Preparing for retirement provides peace of mind and leaves us better placed to respond to unexpected events that affect our financial lives. In October 2018, the Ontario Securities Commission (OSC) Investor Office commissioned a survey of over 2,000 Canadians that sheds light on Canadians’ attitudes towards and efforts to prepare for retirement. The survey updates the findings of previous national studies on retirement preparedness completed by the OSC in 2015 and 2016.

The survey results revealed substantial differences between different demographics’ expectations about retirement planning, as well as gaps between these expectations and the experiences of Canadians who have already retired.

**YOUNGER CANADIANS ARE MOST LIKELY TO BE OPTIMISTIC ABOUT RETIREMENT, BUT LEAST LIKELY TO HAVE STARTED SAVING FOR RETIREMENT**

Canadians aged 18-34 and Canadians aged 55 and older have very different expectations regarding their standard of living in retirement:

**Percentage of pre-retirees who expect their standard of living will be better in retirement than it is now**

<table>
<thead>
<tr>
<th></th>
<th>18-34</th>
<th>55+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>40%</td>
<td>12%</td>
</tr>
<tr>
<td>Women</td>
<td>37%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Younger Canadians were also less likely to say that they expect to continue working part-time after reaching retirement age (50 per cent of Canadians aged 18-34, compared to 59 per cent of Canadians aged 55 and older). Currently, 13 per cent of Canadians aged 55 or older are semi-retired.
Despite their optimism about retirement, 18-34 year olds are also least likely to have started saving for retirement:

**Percentage who haven’t started saving for retirement**

<table>
<thead>
<tr>
<th></th>
<th>18-34</th>
<th>55+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>34%</td>
<td>8%</td>
</tr>
<tr>
<td>Women</td>
<td>43%</td>
<td>18%</td>
</tr>
</tbody>
</table>

The figures above also reflect a substantial gender gap, with women substantially less likely than men in the same age group to have started saving for retirement. The gender-wage gap may be a contributing factor, as likelihood of saving for retirement tended to be much higher among those with higher incomes: 39 per cent of those with household incomes of under $60,000 per year haven’t started saving for retirement, compared to only 9 per cent of those with household incomes of $100,000 per year or more.

**DIFFERING PERSPECTIVES ON RETIREMENT MAY REFLECT DIFFERENT FEELINGS ABOUT CURRENT FINANCIAL SITUATION**

Younger Canadians are more likely than older Canadians to report high levels of stress regarding their current financial situation—their different expectations regarding retirement may reflect a belief among younger Canadians that their financial lives can only improve from where they are now. Factors that may negatively affect their financial lives include mortgage and student debt, as well as job precarity.

**Percentage who report having “high” or “very high” stress regarding their current financial situation**

<table>
<thead>
<tr>
<th></th>
<th>18-34</th>
<th>55+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>27%</td>
<td>8%</td>
</tr>
<tr>
<td>Women</td>
<td>33%</td>
<td>15%</td>
</tr>
</tbody>
</table>
IT’S EASIER TO BE OPTIMISTIC ABOUT DISTANT MILESTONES

OSC behavioural insights research published in July 2018 indicated that, the more distant a life milestone is, the more likely people are to focus on broad, abstract aspirations rather than the details of how to achieve these aspirations.² It’s also easy to be tempted to put off preparing for long-term goals in favour of dealing with immediate stresses and priorities. Over time, however, as a milestone becomes closer, optimism may give way to worry and regret about not having started to prepare earlier.

For young people, these tendencies are compounded by the fact that it’s difficult to think and plan far into the future earlier in life, when so many life choices remain uncertain. Our survey results reflect this challenge: 18-34 year olds were less than half as likely to report thinking and planning five or more years ahead when it comes to personal finances than those aged 55 or over.

Percentage who think and plan five or more years ahead when it comes to their personal finances

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>19%</td>
<td>10%</td>
</tr>
<tr>
<td>55+</td>
<td>39%</td>
<td>32%</td>
</tr>
</tbody>
</table>

In addition to age, likelihood to think and plan further ahead varied by gender (as illustrated above), and increased with household income. Investors (particularly those who work with a financial representative or portfolio manager) were also more likely to report thinking and planning on longer time horizons.

WHAT ARE RETIRED CANADIANS’ PERSPECTIVES ON RETIREMENT?

Canadians closer to or farther from retirement age appear to have very different expectations about what retirement will be like. The reality experienced by those who are currently retired or semi-retired is somewhere in the middle.

Don’t know (2 per cent) not shown.
Ontarians were more likely to report an improvement in their standard of living (31 per cent) than the national average. Men were more likely to report an improvement, as well as those with higher incomes; investors were also more likely to report an improvement in their standard of living than non-investors. Those who have been retired for over 10 years were more likely to report an improvement in their standard of living (30 per cent) than more recent retirees (22 per cent).

While many retirees reported that their standard of living improved in retirement, one in five also reported that expenses were higher than they expected:

**How did your expenses compare to what you expected?**

| Higher 21% | About as expected 66% | Lower 10% |

Don’t know (2 per cent) not shown.

Of Ontario retirees, 23 per cent reported that their expenses were higher than what they expected pre-retirement. Women, those with lower incomes, and those who have been retired for over 10 years were more likely to report expenses being higher than they expected.

**THE PATH TO RETIREMENT CAN BE ROCKY FOR MANY CANADIANS**

1 in 2

Canadians experienced an unexpected event that substantially impacted their finances.

Lost income due to a layoff was the most common challenge reported by Canadians under 45, while Canadians 45 and over were most likely to report giving significant financial support to an adult child. Other common events included paying healthcare expenses for themselves or a family member and major home repair bills after unexpected problems (such as an ice storm or flood). Canadians’ most common responses to these unexpected events were cutting household spending, cashing in savings or investments, and borrowing money.

1 in 4

Retired Canadians had to retire before they wanted to.

While nearly six in ten (57 per cent) retired Canadians report that their retirement
was voluntary, one in four (26 per cent) said their retirement was involuntary. Another 15 per cent didn’t characterize their retirement as voluntary or involuntary—they said they had reached retirement age and felt it was time to retire. Figures for Ontario were close to the national average.

Voluntary retirement was less common among those with household income under $60,000 (46 per cent) and those with no savings (32 per cent). Women are also less likely (53 per cent) than men (60 per cent) to report a voluntary retirement.

THE DECLINING ROLE OF PENSIONS IN FINANCING RETIREMENT

We asked retirees to name their top three sources of income. The results were substantially similar to those from our 2016 survey, with one exception: while 69 per cent of respondents cited a private pension as a top-three source of income in 2016, only 59 per cent cited it as a top-three source of income in 2018. This downward trend appears likely to continue. Younger pre-retirees are far less likely to cite a pension plan as a resource they will be able to use in retirement:

Looking forward

The decline in the importance of pension income for pre-retired and retired Canadians is one of several trends that have the effect of placing greater responsibility on individual Canadians for planning and preparing for their financial futures. Canadians’ optimism about retirement appears to depend in part on how distant a milestone retirement is for them, with those closer to retirement more likely to be pessimistic about their post-retirement standard of living.

Our data on current retirees suggests that the picture may be brighter than pre-retirees aged 55 and older might expect: 3 in 4 retirees report that their standard of living is about the same or better than it was pre-retirement, and 3 of 4 retirees also report that their expenses are about what they expected or lower.

However, the data also makes clear that there is still reason to expect the unexpected, with 1 in 2 Canadians reporting an unexpected event that
substantially impacted their finances, and 1 in 4 retirees reporting that they had to retire before they wanted to.

The survey findings also highlight the challenges younger Canadians face in starting to plan for retirement. The OSC Investor Office’s July 2018 report *Getting Started: Human-Centred Solutions to Engage Ontario Millennials in Investing* outlined tactics the financial sector and other stakeholders can use to engage this demographic in investing and planning for their financial futures. We continue to encourage stakeholders to test and apply the tactics described in that report.

**About the Survey:** The OSC Investor Office engaged Innovative Research Group Inc. (Innovative) to conduct a survey to, among other things, better understand Canadians’ retirement preparedness. The survey was conducted online among a representative sample of 2,259 Canadians, 18 years of age or older, between October 11 and 22, 2018. The sample has been weighted down to n=2,000 by age, gender and region using the latest Statistics Canada census data to reflect the actual demographic composition of the adult population 18 years of age or older residing in Canada. Since the online survey was not a random probability-based sample, a margin of error cannot be calculated. The Marketing Research and Intelligence Association prohibits statements about margins of sampling error or population estimates with regard to most online panels.

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1 See, e.g., Catherine McIntyre, “These are the key numbers that explain the wage gap for women,” Maclean’s (February 8, 2018), https://www.macleans.ca/society/pay-equity-statistics-canada/.