

2016



Retirement
NOW
SPECIAL
REPORT



Life's brighter under the sun



Sun Life Financial Retirement Now Report: Mid-market focus

Few advisors will have been surprised by the findings of Sun Life Financial's inaugural Retirement Now Report, released in February 2016. On average, Canadian retirees are living on 62% of their pre-retirement income. Nine in 10 – a full 88% – say they feel positively about their lives now that they're out of the workforce.

Advisors recognize that today's retirees have been fortunate, generally speaking. Pension and benefit plan membership was relatively high among the current retired cohort. And while periods of capital market volatility and low interest rates made it challenging to grow personal retirement savings, retirees also benefited from periods of strong market performance and high interest rates during their earning years.

This special report on Canadians in the mid-market segment (with \$100,000 to \$500,000 in investable assets) shares four important conclusions we've drawn out of this year's results. First, we'll summarize the key findings from our sample of retired Canadians. Not only are they positive about their retirement, they're feeling healthier than they did when they worked. Second, we'll compare how retirees are living to the expectations working Canadians in the mid-market have about their future. Third, we have a fascinating look at where workers expect their retirement income to come from and how that compares to where current retirees draw their income. And fourth, we'll report what mid-market workers and retirees say about the value they receive from advisors.

After seven years of successful study, Sun Life Financial wound up its Canadian Unretirement Index in 2015. Our original hypothesis – that baby boomers were going to transform retirement and that many would work past the traditional retirement age of 65 for both lifestyle and economic reasons – was proven true. Eight years later, “unretirement” is a widely accepted idea many have already put into practice.

The next research opportunity is to better understand retirement itself. By surveying retirees about their present circumstances and working people about their plans for the future, the Sun Life Financial Retirement Now Report aims to provide a balanced, insightful view of the evolving state of retirement in Canada.

Canadian retirees have a lot to feel good about

A remarkable 93% of mid-market retirees feel positive about their retirement. They're free to manage their own time, many are adjusting to a fixed income successfully and a surprisingly high number say their health has improved.

Among 49% of mid-market retirees, the best thing about retirement is "the freedom to do what you want, when you want." Another 15% say it's "not having to follow a schedule." And while 24% say the single worst thing about retirement is the "financial constraints," 41% say "nothing" when asked that question.

According to 38% of respondents, the biggest financial surprise was "how easy it is to live on a reduced budget." By comparison, just 15% say "how difficult it is to live on a reduced budget."

For 20% of mid-market retirees, the biggest non-financial surprise they've found in retirement is "how exciting it is." Eleven per cent say "how quickly my health improved."

Forty-one per cent agree with the statement: "My physical health has improved in retirement." Sixty-one per cent say the same about their emotional health. More than half (51%) say they exercise more now than they did before retirement. And 57% agree that "my life in retirement is more fun than my work life was."

We asked mid-market retirees what advice they would give to working Canadians.

TOP 10 ANSWERS

1. Start saving/investing early (89%)
2. Take care of your health (88%)
3. Live within your means (85%)
4. Write a will (82%)
5. Develop interests that will occupy you in retirement (75%)
6. Have a financial plan (70%)
7. Don't leave money on the table – understand and take full advantage of your workplace pension or retirement savings plan (65%)
8. Become financially literate (59%)
9. Work with an advisor (53%)
10. Plan how you will spend your time in retirement (52%)

Source: 2016 Sun Life Financial Retirement Now Report

Retirement age and other expectations

A full 70% of mid-market workers expect to be working at 66 – either full-time (46%) or part-time (24%). Just 25% say they expect to be fully retired. We know from the Sun Life Canadian Unretirement Index research in previous years, and from this year's Retirement Now findings, that large numbers of Canadians plan to work past 65 for lifestyle reasons. They expect to be healthy enough to continue working and they enjoy the various benefits that come from delaying retirement. In fact, the split among mid-market working Canadians is about half and half. Among those who expect to be working at 66, 47% will do so because they want to and 53% because they need to.

By comparison, mid-market retirees left the workforce at age 59 on average. Among the small number that did work past 65, just 29% say they did so by necessity.

This is not to suggest that mid-market workers are unduly worried about their retirement plans. While one-third believes there is a serious risk they could outlive their retirement savings, 63% are very (15%) or somewhat (48%) satisfied with what they have saved for retirement. Nine in 10 (93%) are confident they will be able to cover their basic living expenses and 86% are confident they will be able to cover their medical expenses after their career is over. Seventy-eight per cent believe they'll be able to enjoy the lifestyle they want in retirement.

Could those numbers overstate the matter? It's difficult to get a read on that in aggregate, but on average, mid-market working Canadians expect to have \$698,000 saved by the time they retire and they anticipate living an average 22 years in retirement.



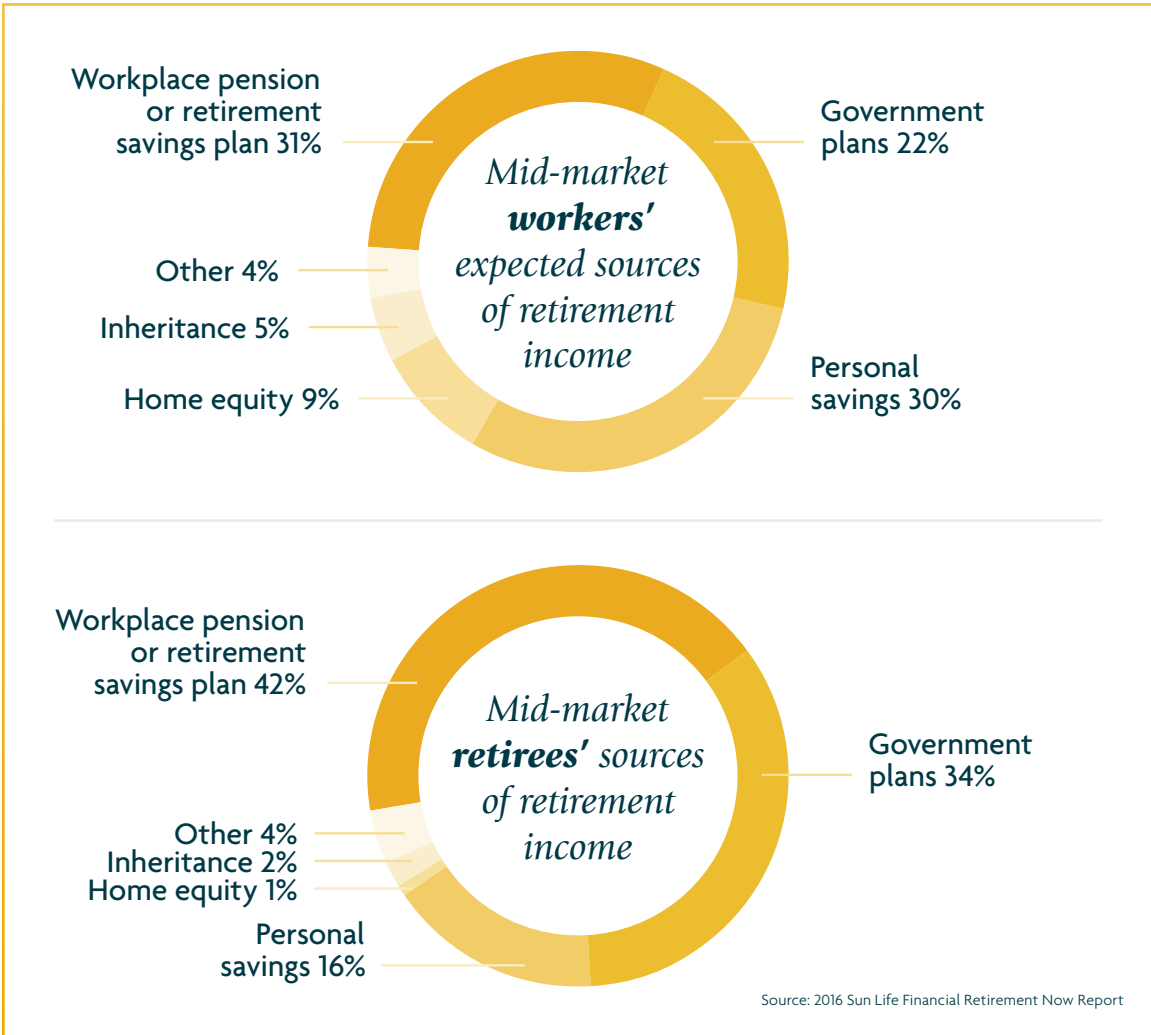
Sources of retirement income

Of course personal savings is just one piece of the puzzle. Comparing sources of retirement income between mid-market workers and retirees adds a great deal to our understanding of the differences between the two groups.

While equal numbers of workers (84%) and retirees (83%) have – or had – access to a workplace retirement or savings plan themselves or via their spouse, we know that plan design matters. Among mid-market workers with a plan, 60% are in a defined contribution plan, 25% are in a defined benefit plan and 11% have both (the remainder don't know what type of plan they're in).

Compare that to mid-market retirees: 36% were in a defined contribution plan, 49% are members of a defined benefit plan and 12% have both.

Workers expect 30% of their retirement income to come from personal savings and investments. Among retirees, just 16% of their income comes from the same source. Here's a full summary of where mid-market workers expect their retirement income to come from and what mid-market retirees are actually experiencing:



The value of advice

Time will tell if mid-market working Canadians' expectations are accurate. What's clear though is that they exhibit a healthy respect for the value provided by advisors. So do their retired counterparts.

Half (50%) of mid-market workers have an advisor to help manage their finances. Among those who do, 38% rate the value of advice provided as very good and 49% rate it good. Just two per cent say poor and 11% say neither good nor poor.

Among mid-market retirees, 63% work with an advisor. Half (48%) say they receive very good advice and 45% say they receive good advice. One per cent says the advice they receive is poor and five per cent say neither good nor poor.

When asked how satisfied they are with their retirement savings, 68% of mid-market workers with an advisor say they're either very or somewhat satisfied. By comparison, 57% of workers without an advisor say the same. The results among mid-market retirees are 76% and 68% respectively.

Despite all this, just 33% of mid-market workers and 35% of mid-market retirees have a written financial plan. These Canadians represent a significant opportunity for advisors.





These findings are part of an Ipsos Reid poll conducted between Dec. 15 and 23, 2015 on behalf of Sun Life Financial.

For this survey, Ipsos Reid conducted online interviews with a sample of 4,010 Canadians drawn from the Ipsos I-Say online panel. That total includes 2,006 retired Canadians (all at least 30 and no older than 80) and 2,004 working Canadians (age 30 to 65). The data for retired Canadians were weighted by region. The data for working Canadians were weighted to ensure the sample's regional, age and gender composition reflects that of the actual Canadian population according to the 2011 Census data. The study's sample included 522 mid-market working Canadians and 590 mid-market retired Canadians (both of whom have between \$100,000 and \$500,000 in investable assets).

The precision of Ipsos online surveys is measured using a credibility interval. In this case, national results are accurate to within +/- 2.19 percentage points at 95% confidence level had all Canadian adults been polled for both the retired and working Canadian samples. All sample surveys and polls may be subject to other sources of error, including, but not limited to ethodological change, coverage error and measurement error.

For more information on the Sun Life Financial Retirement Now Special Report, or any of the information presented in this paper, please contact retirementnow@sunlife.com, or visit www.sunlife.ca/retirementnow.

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