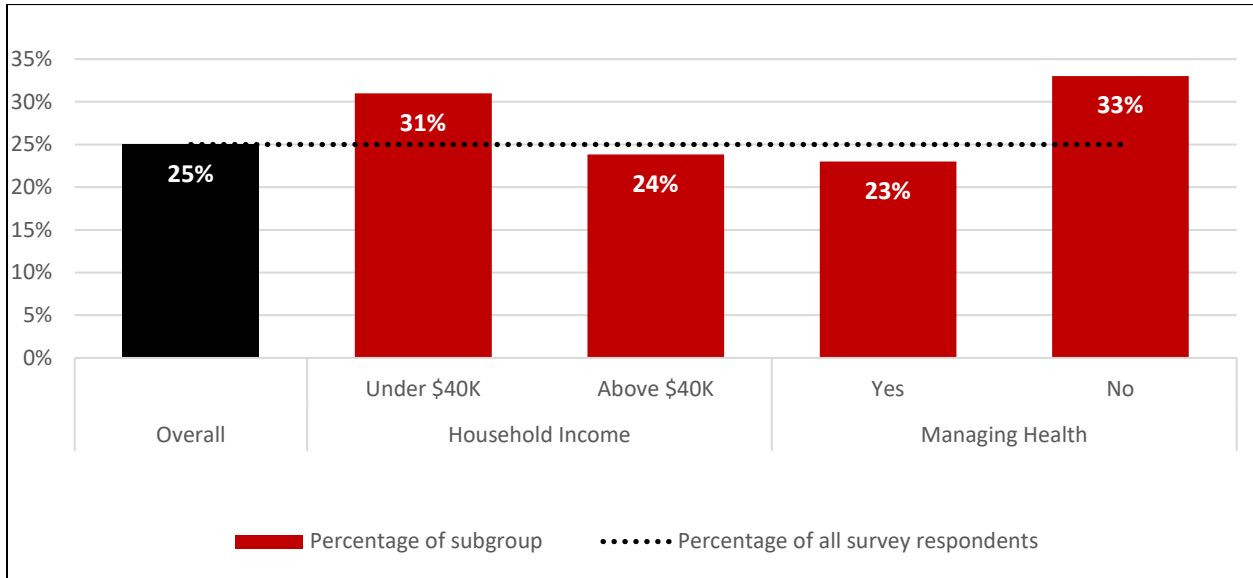
**Figure 1.1.1 (a):** Percentage of Canadians who report earning less household income as a result of COVID-19; comparison by region and place of birth (Question S18)



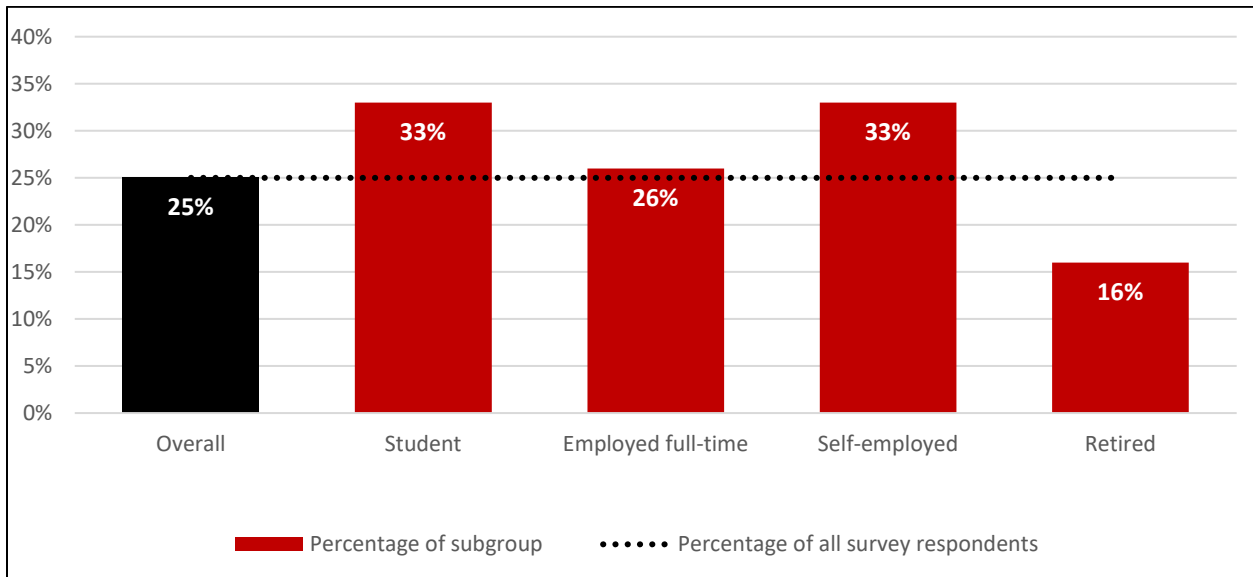
**Figure 1.1.1 (b):** Percentage of Canadians who report earning less household income as a result of COVID-19; comparison by retirement status and generation (Question S18)

### 1.1.2: ADDITIONAL DEBT

25% of Canadians report taking on additional debt due to the COVID-19 pandemic. The figures below illustrate significant variations from this overall figure within various subcategories, starting with household income.

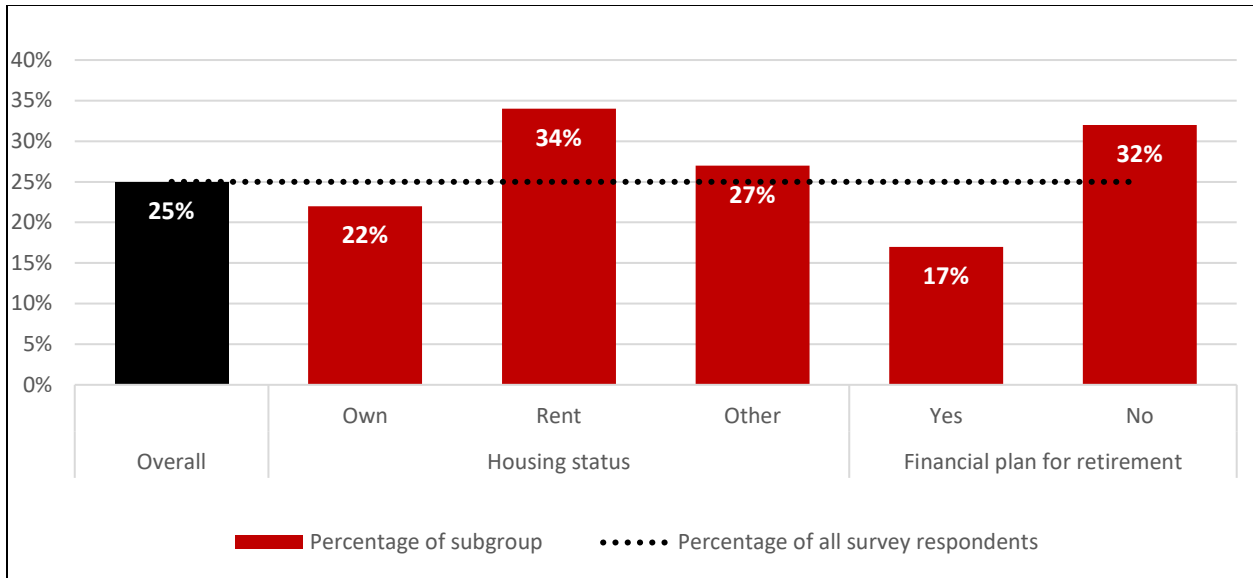


**Figure 1.1.2 (a):** Percentage of Canadians who report taking on additional debt as a result of COVID-19; comparison by household income and whether or not the respondent is managing health (Question Q13)



**Figure 1.1.2 (b):** Percentage of Canadians who report taking on additional debt as a result of COVID-19; comparison by employment status (Question Q13)





**Figure 1.1.2 (c):** Percentage of Canadians who report taking on additional debt as a result of COVID-19; comparison by housing status and whether or not the respondent has a financial plan for retirement (Question Q13)



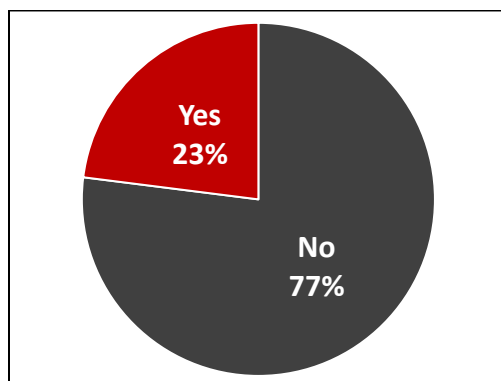
## Household income correlations

Survey results show a strong relationship between household income and many of the other subcategories, indicating that household income is likely the true driver behind these trends. For example:

- 28% of those who are not taking steps to manage their health report household income under \$40K (versus 25% of those who are managing their health).
- 50% of students and 26% of self-employed Canadians report household income under \$40K (versus only 11% of those employed full-time).
- 43% of those who rent their home report household income under \$40K (versus 14% of those who own a home).
- 35% of those without a financial plan for retirement report household income under \$40K (versus 15% of those with a financial plan).

## 1.2: RETIREMENT TIMELINE

Nearly one in four non-retired Canadians report that COVID-19 has impacted their (or their spouse’s) timeline to retirement. In separate questions, survey respondents provided reasons for the change in retirement plans – and indicated anticipated timing of retirement, allowing us to quantify the impact of COVID-19 on expected retirement age.



**Figure 1.2:** Percentage of non-retired Canadians who report that COVID-19 has impacted their (or their spouse’s) timeline to retirement (Question Q2A)

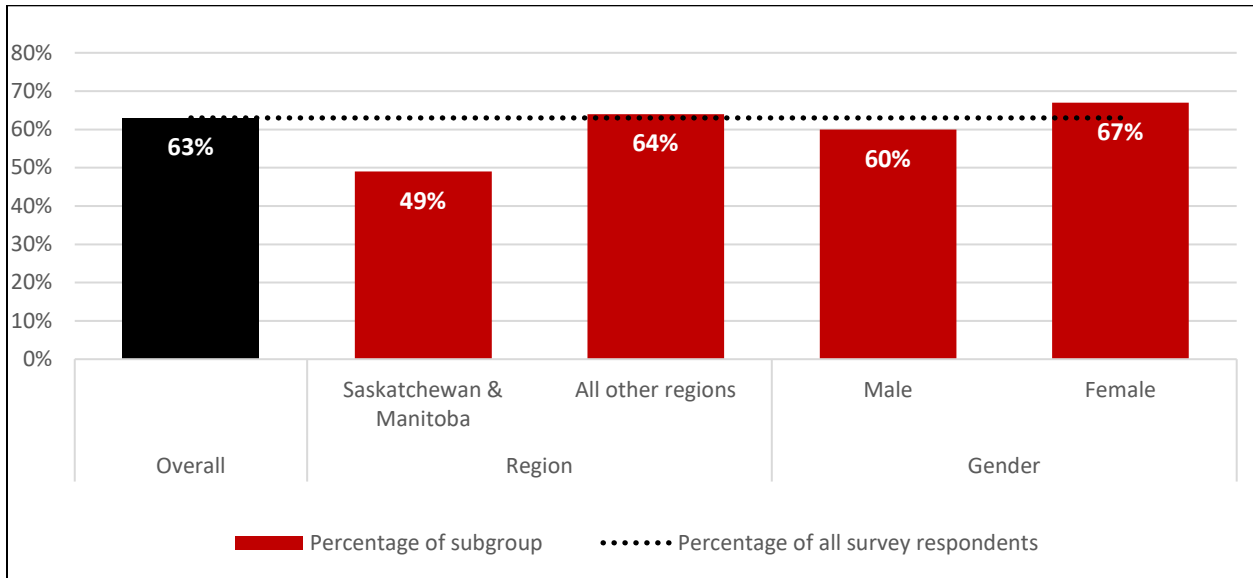
### 1.2.1: IMPACT ON RETIREMENT TIMELINES

For the 23% of respondents who indicated that COVID-19 has impacted their (or their spouse’s) retirement timeline, the table below outlines the specific impact and underlying reason. Respondents could select multiple options; the percentages shown reflect proportion of respondents who selected the given option.

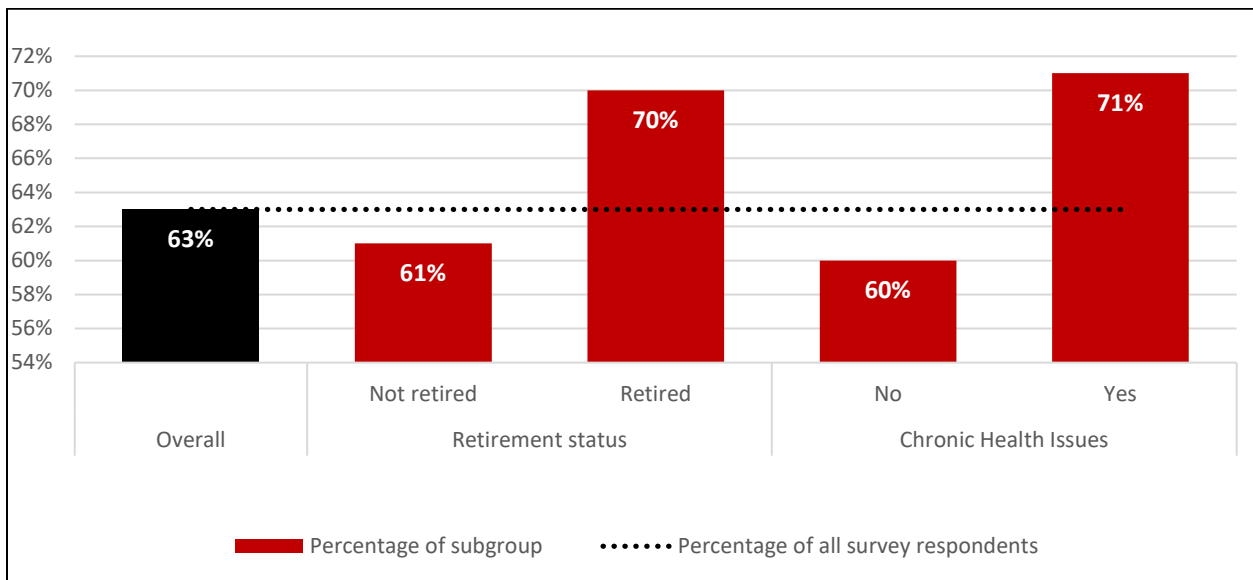
Impact and reason	Proportion of respondents selecting option
I and/or my spouse will <b>work longer than planned</b> because we need the income.	69%
I and/or my spouse will <b>work longer than planned</b> because at least one of us can work from home and avoid the health and safety risks of going into work.	18%
I and/or my spouse will <b>retire sooner</b> because at least one of us is concerned about our health and safety going back to work.	8%
I and/or my spouse will <b>retire sooner</b> because at least one of us has already been laid off or lost our job.	7%
Other	5%

### 1.3: ASSISTED LIVING FACILITIES

63% of Canadians report having a more negative view of assisted living facilities due to COVID-19, more than half of whom say their view is “much more negative.” There are variations from the overall trend by region, gender,<sup>ii</sup> age, and health status as illustrated in the graphic below.



**Figure 1.3 (a):** Percentage of Canadians who report having a more negative view of assisted living facilities as a result of COVID-19; comparison of selected subgroups (Question Q18)



**Figure 1.3 (b):** Percentage of Canadians who report having a more negative view of assisted living facilities as a result of COVID-19; comparison of selected subgroups (Questions Q18)

## 2: RETIREMENT AGE AND LIFE EXPECTANCY

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### SUMMARY

Canadians have a lot of uncertainty about their retirement timeline. Although many Canadians are taking steps to manage their health, overall self-reported health scores have declined since our last survey in 2012. Canadians also show a tendency to underestimate their life expectancy.



### HIGHLIGHTS

#### 2.1: RETIREMENT AGE

- 40% of non-retired Canadians do not know when they will retire, and a further 14% state that they do not expect to ever retire. Among non-retirees who have identified an expected retirement age, the average was two years shy of the actual average retirement age according to Statistics Canada.

#### 2.2: CURRENT HEALTH

- **2.2.1: Overall health:** Self-assessed health scores have dropped since our 2012 survey. 30% of Canadians aged 45+ report being in very good to excellent health, a figure that has dropped from 51% in 2012.
- **2.2.2: Chronic health issues:** 30% of Canadians report having a chronic health issue or illness, with higher percentages amongst retirees (38%), those who are not coupled (35%), and those born in Canada (32%).
- **2.2.3: Health management:** Over 77% of Canadians are taking steps to manage their health, such as eating healthy foods and engaging in daily physical activity.

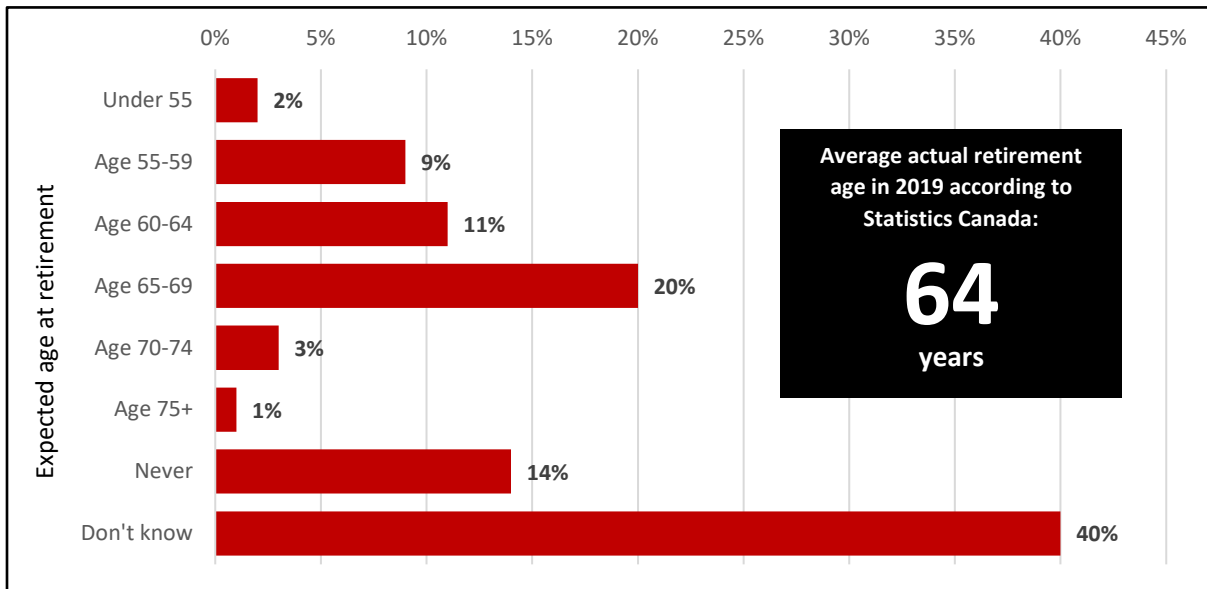
#### 2.3: LIFE EXPECTANCY

- On average, Canadians at age 50 (the average age of survey respondents) expect to live to age 82.9. CIA projections show that Canadians at age 50 should expect to live to age 84.5 without accounting for improvement in mortality and to age 86.8 accounting for improvement in mortality over time.
- There are significant variations in the gap between reported and projected life expectancies within various subgroups. For example, males underestimate their life expectancy by, on average, 2.9 years; females underestimate their life expectancy by, on average, 4.6 years. Similar differences are seen by relationship status and region.

## 2.1: RETIREMENT AGE

### EXPECTED RETIREMENT AGE: NON-RETIRED CANADIANS

40% of non-retired Canadians do not know when they will retire, and a further 14% state that they do not expect to ever retire. For non-retired respondents who did provide an expected retirement age, the average was 62 years (two years shy of the 2019 average actual retirement age of 64 according to Statistics Canada as well as the average retirement age of the retired respondents).



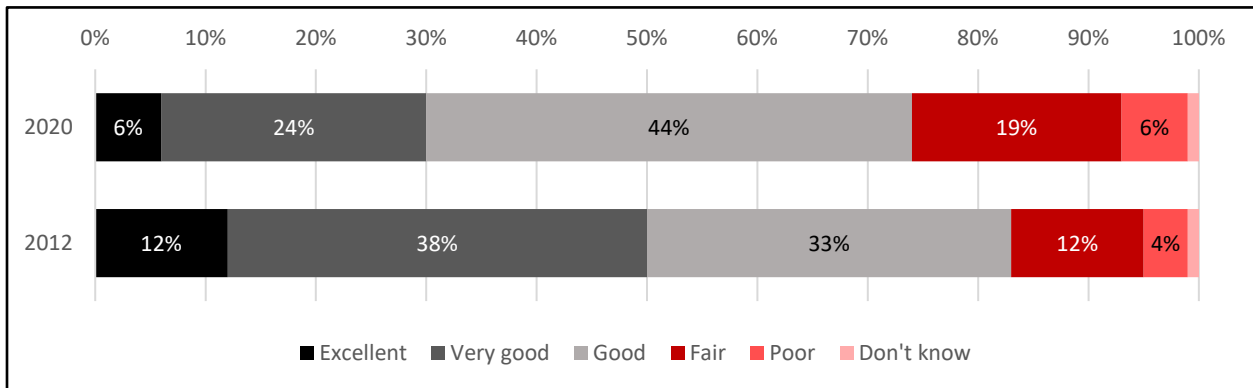
**Figure 2.1:** Distribution of expected age at retirement amongst non-retired Canadians (Question Q1)

**Understanding the uncertainty around retirement age:** The large number of “Don’t know” responses to this question reflects the fact that some Canadians are not engaged in employment outside the home. The populations with the highest proportions of “Don’t know” responses were students (65%), homemakers (69%), and those who are disabled and unable to work (62%).

## 2.2: CURRENT HEALTH

### 2.2.1: OVERALL HEALTH

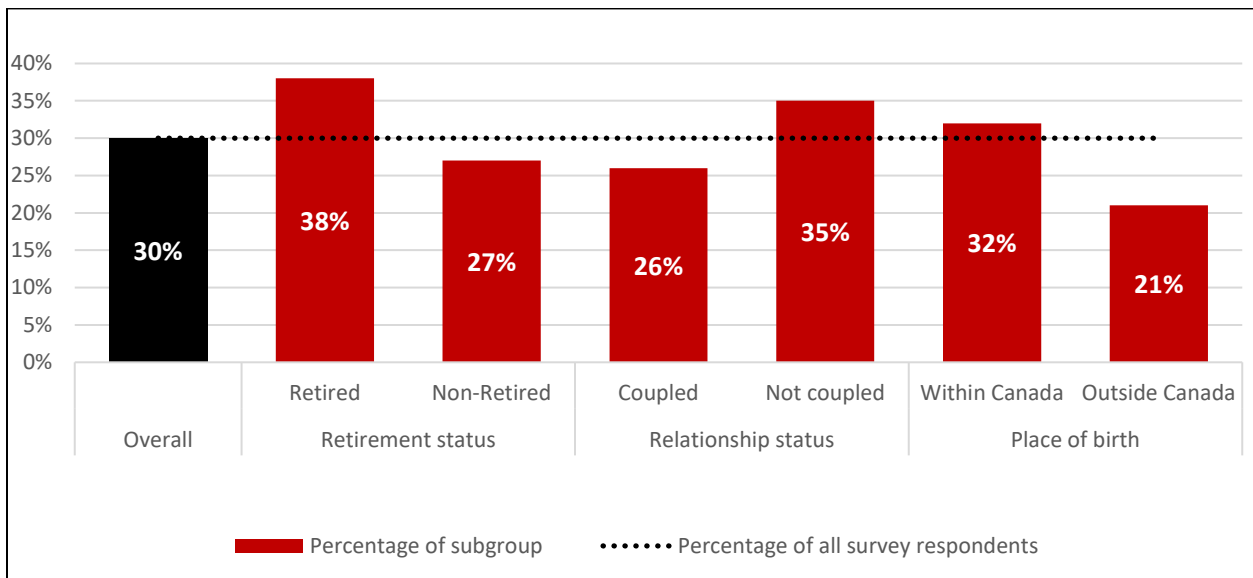
Self-assessed health scores have declined significantly since 2012, particularly amongst Canadians at or over age 45. In our current survey, 30% of Canadians aged 45+ report being in very good or excellent health; this figure was 51% in our 2012 survey.



**Figure 2.2.1:** Distribution of reported overall health rating amongst Canadians aged 45+; comparison of 2020 and 2012 survey results (Question Q19)

### 2.2.2: CHRONIC HEALTH ISSUES

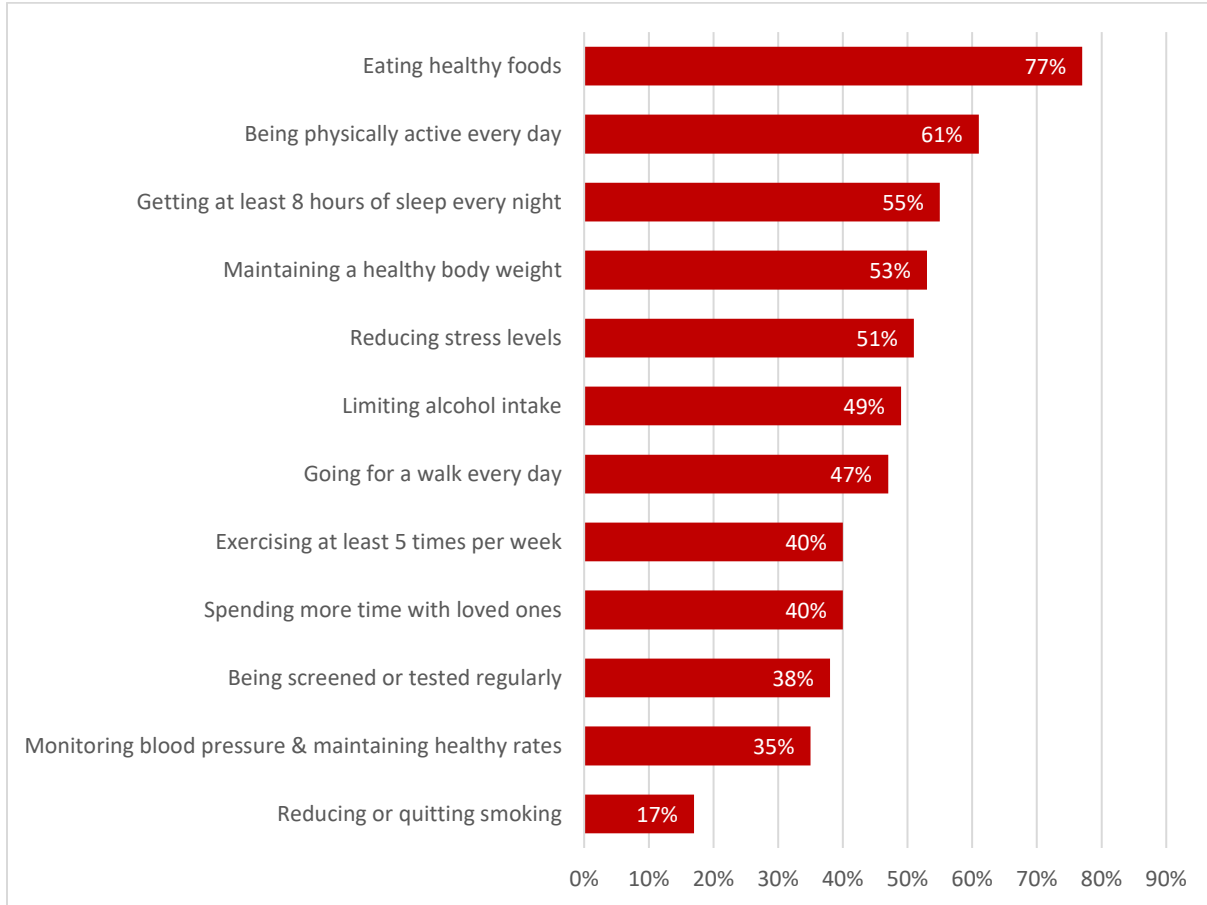
30% of Canadians report having a chronic health issue or illness, with higher incidence amongst retirees, those who are not coupled, and those born in Canada.



**Figure 2.2.2:** Percentage of Canadians who report having a chronic health issue or illness; comparison of selected subgroups (Question Q5)

### 2.2.3: HEALTH MANAGEMENT

More than 77% of Canadians are taking steps to manage their health, the most common steps being eating healthy foods and daily physical activity.



**Figure 2.2.3:** Actions taken to manage health amongst those who say they are managing their health (respondents could select multiple actions; percentages shown reflect proportion of respondents who selected the given option) (Question Q33)

## 2.3: LIFE EXPECTANCY

Canadians at age 50 (average age of survey respondents) expect to live to age 82.9 on average, a figure which falls about four years short of the CIA projected<sup>iii</sup> 86.8 years when including future mortality improvement. As illustrated in the table below, variations in both life expectancy and the degree to which life expectancy might be underestimated can be seen by gender, relationship status, and geographic region.

Estimated life expectancy at age 50 in years	Survey	CIA projected	Difference
<b>All Canadians</b>	<b>82.9</b>	<b>86.8</b>	<b>(3.9)</b>
<b>Subgroups by gender</b>			
Male	82.4	85.3	(2.9)
Female	83.7	88.3	(4.6)
<b>Subgroups by relationship status</b>			
Coupled	83.9	88.2	(4.3)
Not coupled	81.8	84.5	(2.7)
<b>Subgroups by region</b>			
British Columbia	83.9	87.2	(3.3)
Alberta	82.2	86.6	(4.4)
Saskatchewan & Manitoba	83.7	85.8	(2.1)
Ontario	83.0	87.1	(4.1)
Quebec	82.8	87.0	(4.2)
Atlantic	81.5	85.8	(4.3)

**The impact of future mortality improvement:** The CIA projected ages in the table above reflect assumed future mortality improvements in accordance with the MI-2017 table. When future mortality improvements are excluded from our projection, the resulting life expectancies are closer to those estimated by the survey respondents. For example, the average projected age at death excluding post-2020 mortality improvement is 84.5 years, falling in between the average survey response of 82.9 years and the projected age of 86.8 years when including future mortality improvement.





### **COVID-19 and life expectancy**

Our survey results indicate that those whose retirement timelines have not been impacted by COVID-19 anticipate having a longer average life expectancy (83 years) than those whose retirement timelines have been impacted by COVID-19 (81 years). The actual impact of COVID-19 on mortality and morbidity, in both the short and long term, will be a source of scientific and statistical analysis for years to come. The CIA is studying the impact on mortality in Canada.

## 3: FINANCIAL PLAN FOR RETIREMENT

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### SUMMARY

Less than half of Canadians engage in financial planning for retirement, even though it's associated with a more comfortable, confident retirement. Most retired Canadians have less income in retirement than they did when working but are also spending less in retirement. Many Canadians are also living without life or health-related insurance and show a lack of interest in and/or knowledge of retirement savings plans.



### HIGHLIGHTS

#### 3.1 LIVING COMFORTABLY IN RETIREMENT

- **3.1.1: Overall non-retiree expectations vs. retiree experiences:** 52% of non-retired Canadians expect to live comfortably throughout their retirement. In contrast, 84% of retired Canadians said that they expect to live comfortably throughout their retirement.
- **3.1.2: Variation amongst selected subgroups:**
  - **Non-retirees:** Compared to the 52% overall percentage of non-retired Canadians who expect to live comfortably throughout retirement, there were notable variations in this percentage amongst various subgroups. A significantly higher percentage (75%) was noted amongst those who have a financial plan for retirement, for example (vs. 37% who do not have a financial plan).
  - **Retirees:** Compared to the 84% overall percentage of retired Canadians who expect to live comfortably throughout retirement, there were notable variations in this percentage amongst various subgroups. A higher percentage (98%) was noted amongst those who have a balanced investment portfolio, for example.

#### 3.2: RETIREMENT SAVINGS AND INVESTMENTS

- **3.2.1: Current level of savings and investments amongst retirees:** Although the overall savings picture has improved since our last two surveys in 2010 and 2012, nearly one in five retirees still have less than \$25,000 in savings and investments.
- **3.2.2: Variation amongst selected subgroups:** Compared to the 19% overall percentage of retirees with less than \$25,000 in savings, there

were notable variations amongst various subgroups. For example, 39% of retirees who do not have a financial plan fall into this category.

- **3.2.3: Running out of savings in retirement:** 44% of total Canadians (and 56% of retired Canadians) say they would live off Canadian Pension Plan (CPP) and Old Age Security (OAS) payments if their savings were to run out in retirement.

### 3.3: RETIREMENT INCOME AND SPENDING

- **3.3.1: Retirement income from all sources:** Retired Canadians report an average monthly retirement income of \$4,320. There was significant variation in reported retirement income amongst subgroups. For example, men reported an average retirement income of \$4,892 per month, whereas this figure was \$3,820 per month for women.
- **3.3.2: Retirement income vs. pre-retirement income:** More than half (57%) of retired Canadians have less income in retirement than they did while working. This contrasts with the expectations of non-retired Canadians, only 36% of whom anticipate having less income in their retirement years.
- **3.3.3: Retirement spending vs. pre-retirement spending:** More than half (52%) of retired Canadians spend less in retirement than they did while working. This contrasts with the expectations of non-retired Canadians, only 36% of whom anticipate spending less in their retirement years.

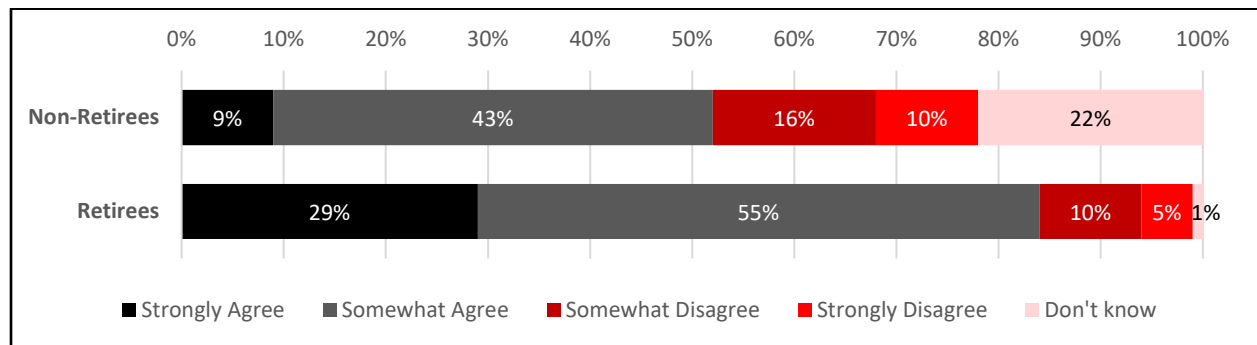
### 3.4: FINANCIAL PLANNING AND RISK MANAGEMENT

- **3.4.1: Lack of financial planning:** More than half of Canadians do not have a financial plan for their retirement.
- **3.4.2: Benefits of financial planning:** 80% of those who do have a financial plan for retirement expect to live comfortably in retirement (compared to 44% of those without a financial plan).
- **3.4.3: Living without insurance:** More than one in three Canadians do not own any of the following types of insurance: life, disability, critical illness, or long-term care.

### 3.1: LIVING COMFORTABLY IN RETIREMENT

#### 3.1.1: OVERALL NON-RETIREE EXPECTATIONS VS. RETIREE EXPERIENCES

Nearly half of non-retired Canadians do not think or do not know if they will be able to live comfortably throughout their retirement. Retired Canadians are three times more likely compared to non-retirees (29% vs. 9%) to strongly agree that they expect to live comfortably throughout their retirement. However, about 15% of retired Canadians are not living comfortably in their retirement.

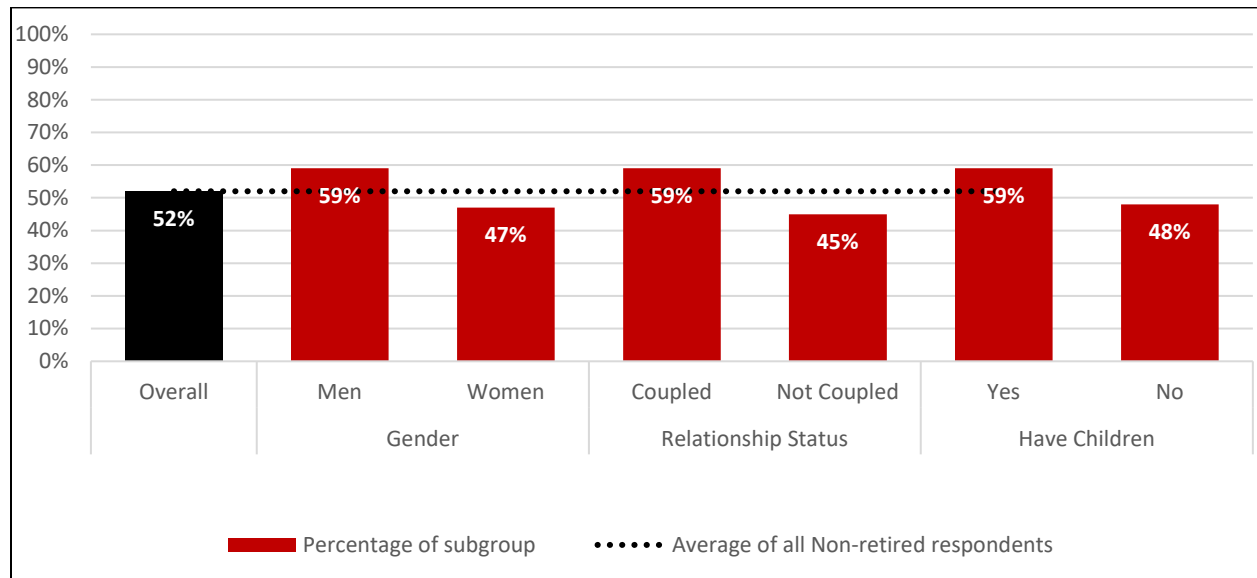


**Figure 3.1.1:** Responses to question asking if Canadians will be able to live comfortably (or, if already retired, are living comfortably) in their retirement (Question Q13)

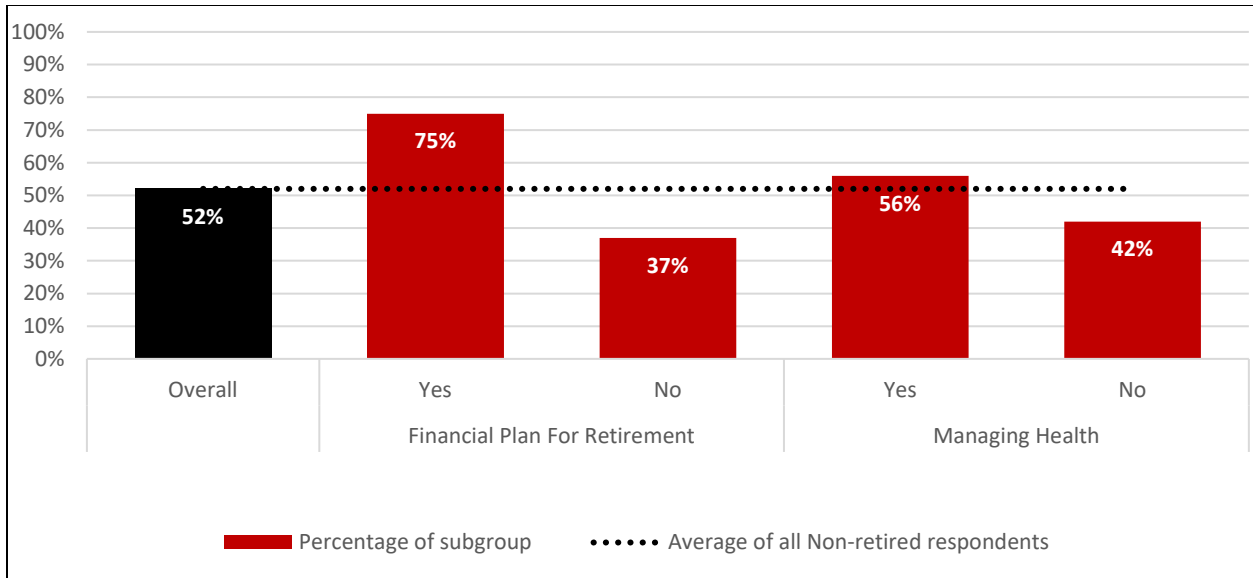
#### 3.1.2: VARIATION AMONGST SELECTED SUBGROUPS

##### Non-retired Canadians

As illustrated above, 52% of non-retired Canadians expect to live comfortably throughout their retirement. There were some noted variations within subgroups as shown in the charts below:



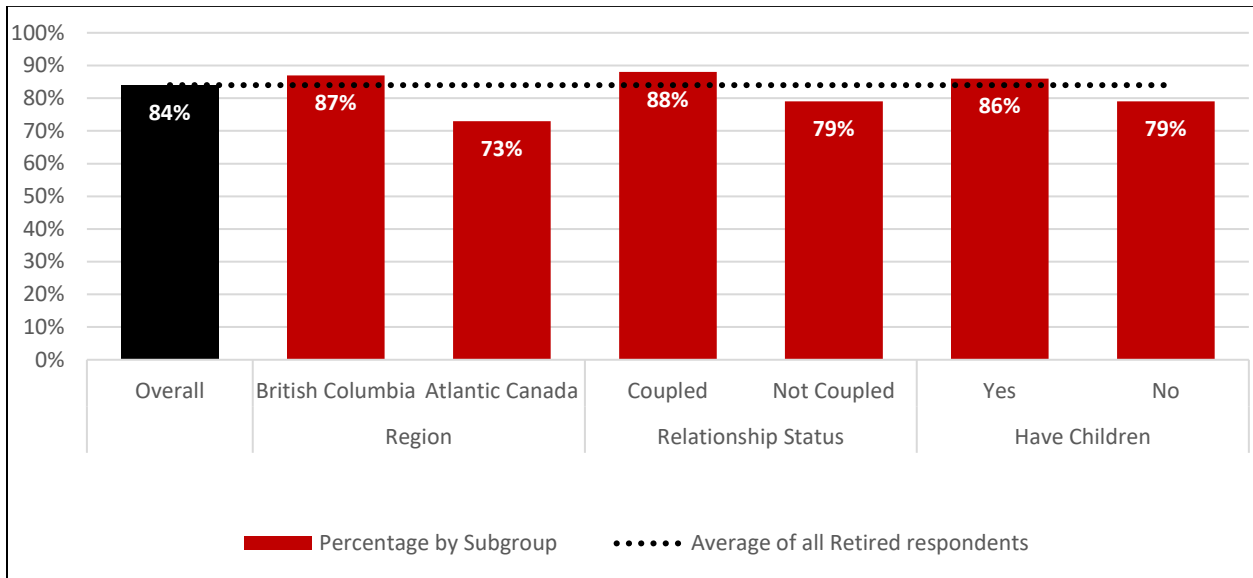
**Figure 3.1.2(a):** For non-retired respondents, the percentage by subgroup that expect to live comfortably in retirement (Question 13)



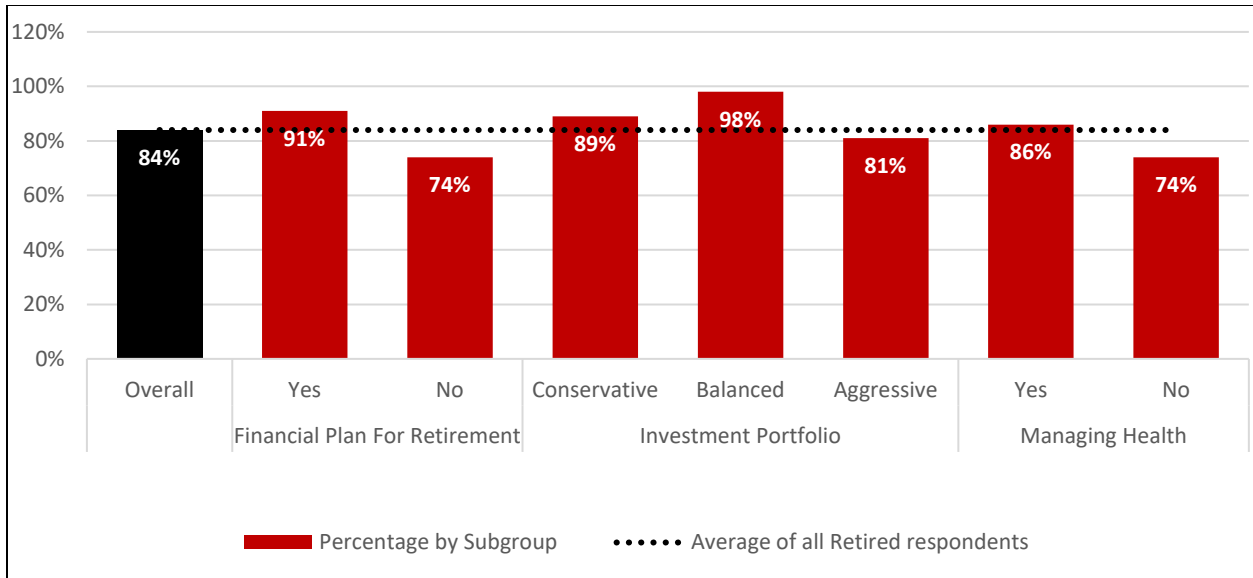
**Figure 3.1.2(b):** For non-retired respondents, the percentage by subgroup that expect to live comfortably in retirement (Question Q13)

### Retired Canadians

84% of retired Canadians are living comfortably in their retirement. There were some noted variations within subgroups as shown in the charts below:



**Figure 3.1.2(c):** For retired respondents, the percentage by subgroup that expect to live comfortably in retirement (Question Q13)



**Figure 3.1.2(d):** For retired respondents, the percentage by subgroup that expect to live comfortably in retirement (Question Q13)

**Living modestly:** Although 84% of retired Canadians said that they live comfortably, 27% of retired Canadians report that they intentionally live modestly in retirement specifically to leave as much of their savings to their children or other beneficiaries as possible.



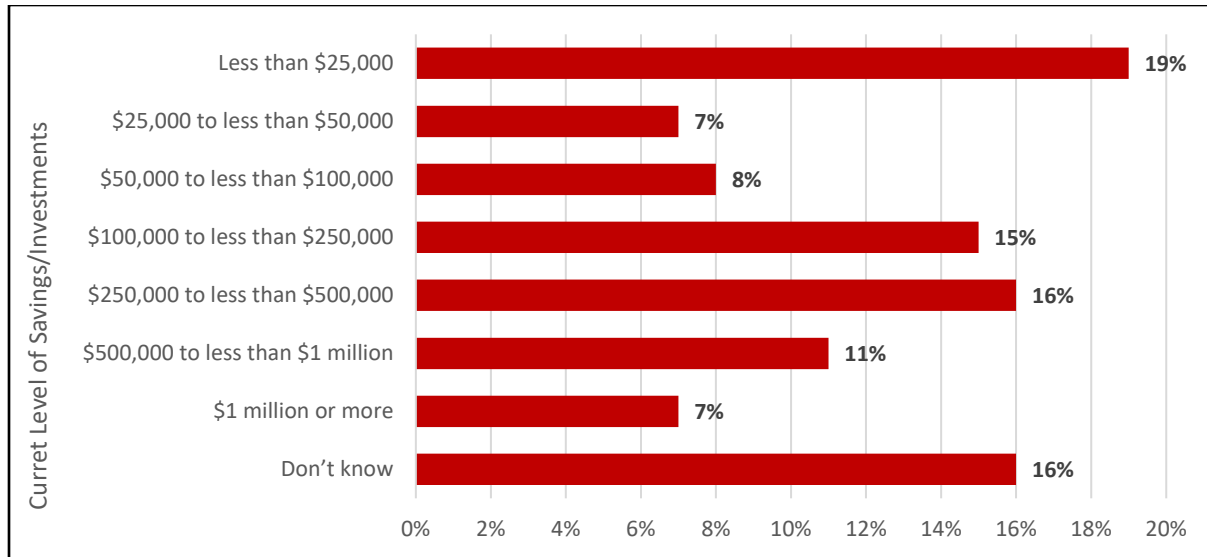
### Financial plans and household income

Having a financial plan for retirement is correlated with household income, which could partially explain some of the trends noted above. However, even when controlling for household income, we saw significant differences between those with a financial plan and those without on questions relating to expected standard of living in retirement.

## 3.2: RETIREMENT SAVINGS AND INVESTMENTS

### 3.2.1: CURRENT LEVEL OF SAVINGS AND INVESTMENTS AMONGST RETIREES

Survey responses indicate that many retired Canadians may not have enough savings to live comfortably throughout their retirement. Nearly one in five Canadian retirees (19%) report having less than \$25,000 in savings and investments; about one in three (34%) report having less than \$100,000. A further 16% say they don't know how much money they currently have in savings and investments.



**Figure 3.2.1:** Distribution of current level of savings and investments as reported by retired Canadians (Question Q10)

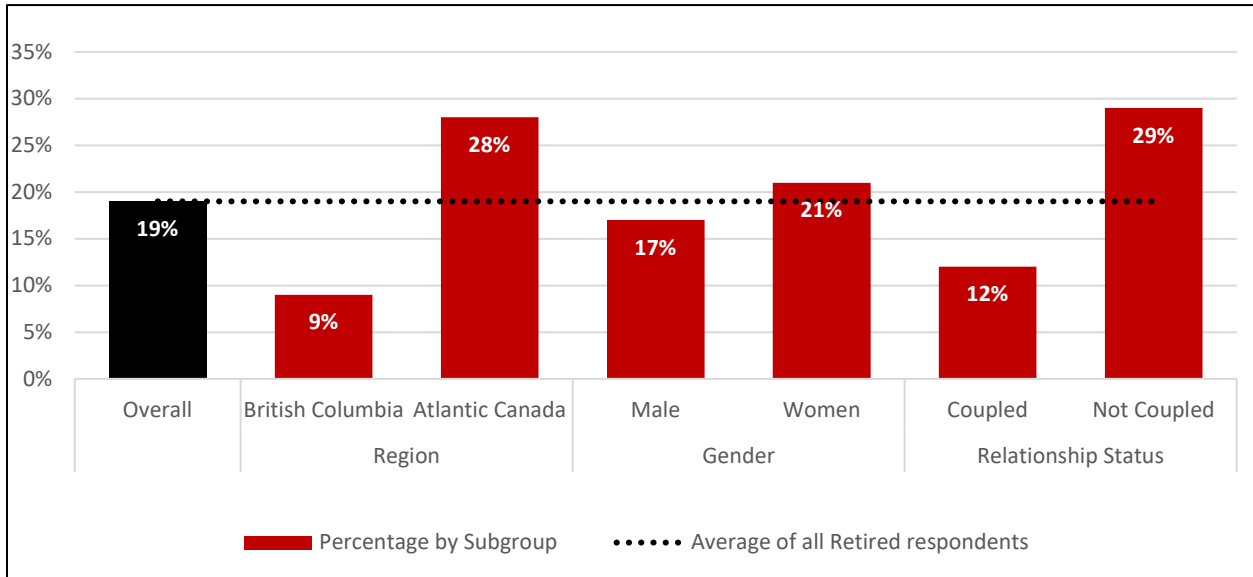
**Comparison to past surveys:** The overall savings picture has improved since the last two retirement risk surveys, with a larger proportion of retirees falling into the higher savings and investment bands.

Retirees	2020	2012	2010	2020 vs. 2012	2020 vs. 2010
Less than \$25,000	19%	19%	23%	0%	(4%)
\$25,000 to less than \$50,000	7%	12%	15%	(5%)	(8%)
\$50,000 to less than \$100,000	8%	11%	11%	(3%)	(3%)
\$100,000 to less than \$250,000	15%	15%	17%	0%	(2%)
\$250,000 to less than \$500,000	16%	12%	8%	4%	8%
\$500,000 to less than \$1 million	11%	7%	6%	4%	5%
\$1 million or more	7%	4%	3%	3%	4%
Don't know	16%	21%	17%	(5%)	(1%)

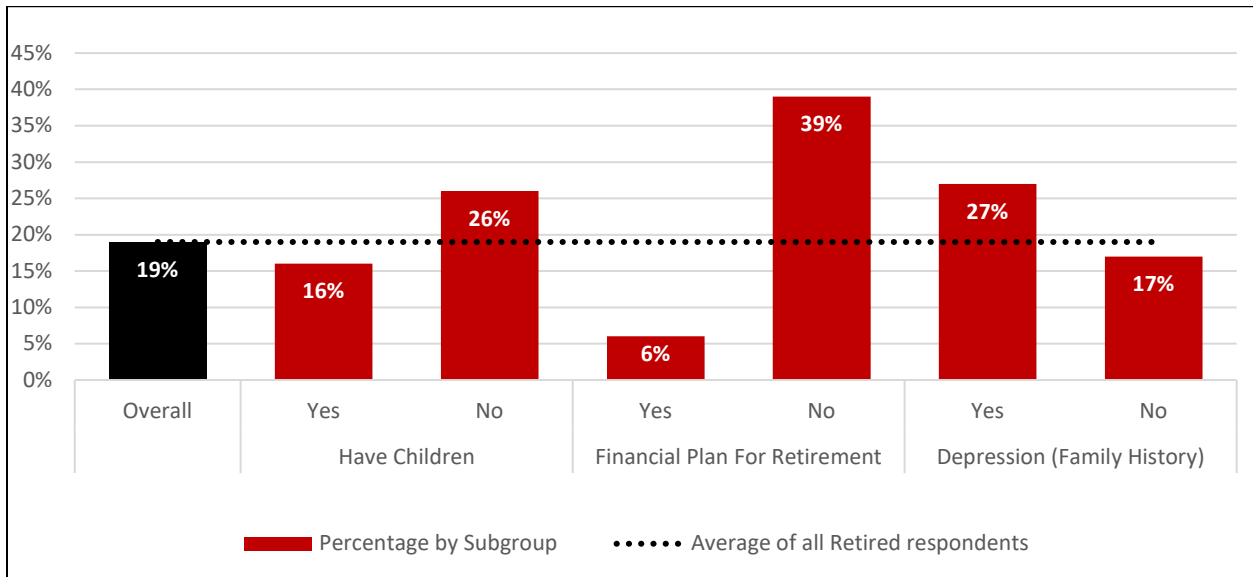
### 3.2.2: VARIATION AMONGST SELECTED SUBGROUPS

#### *Retired Canadians with less than \$25,000 in savings and investments*

As illustrated above, 19% of retired Canadians report having less than \$25,000 in savings and investments. There were some noted variations within subgroups as shown in the chart below:



**Figure 3.2.2 (a):** For retired respondents, the percentage by subgroup with less than \$25,000 in savings and investments (Question Q10)



**Figure 3.2.2 (b):** For retired respondents, the percentage by subgroup with less than \$25,000 in savings and investments (Question Q10)



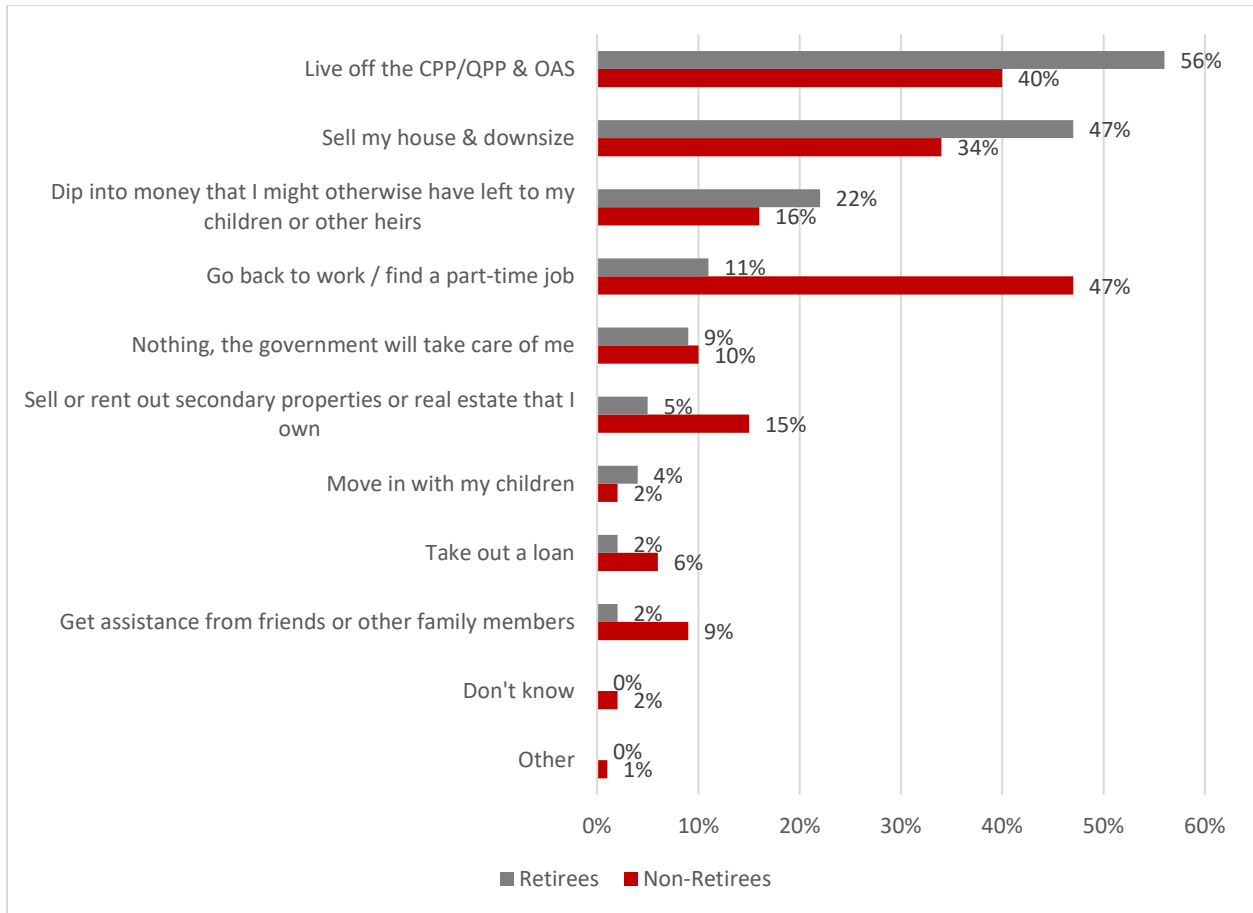


### **How much is enough?**

Assuming \$50,000 annual retirement income with 2% inflation and 3.5% post-retirement rate of return for 20 years, the CIA estimated that someone retiring at age 65 will need approximately \$900,000 of savings.

### 3.2.3: RUNNING OUT OF SAVINGS IN RETIREMENT

Nearly half (44%) of Canadians say they would live off the Canadian/Quebec Pension Plan (CPP/QPP) and Old Age Security (OAS) payments if their savings were to run out in retirement, a figure which jumps to nearly six in ten (56%) among retirees. Interestingly, non-retirees are over four times more likely (at 47%) compared to retirees (11%) to say they will be willing to go back to work and find a part-time job if they are short on cash in retirement.

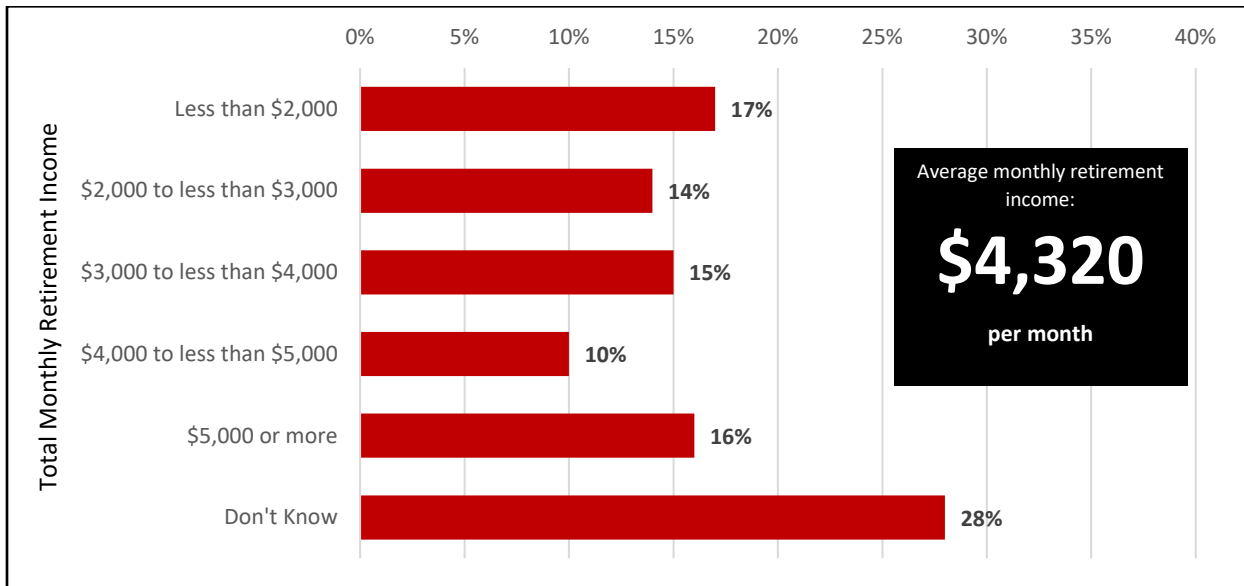


**Figure 3.2.3:** Steps to be taken if retirement savings were to run out (respondents could select multiple actions; percentages shown reflect proportion of respondents who selected the given option) (Question Q11)

### 3.3: RETIREMENT INCOME AND SPENDING

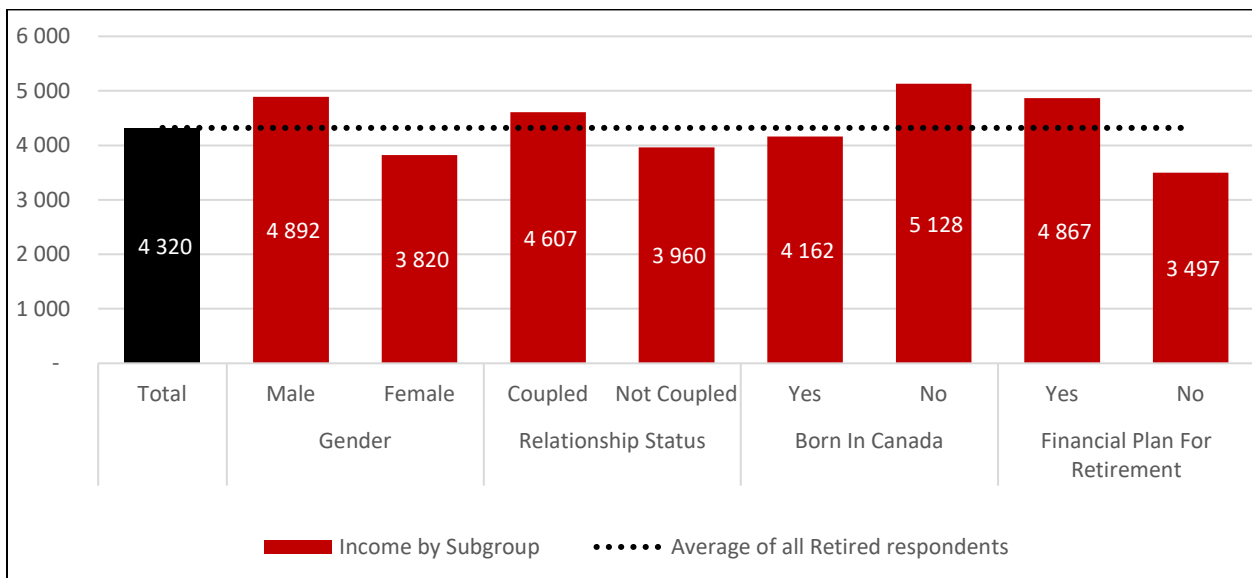
#### 3.3.1: RETIREMENT INCOME FROM ALL SOURCES

Two-thirds (64%) of non-retirees are not sure how much income they will earn in retirement. Retired Canadians report an average retirement income of \$4,320. Surprisingly, nearly one in three retirees do not know how much income they are receiving.



**Figure 3.3.1 (a):** Distribution of expected total monthly retirement income amongst retired Canadians (Question Q8B)

Some noted variations of reported monthly retirement income within subgroups are shown in the chart below:



**Figure 3.3.1 (b):** Reported monthly retirement income for subgroups of retired Canadians (Question Q8B)

**The gender gap:** The average retirement income reported by retired Canadians showed a significant gap in retirement income between men and women. In particular, survey responses indicate that men have, on average, \$1,072 more retirement income per month than women.

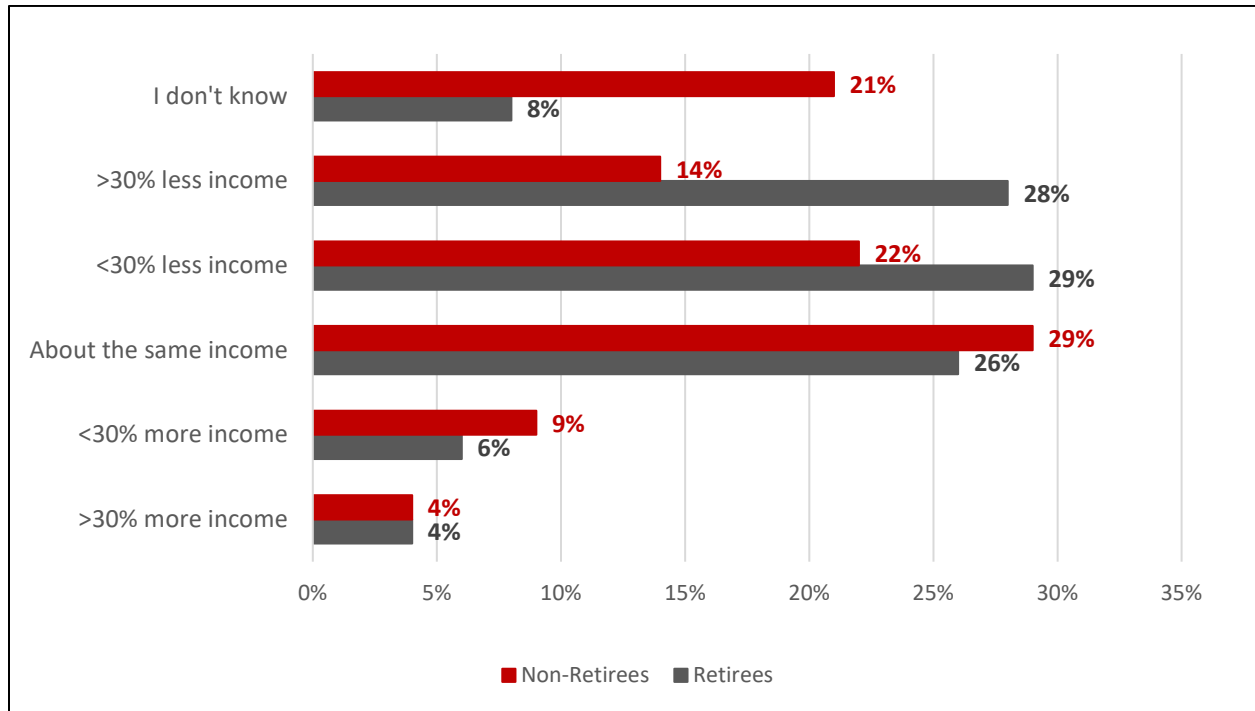
### 3.3.2: RETIREMENT INCOME VS. PRE-RETIREMENT INCOME

More than half (57%) of retired Canadians have less income in retirement than they did while working. This contrasts with the expectations of non-retired Canadians, only 37% of whom anticipate having less income in their retirement years. Surprisingly, nearly one in 10 retirees (8%) report not knowing whether their retirement income is higher or lower than their pre-retirement income.



#### Average household income vs. spending

According to Statistics Canada, 34% of retirees over age of 55 are carrying debt. This is consistent with Statistics Canada’s ongoing research into the spending habits of Canadian households which showed that Canadians over age 65 spent about \$5,030 per month in 2017 (or \$60,359 per year) while actual income is about \$3,600 per month.



**Figure 3.3.2:** Monthly income in retirement relative to monthly income before retirement, for both retirees and non-retirees (Question Q9)



### Average household income

According to Statistics Canada's ongoing research into the income of Canadian households, income for households aged 65+ was about \$41,400 in 2018 compared to \$54,600 income for Canadians aged 55 to 64 years (or 24% less).

### 3.3.3: RETIREMENT SPENDING VS. PRE-RETIREMENT SPENDING

When it comes to spending, the gap between retiree experience and non-retiree expectations is smaller. However, there is a significantly larger proportion of retirees (52%) spending less in retirement than is being anticipated by non-retirees (36%).

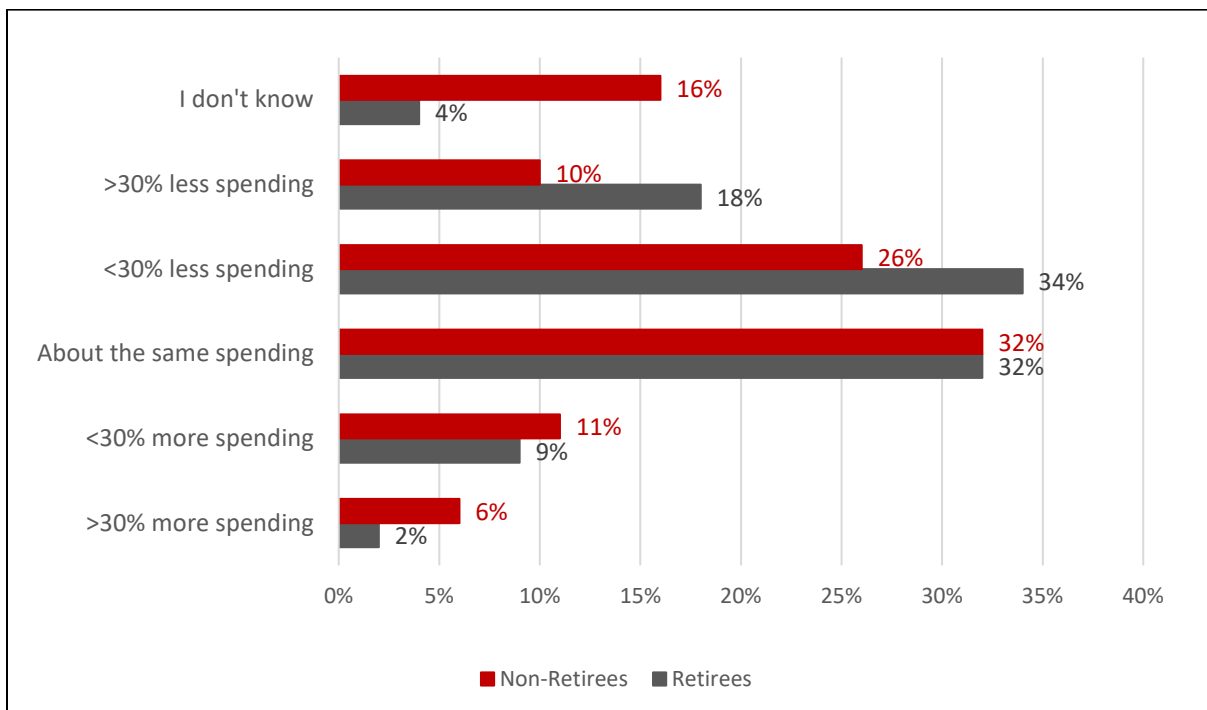


Figure 3.3.3: Monthly income in retirement relative to monthly income before retirement, for both retirees and non-retirees (Question Q9)



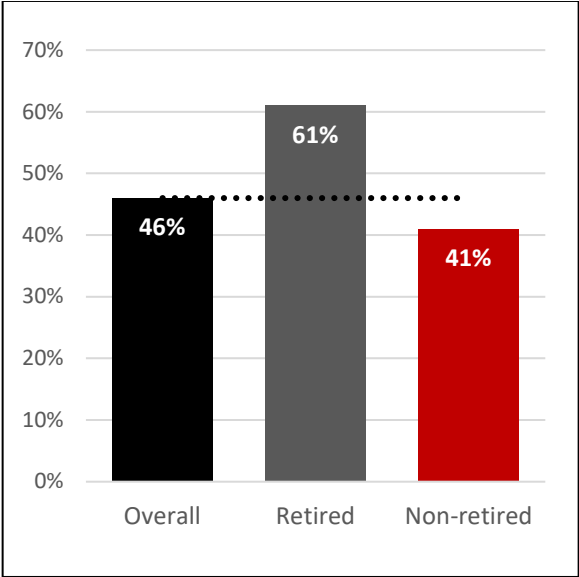
### Average household spending

According to Statistics Canada's ongoing research into the spending habits of Canadian households, households aged 65+ spent \$64,461 in 2019 compared to \$98,258 spent by Canadians aged 55 to 64 years (or 35% less).

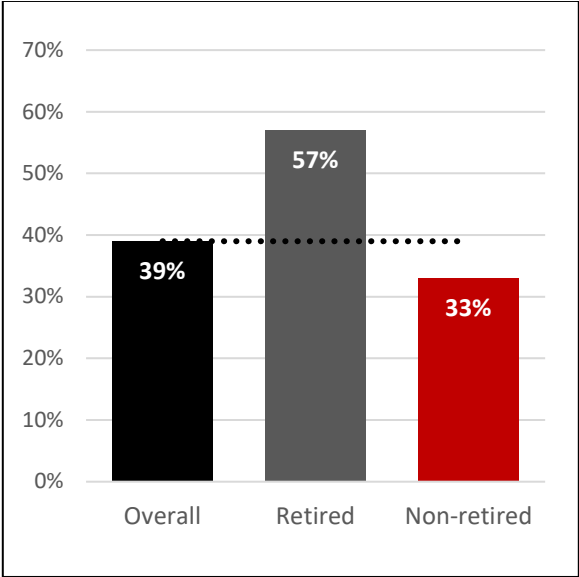
### 3.4: FINANCIAL PLANNING AND RISK MANAGEMENT

#### 3.4.1: LACK OF FINANCIAL PLANNING

Only 46% of Canadians have a financial plan for retirement and an even lower proportion (39%) have a financial planner or advisor. While these figures are lower for non-retirees, about four in 10 retired Canadians are living without a financial plan or the advice of a financial planner or advisor in retirement.

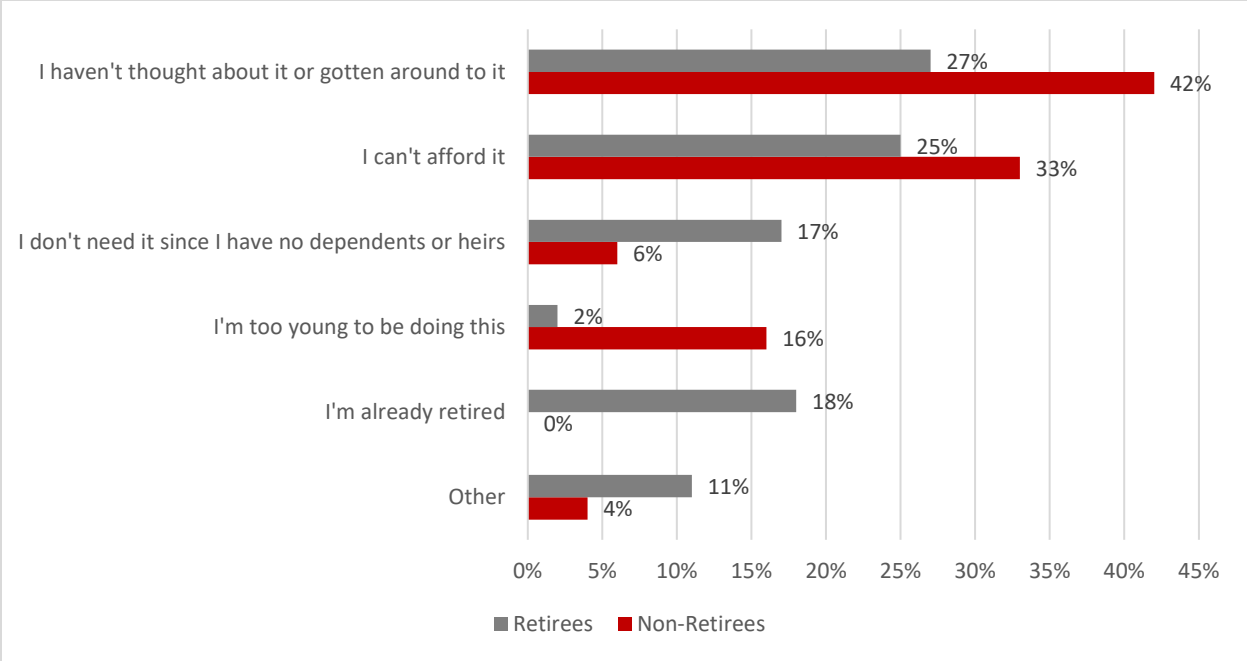


**Figure 3.4.1(a):** Percentage of Canadians who have a financial plan for retirement (Question Q5)



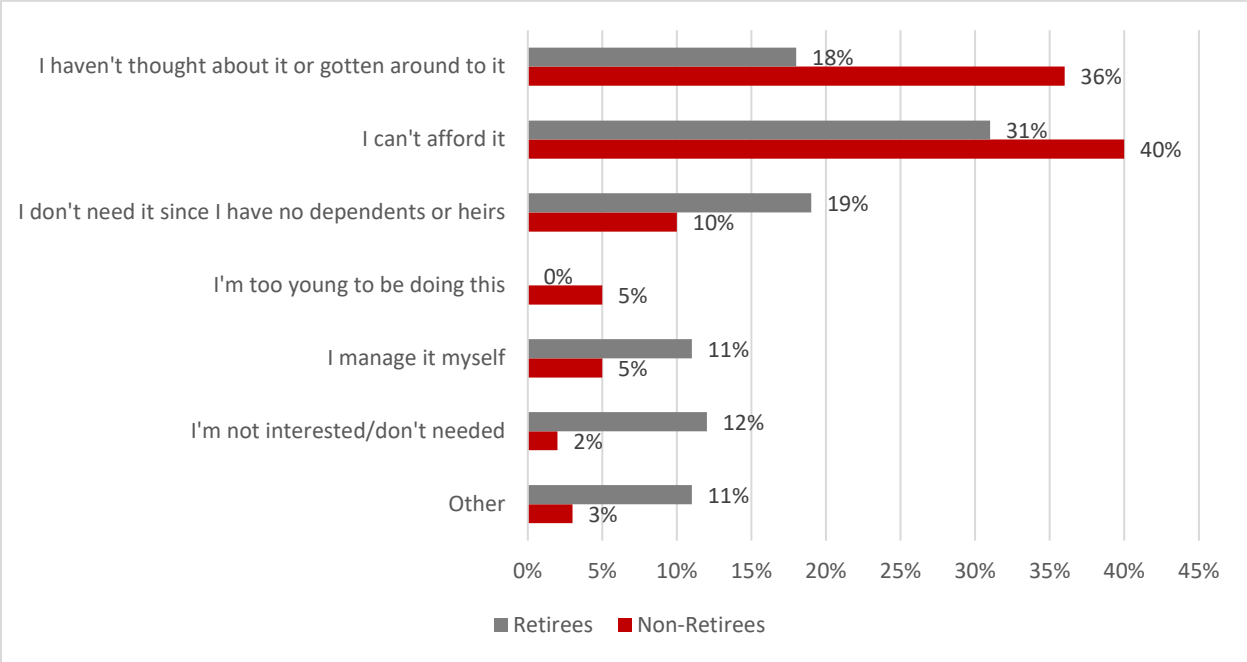
**Figure 3.4.1(b):** Percentage of Canadians who have a financial planner or advisor (Question Q5)

**Reasons for a lack of financial planning:** A significant percentage (31%) of Canadians who do not have a financial plan say they can't afford to engage in financial planning, and an even higher proportion (39%) say they simply haven't thought about it or gotten around to it. Even amongst retirees, a surprisingly high proportion (27%, or nearly one in three) have not thought about or gotten around to building a financial plan for their retirement years.



**Figure 3.4.1(c):** Reasons given for not having a financial plan for retirement (Question Q5A)

These figures are similar for Canadians who do not have a financial planner or advisor, although a higher percentage say they can't afford one, a trend that was consistent for both retired and non-retired Canadians.



**Figure 3.4.1(d):** Reasons given for not having a financial planner or advisor (Question Q5A)



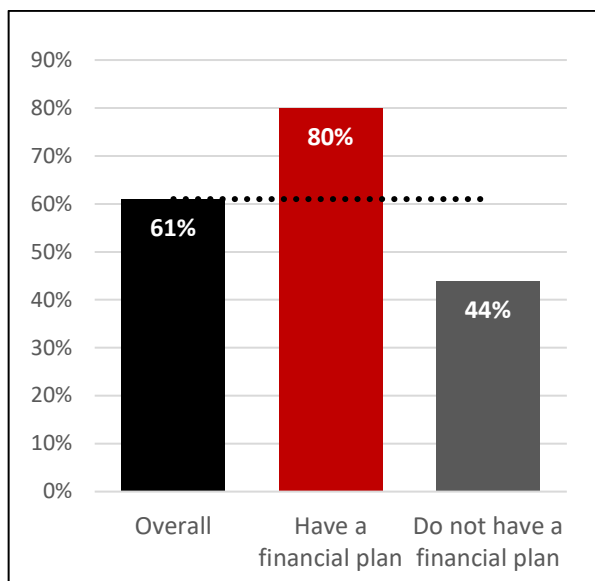
## Financial planning confusion

Survey results indicated that many Canadians may not have a clear picture of various aspects of financial planning for retirement. For example:

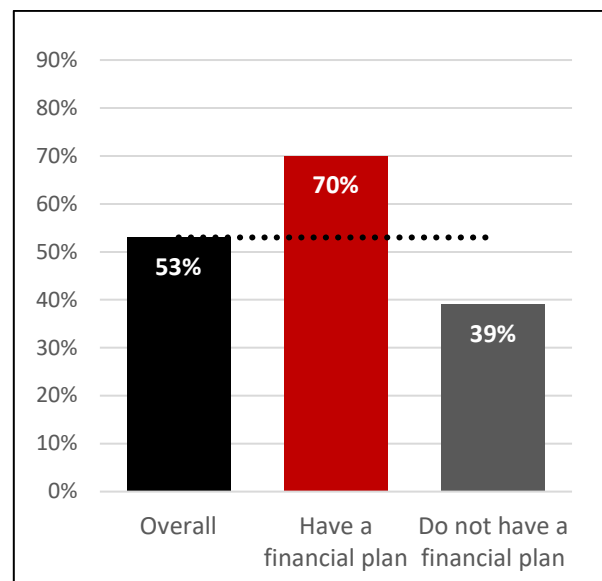
- 59% of Canadians feel it is better to pay off their mortgage than invest their money as they approach (or are in) retirement.
- 46% of Canadians do not know if annuities are a good investment.
- 35% of Canadians believe the amount of money received through CPP and OAS fluctuates with interest rates.
- 24% of Canadians believe that their taxes will be the same or higher in retirement (and a further 22% don't know if their taxes will be higher or lower).
- 17% of Canadians think RRSPs are a waste of time and money.

### 3.4.2: BENEFITS OF FINANCIAL PLANNING

Amongst Canadians who have a financial plan for retirement, 80% expect to be able to live comfortably, and 70% expect to be able to maintain their pre-retirement standard of living, throughout their retirement. For those without a financial plan for retirement, these figures drop to 44% and 39%, respectively.



**Figure 3.4.2(a):** Percentage of Canadians who expect to be able to live comfortably throughout retirement (Question Q13)



**Figure 3.4.2(b):** Percentage of Canadians who expect to have the same standard of living throughout retirement that they had while working (Question Q13)





## Financial plans and household income

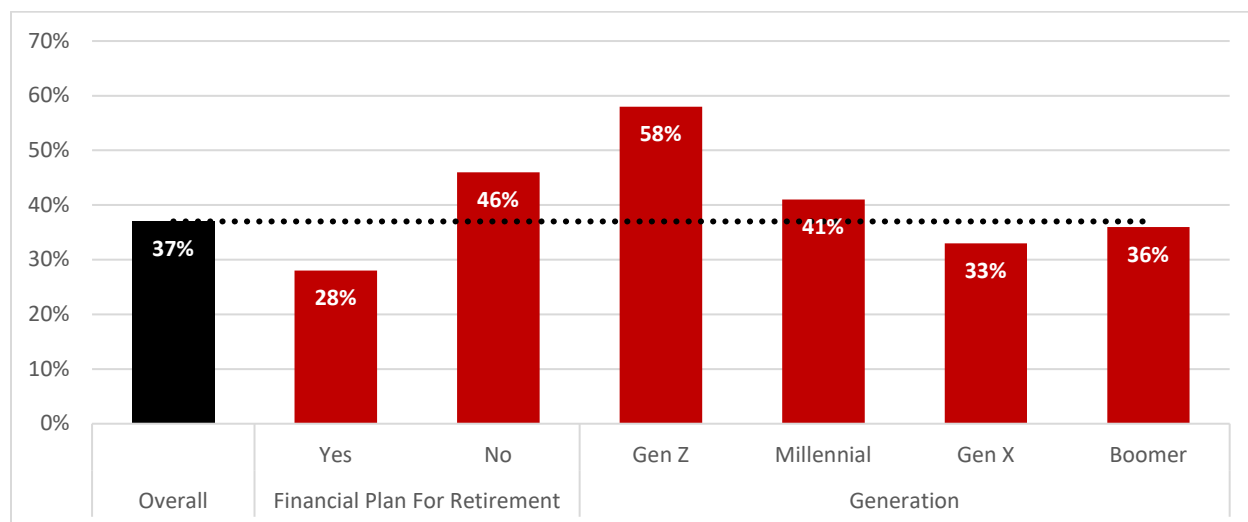
Having a financial plan for retirement is correlated with household income, which could partially explain some of the trends noted above. However, even when controlling for household income, we saw significant differences between those with a financial plan and those without on questions relating to expected standard of living in retirement.

**Impact on retirement age:** Canadians who have a financial plan tend to have greater certainty around the timing of their retirement. Only 20% of those who have a financial plan for retirement reported that they “don’t know” their expected age at retirement, compared to 40% of those who do not have a financial plan for retirement. In addition, amongst Canadians who do know their expected age at retirement, the average expected age at retirement is one year earlier for those who have a financial plan for retirement (60.4 years) versus those who do not (61.4 years).

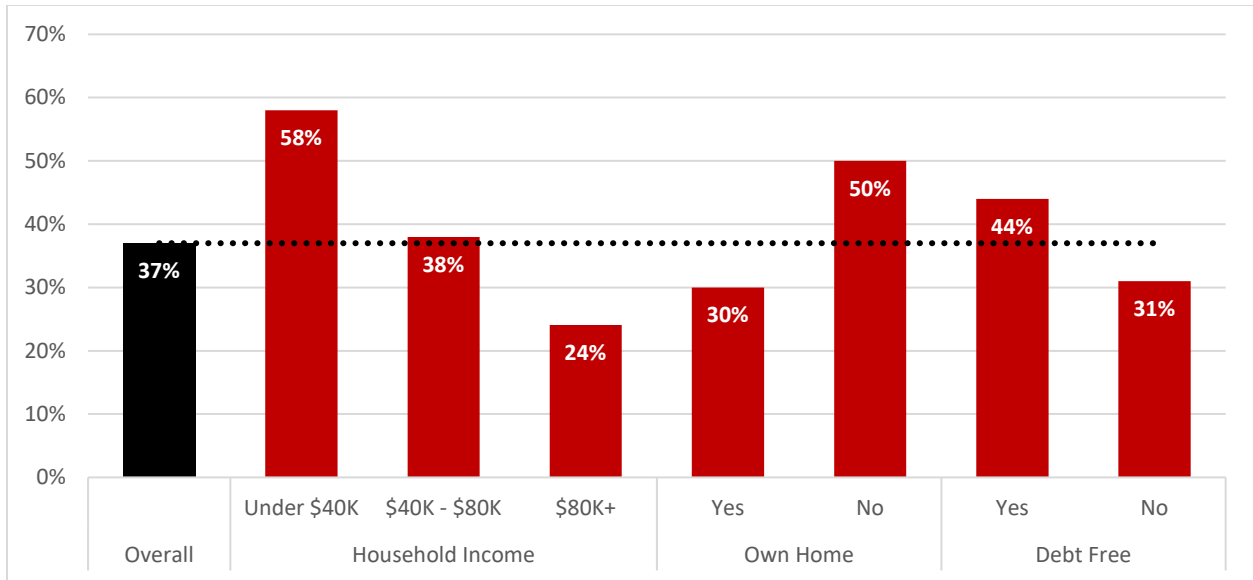
### 3.4.3: LIVING WITHOUT INSURANCE

37% of Canadians do not own life, disability, critical illness, or long-term care insurance, with the top reason for not having any insurance being the inability to afford it. Amongst these types of insurance, life insurance has the highest uptake at 54% while only 12% of Canadians report having long-term care insurance.

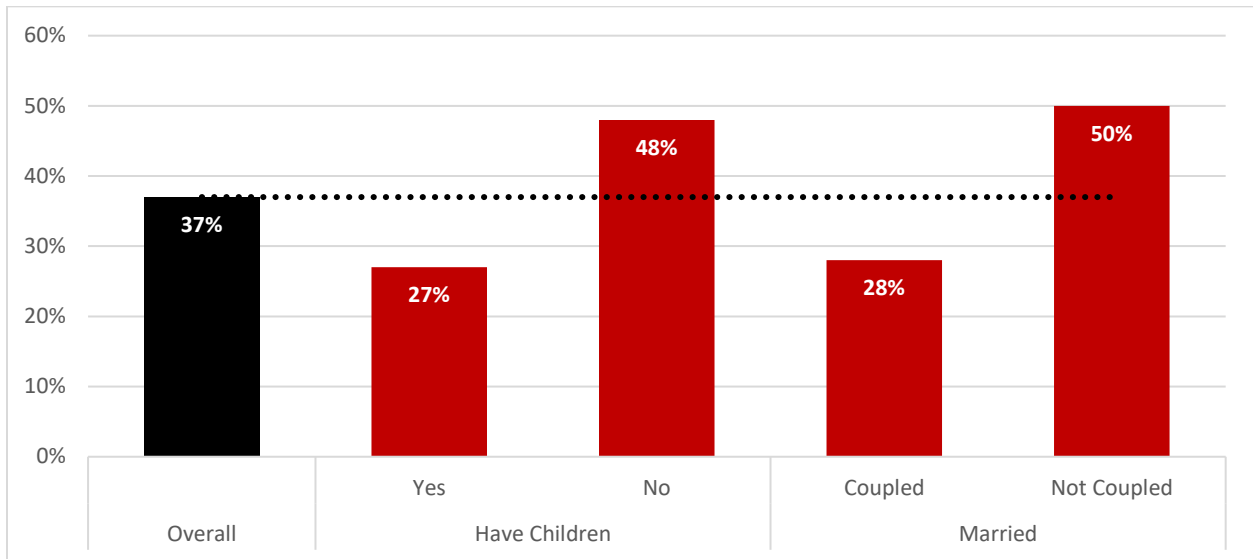
There were some noted variations within subgroups as shown in the chart below:



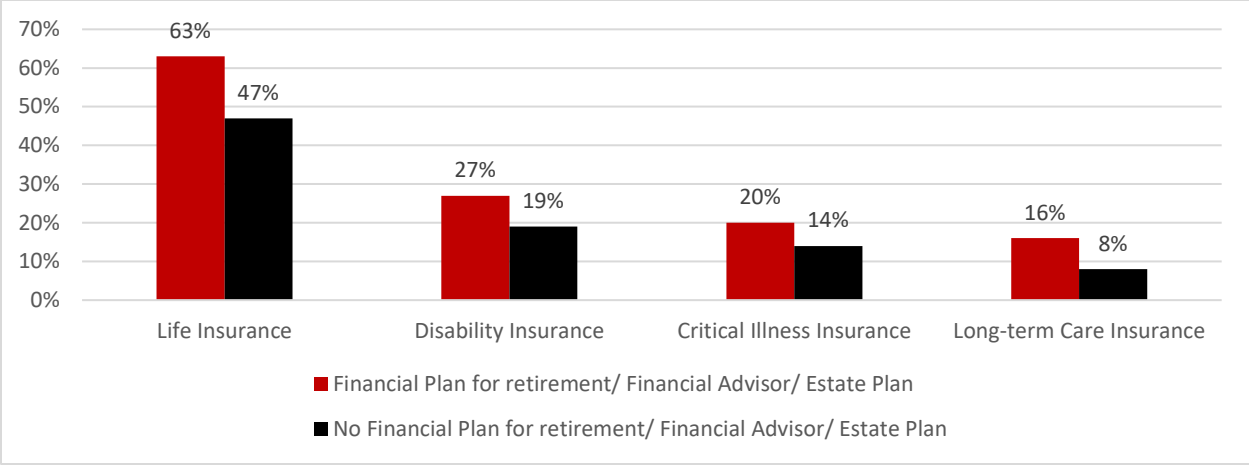
**Figure 3.4.3 (a):** Percentage of Canadians who do not own life, disability, critical illness, or long-term care insurance by various subgroups (Question 4)



**Figure 3.4.3 (b):** Percentage of Canadians who do not own life, disability, critical illness, or long-term care insurance by various subgroups (Question 4)

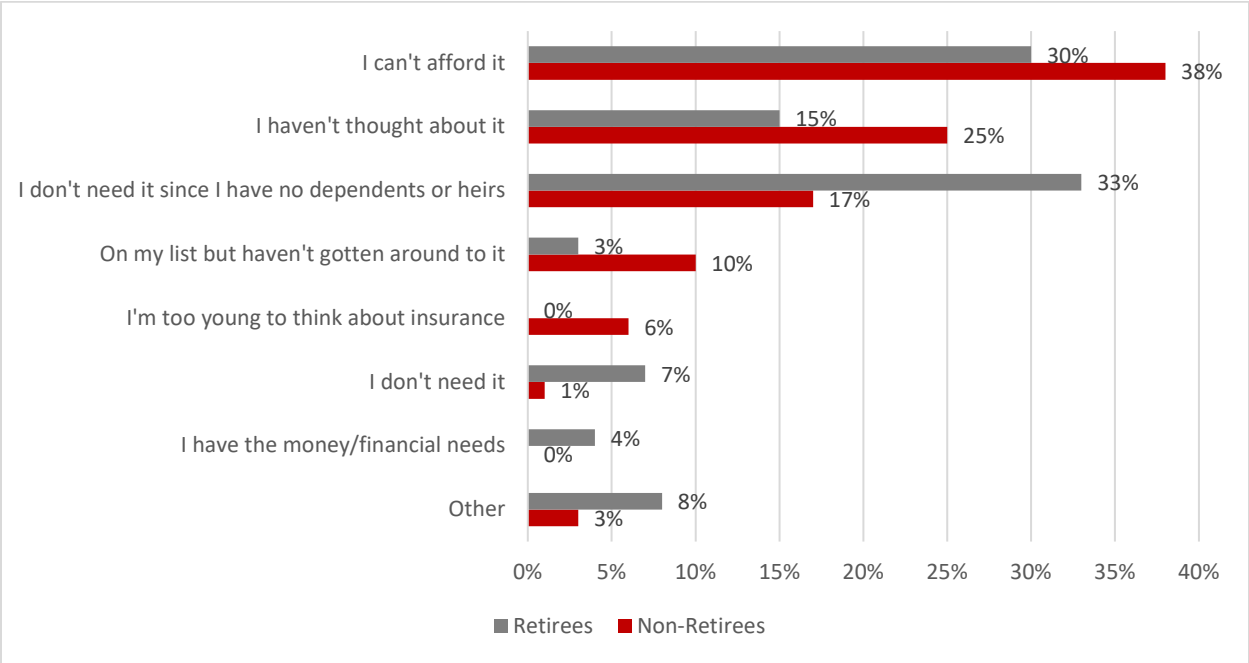


**Figure 3.4.3 (c):** Percentage of Canadians who do not own life, disability, critical illness, or long-term care insurance by various subgroups (Question 4)



**Figure 3.4.3 (d):** Percentage of Canadians who own life, disability, critical illness, and long-term care insurance (Question 4)

**Reasons for not buying insurance:** A significant percentage (36%) of Canadians who do not have any insurance say they can't afford insurance, and another significant proportion (23%) say they simply haven't thought about it.



**Figure 3.4.3 (e):** Reasons given for not having an insurance product (Question Q4A)

## 4: LIVING ARRANGEMENTS AND LONG-TERM CARE

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### SUMMARY

Many Canadians underestimate the risks associated with old age illnesses or the likelihood that they will require long-term care in their later years. A significant number also lack an understanding of the costs associated with long-term and in-home nursing care. Despite being concerned about the availability and quality of long-term care – and their ability to pay for it – only a few Canadians are planning for their long-term care needs.



### HIGHLIGHTS

#### 4.1: RISK OF OLD-AGE ILLNESSES

- **4.1.1. Risk of physical or mental disability:** 31% of Canadians feel they are likely to experience a physical or mental disability later in life. Actual experience indicates that disability rates at ages 75+ are over 47%.
- **4.1.2: Risk of Alzheimer’s or dementia:** 28% of females and 24% of males feel they are likely to suffer from Alzheimer’s or another form of dementia if they live to be 80 years old. Actual experience indicates that Canadians may be overestimating this risk.
- **4.1.3: Need for long-term care:** 22% of Canadians feel they are likely to require long-term care in their lifetime. Estimated prevalence statistics indicate that Canadians may be underestimating this risk.

#### 4.2: COST OF LONG-TERM CARE

- **4.2.1: Understanding the costs associated with long-term care:** A significant percentage of Canadians say they do not know the weekly costs associated with long-term care living (41%) or in-home nursing care (54%).
- **4.2.2: Assessment of weekly cost of long-term care:** For those Canadians who provided an estimate of long-term care costs, approximately one in three accurately estimated the average weekly cost of long-term care living (30%) or in-home nursing care (32%).
- **4.2.3: Knowledge of co-payment models:** 74% of Canadians aren’t sure what, if any, co-payment model for long-term care exists in their province.

#### 4.3: LONG-TERM CARE PLANNING

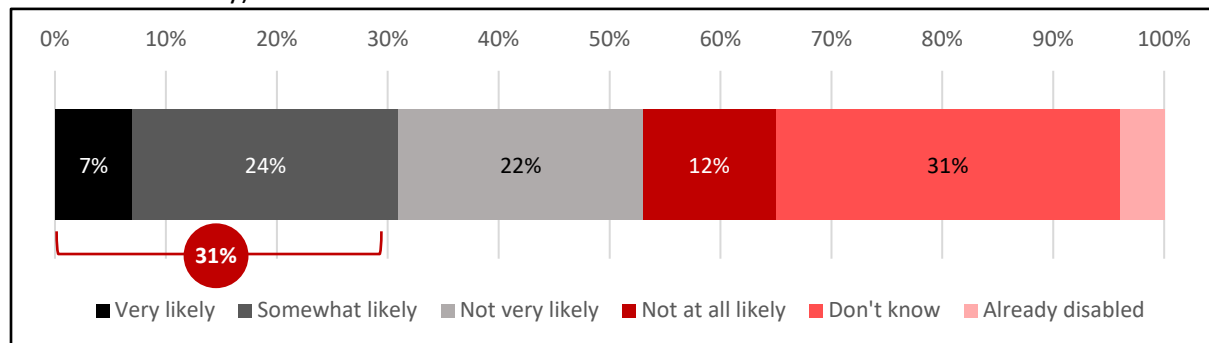
- **4.3.1: Availability, quality, and affordability of long-term care:** When it comes to long-term care, 47% of Canadians feel its availability is fair to poor, 55% feel its quality is fair to poor, and 49% rate their ability to afford it as fair to poor.
- **4.3.2: Long-term care planning:** Despite concerns about the availability, quality, and affordability of long-term care, 67% of Canadians report not having done anything when it comes to planning for long-term care needs.

## 4.1: RISK OF OLD-AGE ILLNESSES

### 4.1.1: RISK OF PHYSICAL OR MENTAL DISABILITY

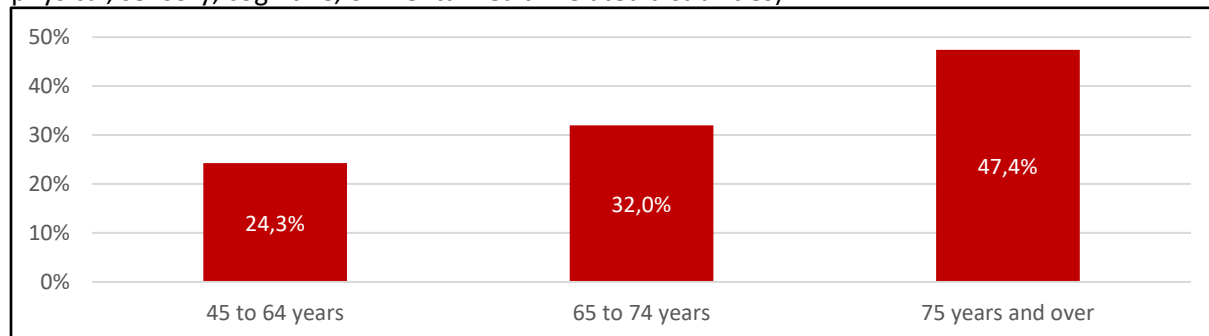
The exhibits below show that 31% of Canadians feel they are somewhat or very likely to suffer a physical or mental disability later in life. Statistics Canada's 2017 survey on disability indicates that, while this closely reflects the disability rate between ages 65 and 74, disability rates increase significantly at ages 75 and over.

**2020 Retirement Risk Survey:** How likely do you think it is that you will experience a disability (physical or mental disability) later in life?



**Figure 4.1.1 (a):** Distribution of reported likelihood of experiencing a disability later in life (Question Q20)

**Canadian Survey on Disability, 2017<sup>iv</sup>:** Disability rate for both sexes in Canada by age group (including physical, sensory, cognitive, or mental health-related disabilities).



**Figure 4.1.1 (b):** Actual prevalence of disability by age group according to the Canadian Survey on Disability (2017)



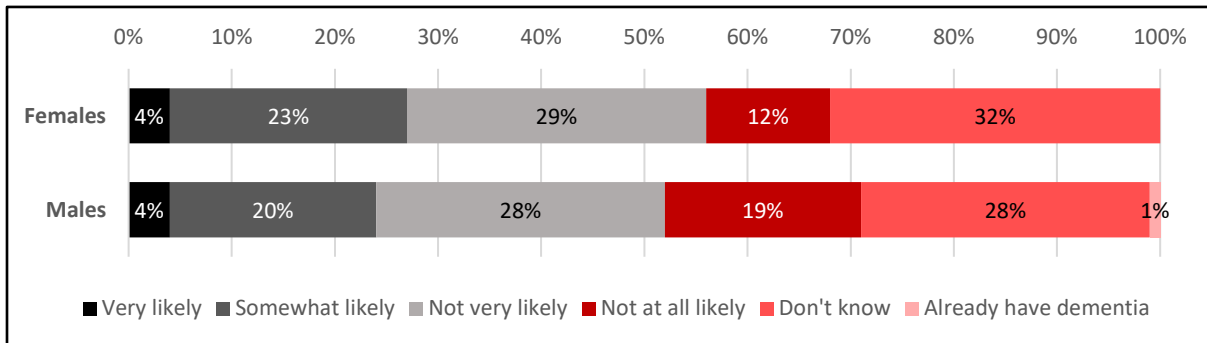
#### Likelihood of living to age 75+

The life expectancies that are broadly communicated are often those calculated from birth – i.e., how long a person born today can expect to live. For retirement planning purposes, it's important to consider life expectancies from your planned retirement age. For example, the life expectancy of someone born today is 86 years; whereas the life expectancy of someone who has already lived to age 62 is 87 years. In fact, according to CIA mortality tables, Canadians aged 62 have an 86% probability of living to age 75.

#### 4.1.2: RISK OF ALZHEIMER'S OR DEMENTIA

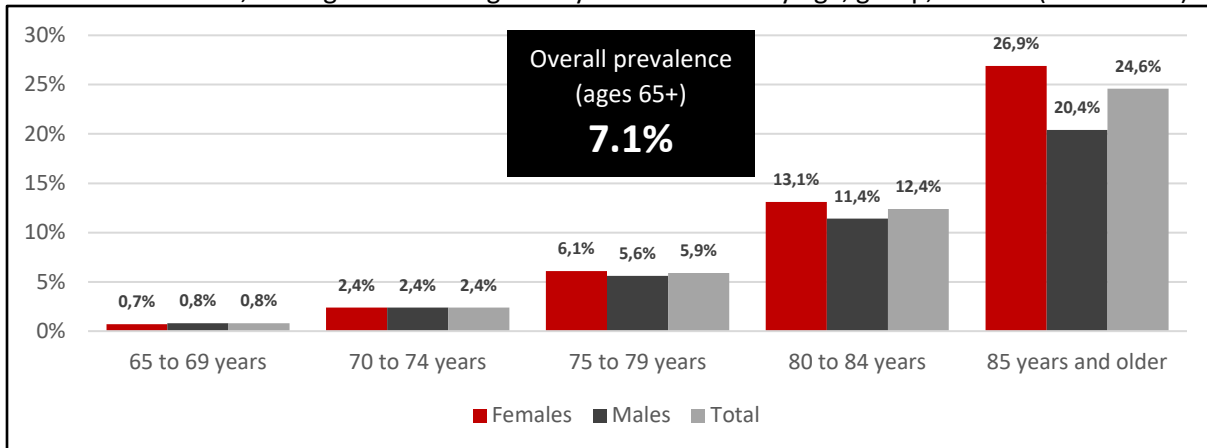
In contrast to the overall picture of disability in old age, Canadians show a tendency to overestimate the risk of suffering from dementia. 28% of females and 24% of males feel they are likely to suffer from Alzheimer's or another form of dementia if they live to be 80 years old. The Canadian Chronic Disease Surveillance System estimates the actual prevalence of dementia-related diseases (including Alzheimer's) amongst Canadians over age 65 to be 7.1%, although this figure increases significantly at ages 85+, particularly for females.

**2020 Retirement Risk Survey:** If you live to be 80 years old, how likely is it that you will suffer from Alzheimer's or dementia?



**Figure 4.1.2 (a):** Distribution of reported likelihood of suffering from Alzheimer's or dementia assuming the respondent lives to age 80+ (Question Q23)

**Canadian Chronic Disease Surveillance System<sup>v</sup>:** Prevalence of diagnosed dementia, including Alzheimer's disease, among Canadians aged 65 years and older by age, group, and sex (2013–2014)

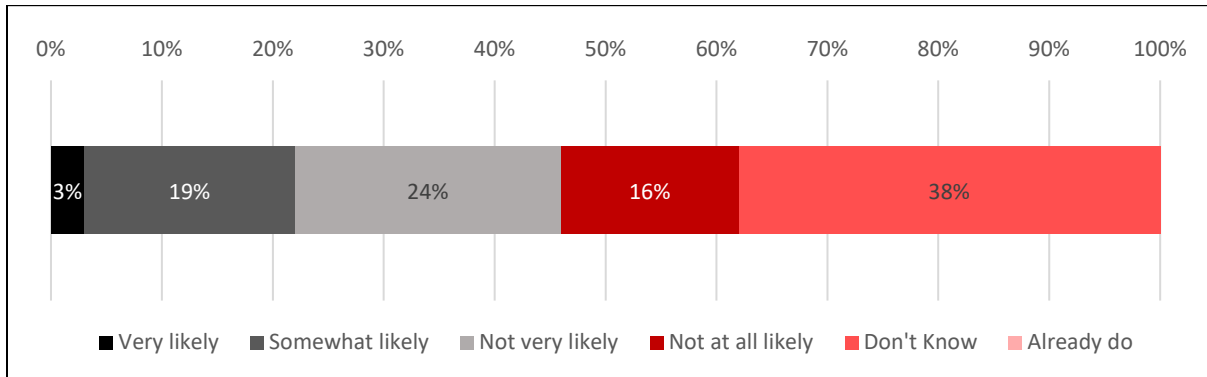


**Figure 4.1.2 (b):** Prevalence of diagnosed dementia, including Alzheimer's disease, among Canadians aged 65+

### 4.1.3: NEED FOR LONG-TERM CARE

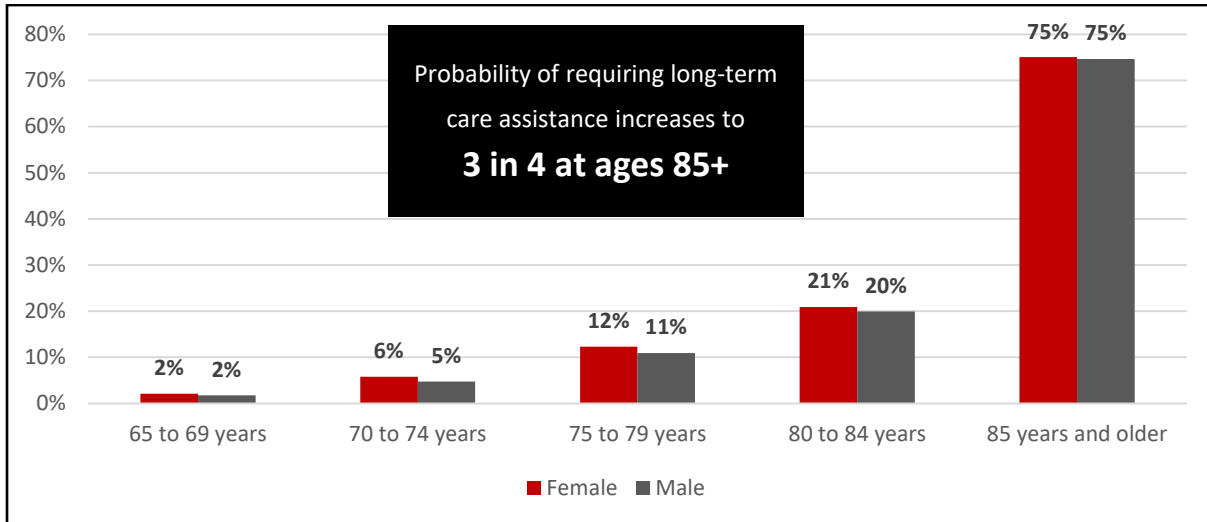
Only 22% of Canadians feel they are likely to need access to a long-term care facility or nursing home in their lifetime, but for Canadians who live beyond age 80 the proportion needing access to these facilities is much higher.

**2020 Retirement Risk Survey:** How likely do you think it is that you will need access to a long-term care facility or nursing home for 24-hour care experience in your lifetime?



**Figure 4.1.3 (a):** Distribution of reported likelihood of needing access to a long-term care facility or nursing home for 24-hour care experience in your lifetime (Question Q23)

**Authors' estimate:** Probability of Canadians aged 65 years and older by age group and gender requiring long-term care assistance.<sup>vi</sup>



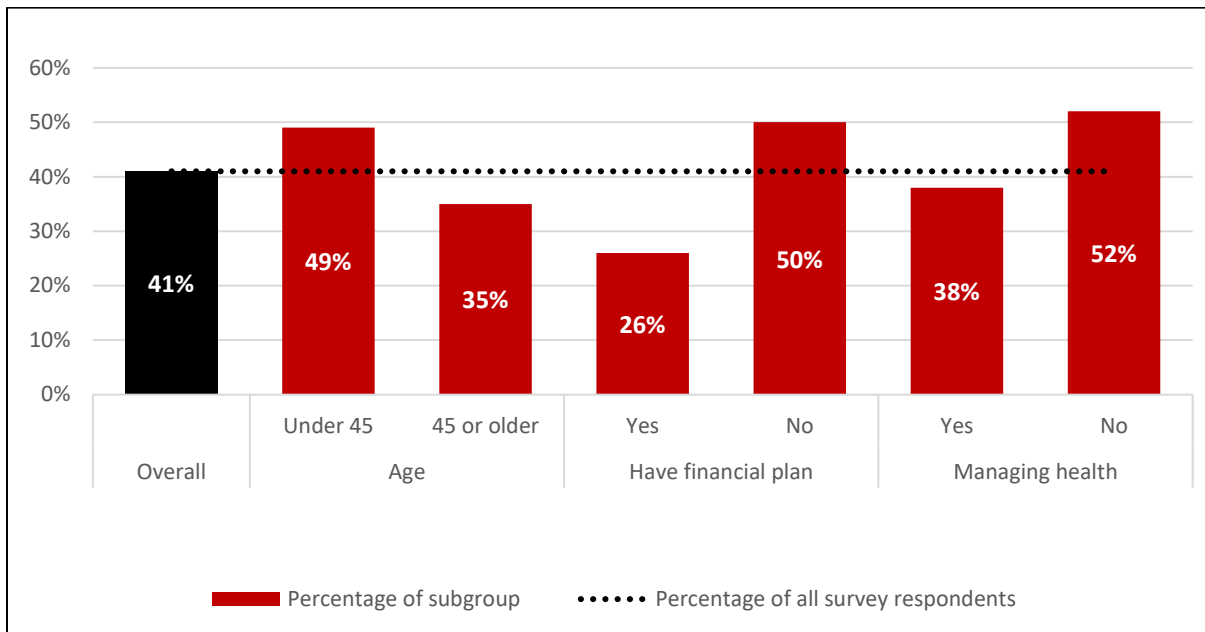
**Figure 4.1.3 (b):** Probability of requiring long-term care assistance for Canadians aged 65+



## 4.2: COST OF LONG-TERM CARE

### 4.2.1: UNDERSTANDING THE COSTS ASSOCIATED WITH LONG-TERM CARE

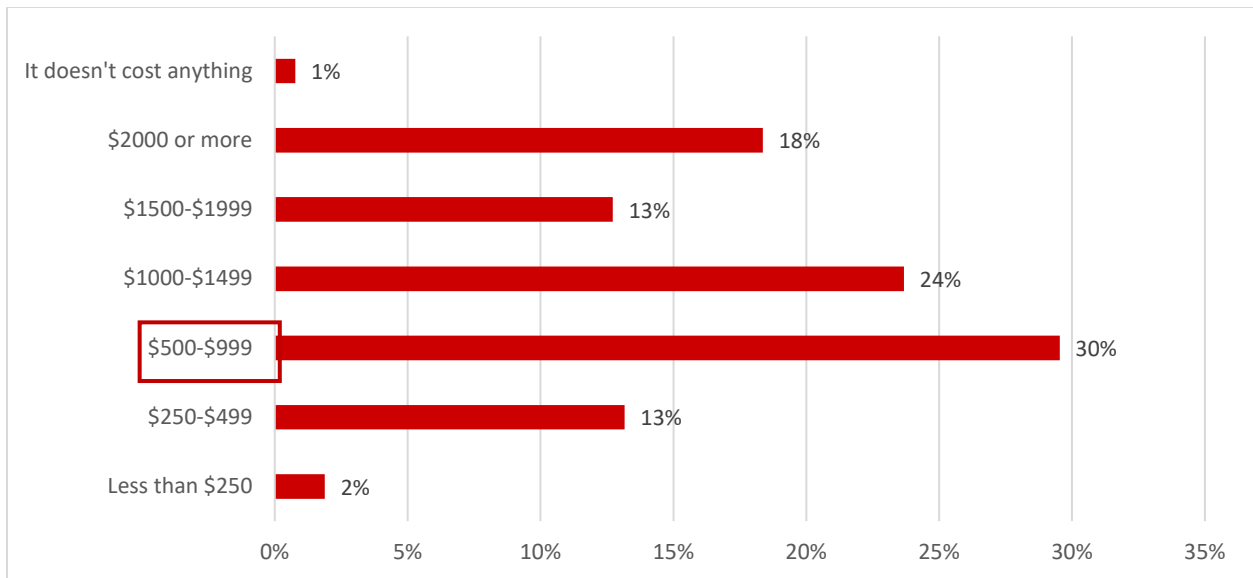
41% of Canadians say they do not know the weekly costs associated with long-term care living and 54% do not know the weekly costs associated with in-home nursing care. However, there are significant variations from this overall trend between different generations, those that have a financial plan, and those that manage their health.



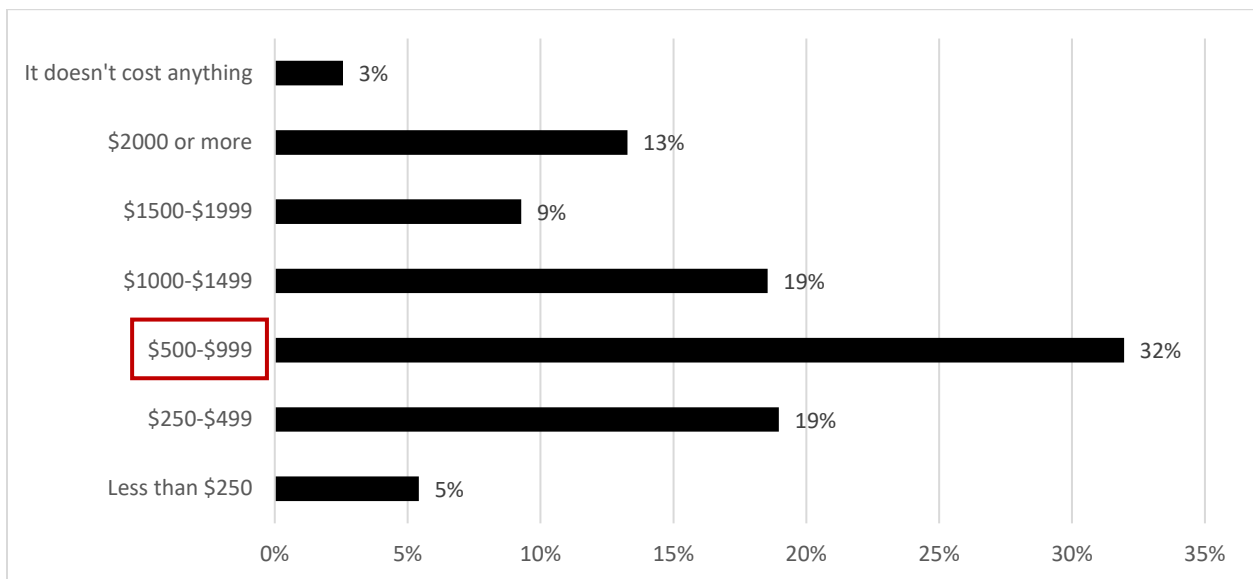
**Figure 4.2.1:** Percentage of Canadians who report that they do not know the weekly cost associated with long-term care living; comparison of selected subgroups (Question Q26)

### 4.2.2: ASSESSMENT OF WEEKLY COST OF LONG-TERM CARE

For those Canadians who provided an estimate of long-term care costs, approximately one in three accurately estimated the average weekly cost of living in a long-term care facility (30%) or in-home nursing care (32%).



**Figure 4.2.2 (a):** Distribution of Canadians' reported knowledge of the weekly cost of long-term care facilities (Question Q26)



**Figure 4.2.2 (b):** Distribution of Canadians' reported knowledge of the weekly cost of in-home nursing care (Question Q27)

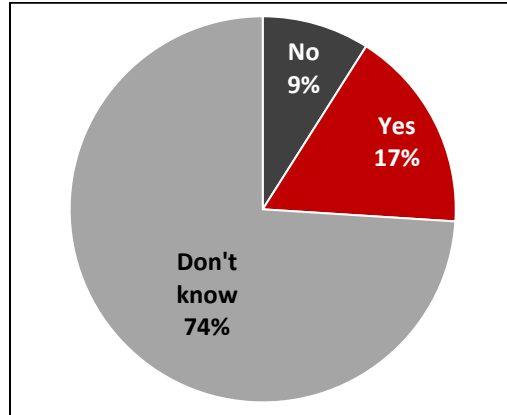


### Weekly cost of long-term care

As per CLHIA's Guide to Long-Term Care Insurance, the average weekly cost of living in a long-term care facility or in-home nursing care in Canada is between \$500–\$900.

### 4.2.3: KNOWLEDGE OF CO-PAYMENT MODELS

Three-quarters (74%) of Canadians aren't sure what, if any, co-payment model for long-term care exists in their province.



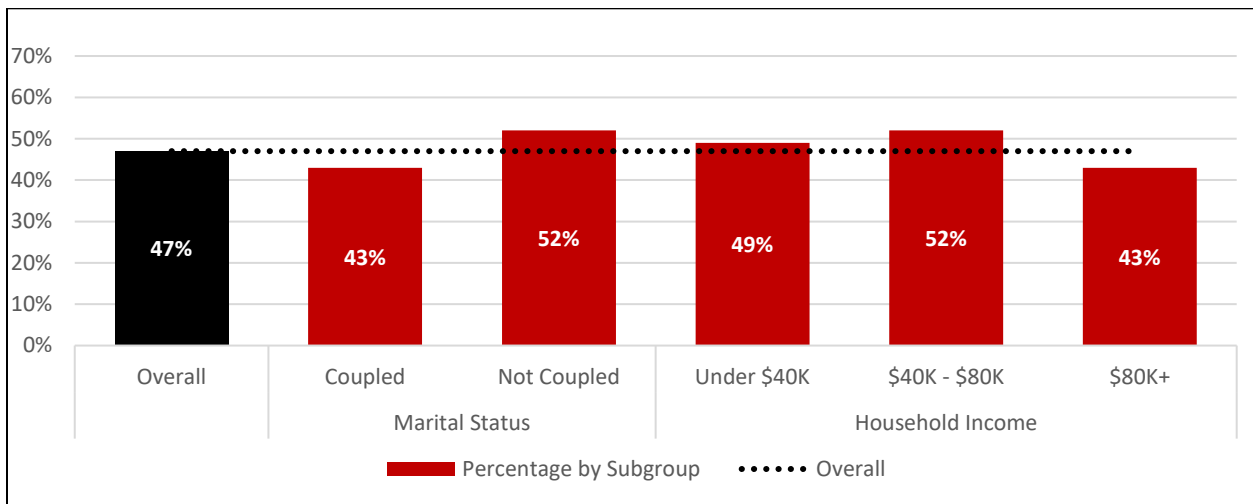
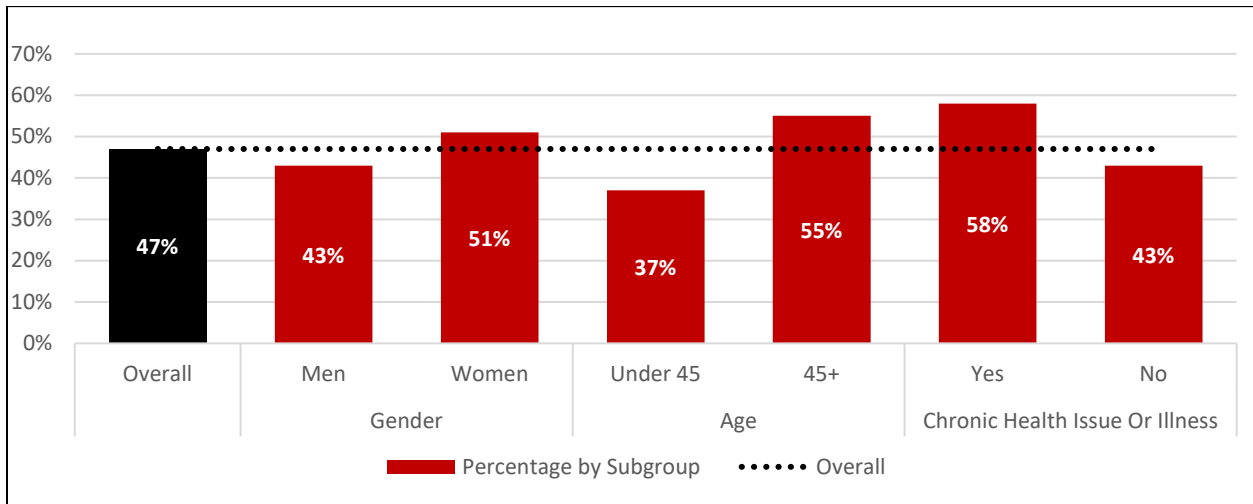
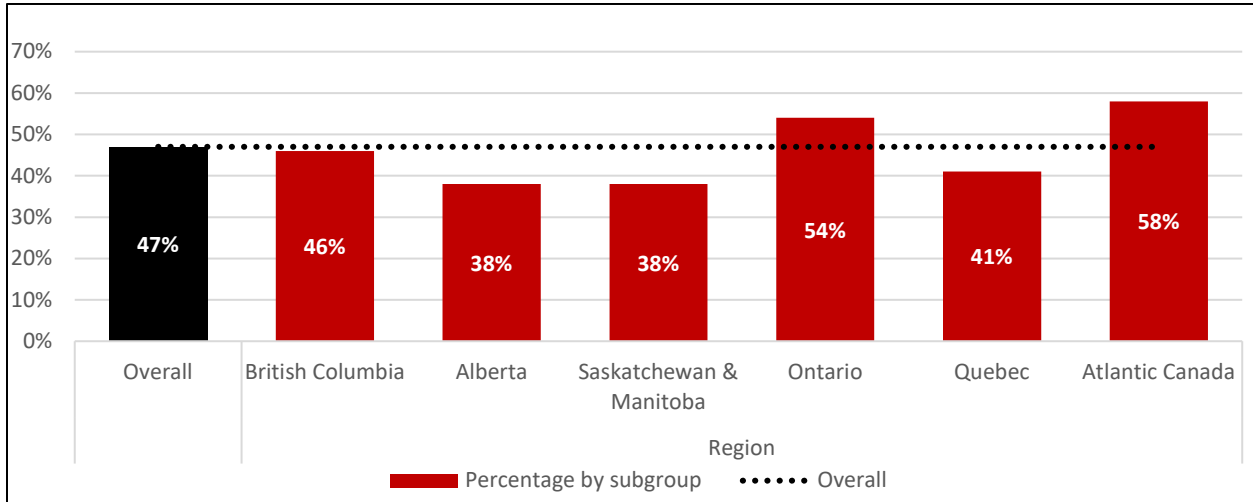
**Figure 4.2.3:** Responses to question asking if home province has a co-payment model for long-term care (Question Q28)

## 4.3: LONG-TERM CARE PLANNING

### 4.3.1: AVAILABILITY, QUALITY, AND AFFORDABILITY OF LONG-TERM CARE

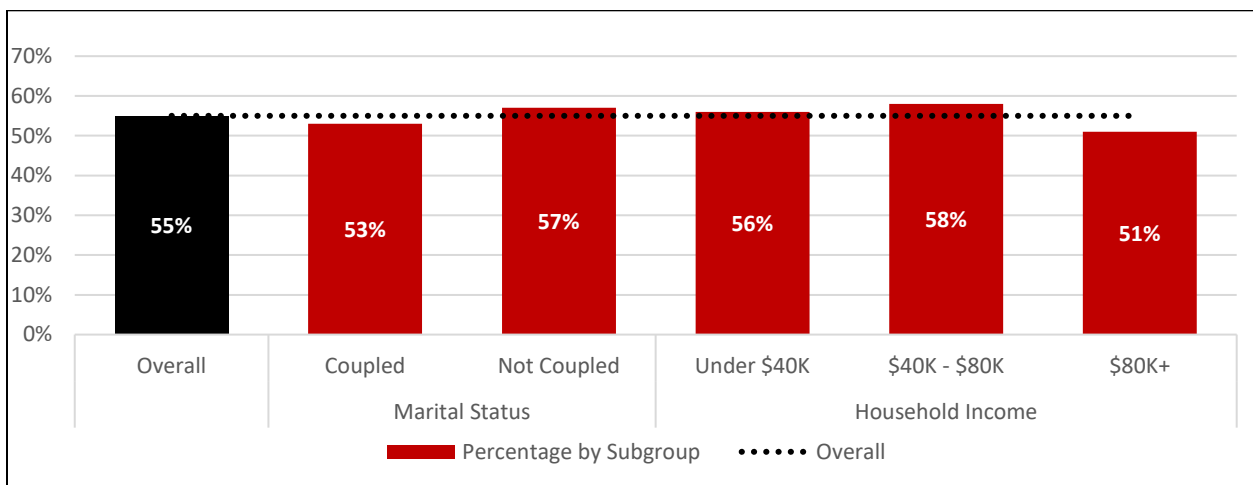
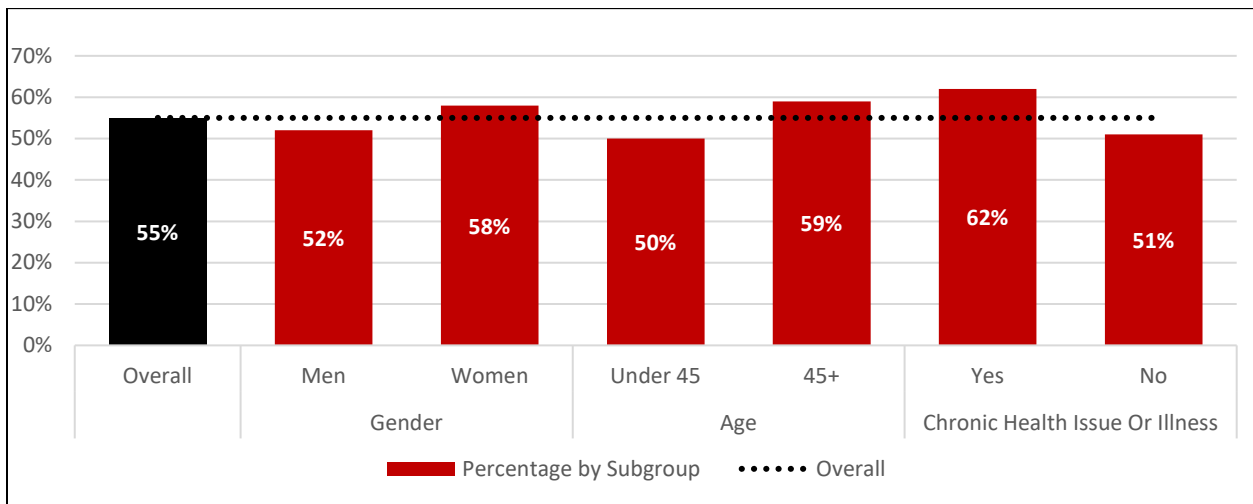
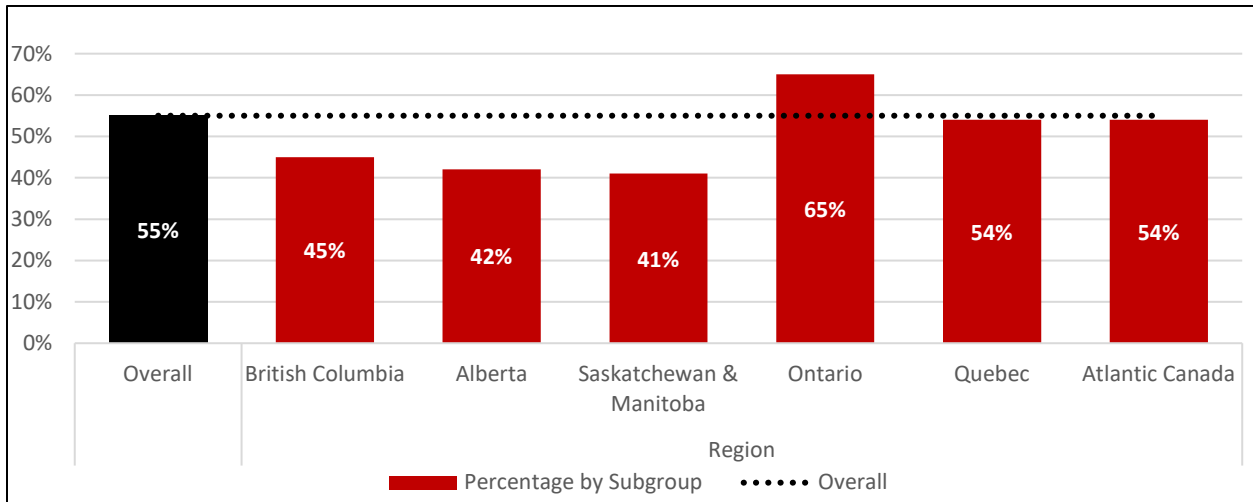
When it comes to long-term care, 47% of Canadians feel its availability is fair to poor, 55% feel its quality is fair to poor, and 49% rate their ability to afford it as fair to poor. However, these percentages can vary by demographics, region, household income, and people with family history of illnesses, as illustrated below.

**Availability of long-term care**



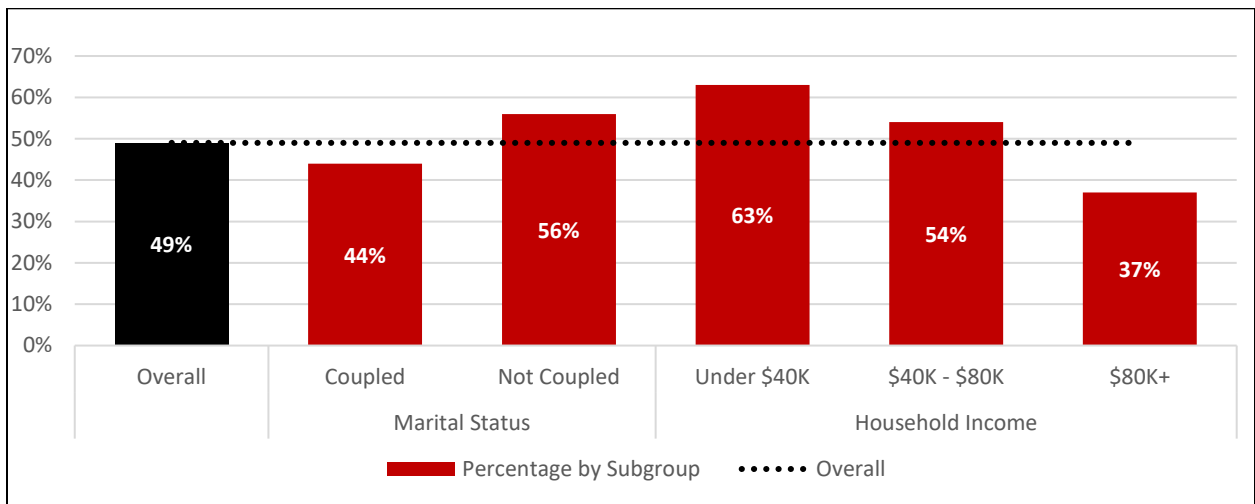
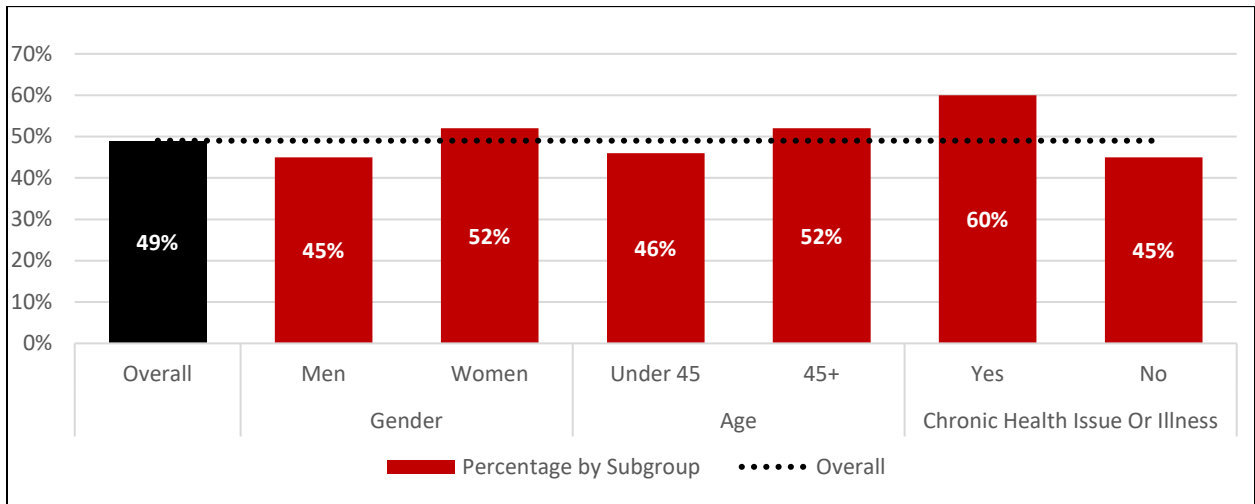
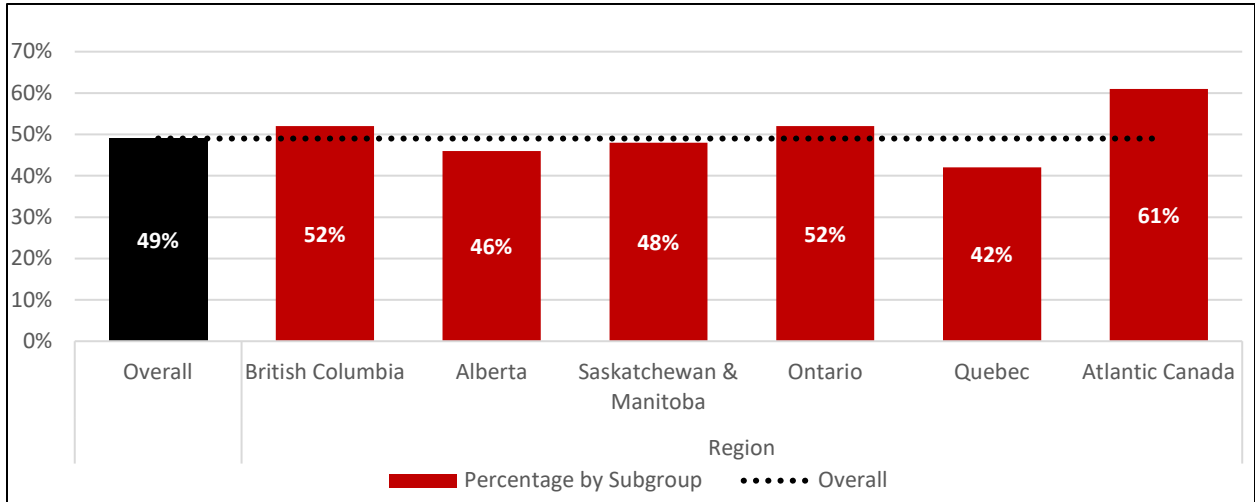
**Figure 4.3.1 (a):** Percentage of Canadians who report that the availability of long-term care in their province is fair to poor; comparison by select subgroups (Question Q19)

**Quality of long-term care**



**Figure 4.3.1 (b):** Percentage of Canadians who report that the quality of long-term care in their province is fair to poor (Question Q19)

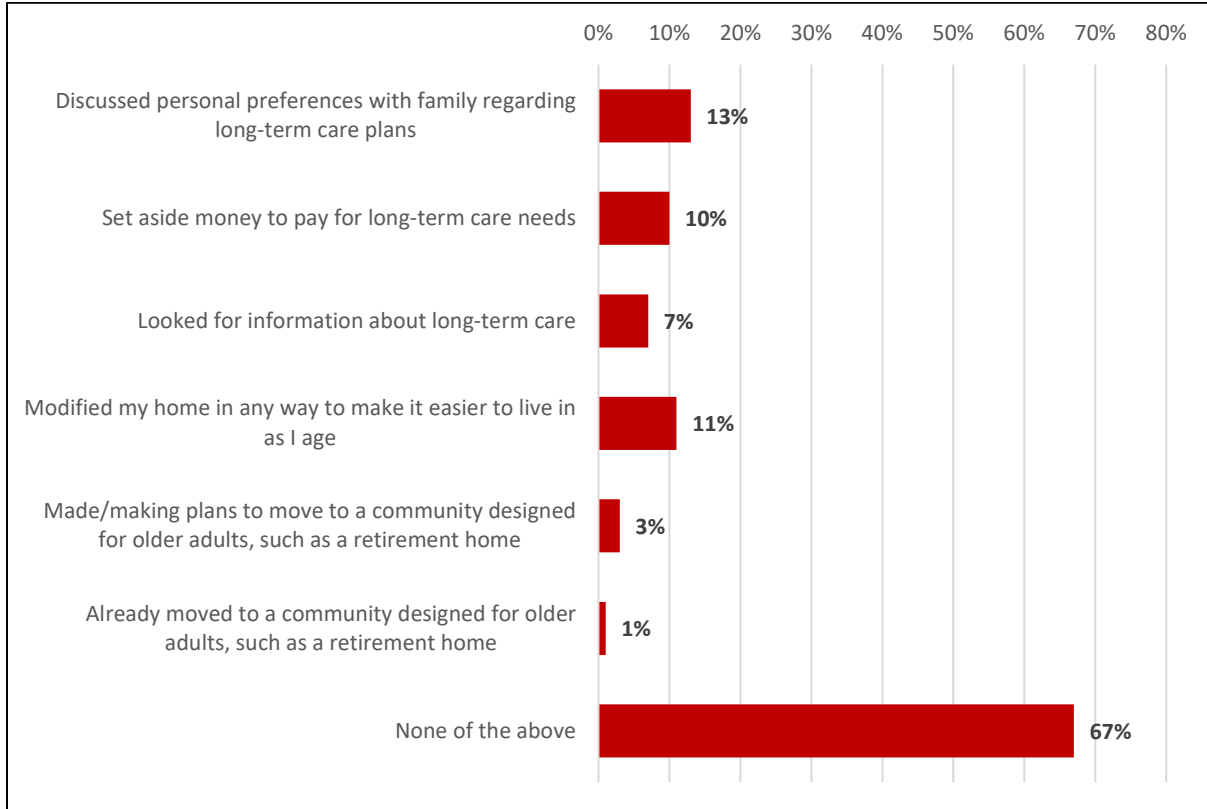
**Affordability of long-term care**



**Figure 4.3.1 (c):** Percentage of Canadians who report that the affordability of long-term care in their province is fair to poor (Question Q19)

### 4.3.2: LONG-TERM CARE PLANNING

67% of Canadians report not having done anything when it comes to planning for long-term care needs. Furthermore, only 10% of Canadians have set money aside to pay for long-term care.



**Figure 4.3.2:** Steps taken to plan for long-term care needs (respondents could select multiple actions; percentages shown reflect proportion of respondents who selected the given option) (Question Q30)

## ENDNOTES

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<sup>i</sup> The 2010 Ipsos Retirement Risk survey was published under accession number 210037 with the title, "[Survey Report: Retirement Risk: Defining Retirement Horizons.](#)" The follow-up 2012 survey results were not made public.

<sup>ii</sup> The survey provided the following options for gender: male, female, other, and prefer not to answer. Of the 1,529 survey respondents, there were 24 responses of "other" and 13 of "prefer not to answer," which did not provide a large enough base to conduct statistical analysis for these two categories of gender responses.

<sup>iii</sup> Based on 2016 mortality rates for Canada from Human Mortality Database, projected with CIA MI-2017 mortality improvement rates, with assumed current age equal to the average age of the group under study.

<sup>iv</sup> Statistics Canada. [Table 13-10-0374-01 Persons with and without disabilities aged 15 years and over, by age group and sex, Canada, provinces and territories.](#)

<sup>v</sup> Public Health Agency of Canada. Public Health Infobase. [Canadian Chronic Disease Surveillance System 2018.](#)

<sup>vi</sup> The CIA estimated the probability of Canadians aged 65 years and older by age group and gender requiring long-term care assistance using the incidence rates provided by SOA LTC intercompany study. The rates from SOA study were adapted for Canadian population.