

Sun Life Canadian Unretirement Index

2015 Canadian Unretirement Index Report





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About the Sun Life Canadian Unretirement Index

The **Sun Life Canadian Unretirement Index** tracks how workers' attitudes and expectations about retirement are evolving in response to economic, health and personal factors affecting their lives.

Inside this report

These are some of the findings of an Ipsos Reid poll conducted between Dec. 5 and 22, 2014 on behalf of Sun Life Financial.

For this survey, Ipsos Reid conducted online interviews with a sample of 3,000 working Canadians from 30 to 65 years of age from Ipsos' online panel. An additional sample of 400 retired Canadians over age 65 was collected. Weighting was employed to balance demographics to ensure that each sample's composition reflects that of the adult population according to Census data and to provide results intended to approximate the sample universe.

The precision of Ipsos online surveys is measured using a credibility interval. In this case, the survey is accurate to within +/- 2.0 percentage points had all Canadian adults been polled for the core sample of 3,000 and +/-5.6 percentage points for the booster sample of 400. All sample surveys and polls may be subject to other sources of error, including, but not limited to methodological change, coverage error and measurement error.

An online methodology has been used from 2010 onward. Telephone interviews were conducted in 2008 and 2009. Ipsos Reid is confident in the year-over-year trends indicated and finds them to be consistent with other research they have performed on similar issues by both telephone and online methodologies.

Total sample sizes are as follows:

2008 n = 1226	2012 n = 3017
2009 n = 1202	2013 n = 3005
2010 n = 3422	2014 n = 3000 + 400
2011 n = 3701	

Unretirement [un-ree-tiyr-mint] – noun:

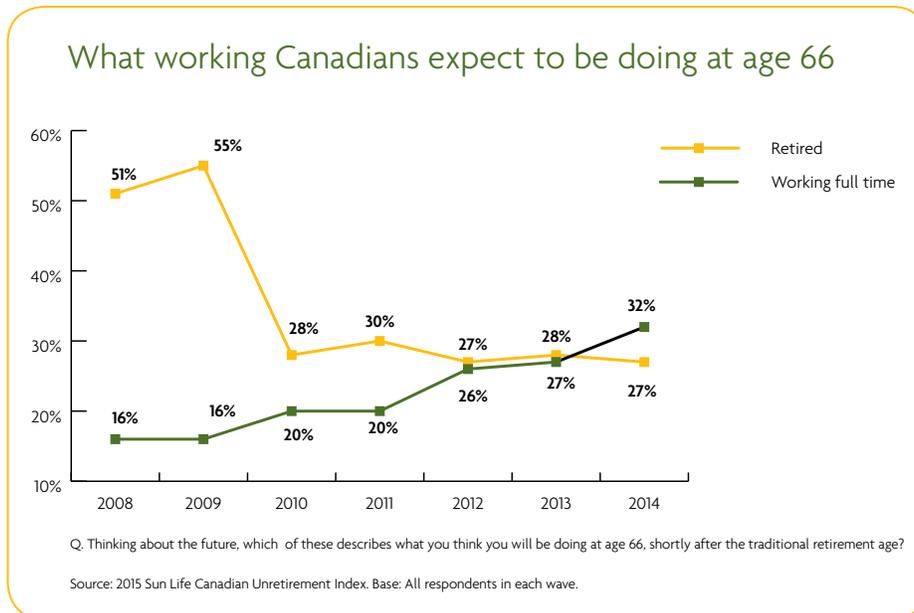
The growing trend away from early retirement – by choice or economic necessity – and towards continued work past the traditional retirement age of 65.

Will you be working at 66?

It is the question at the centre of the **Sun Life Canadian Unretirement Index**. One year past the traditional retirement age, will you be retired? Will you be fully employed? Working part-time? Perhaps you simply can't see that far ahead.

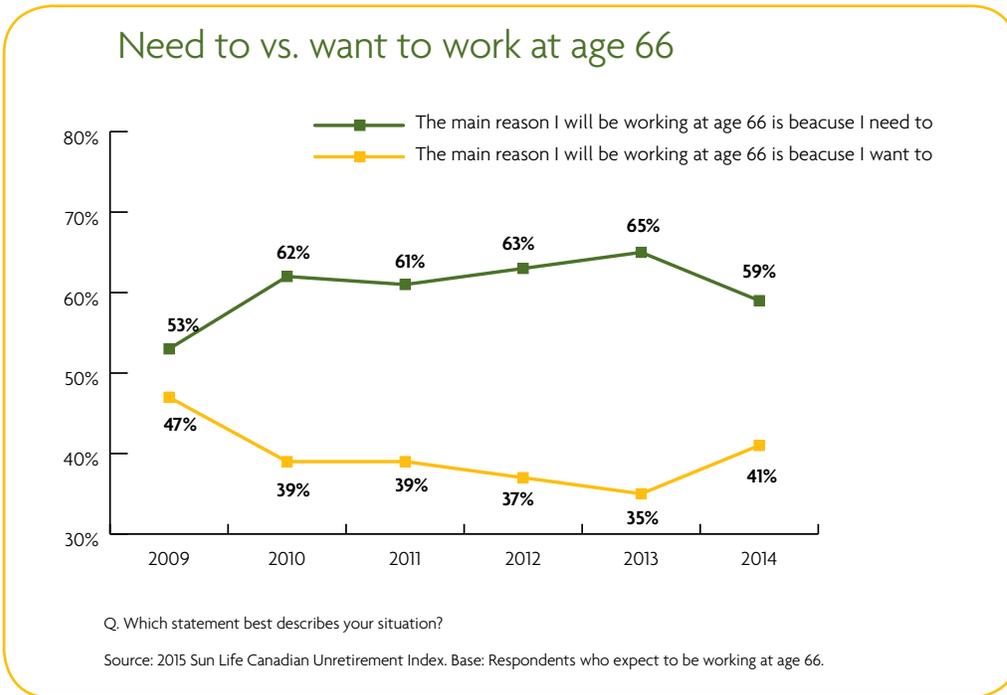
This is the seventh year we've asked Canadians to share their personal financial forecast. Since 2009, the gap between the percentage who expects to be retired and fully employed at 66 has been closing steadily. In 2012, the two results landed in a statistical dead heat: 27% expected to be retired at 66 and 26% expected to be working full-time.¹ We saw another tie in 2013 (28% expected to be retired and 27% working full-time). This year, for the first time in our seven-year study, more Canadians expect to be working full-time at age 66 than expect to be fully retired (32% expect to be working full-time at 66; 27% expect to be retired).

In addition, another 27% say they will be working part-time, while 12% aren't sure and 1% believe they will be "no longer living."



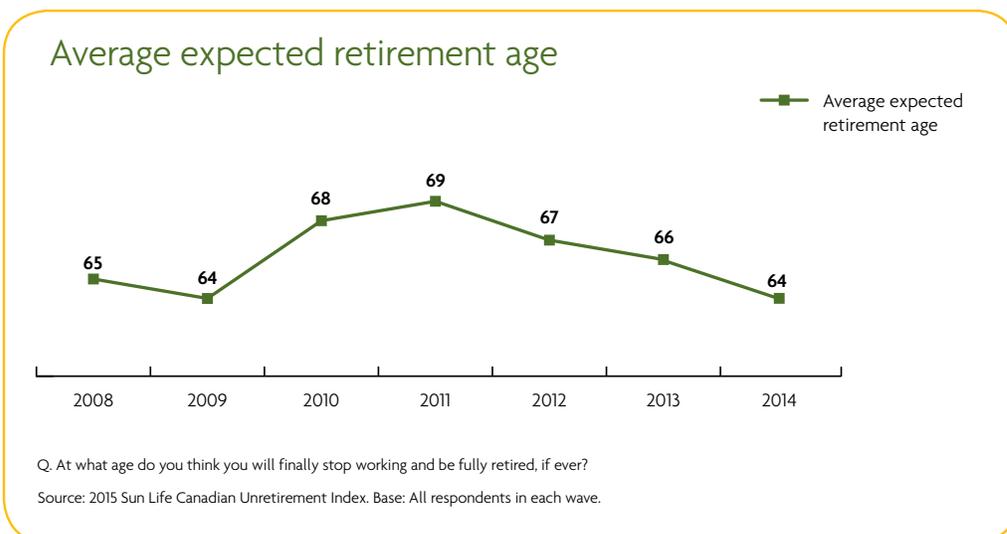
⁽¹⁾ All results have been rounded to the nearest full percentage figure.

As we have seen in past years, those who plan to work past 65 fall into two camps. Forty-one per cent say they'll do so because they want to while 59% feel they will need to. The gap between the two had been gradually widening since 2011 but closed significantly this year.



On average, Canadians say they expect to retire at 64. That's the lowest figure we've seen since 2009. And it's well below last year's 66 result. So while large numbers of Canadians anticipate working past 65 – either by choice or necessity – that trend is offset somewhat by a significant number who expect an early retirement.

This year, 11% of respondents say they plan to retire before turning 60. One-quarter (27%) are set to retire between 60 and 65. Nearly four in 10 (39%) say they don't know. And another quarter (24%) plan to delay retirement past 65.



Improving sentiment and continued anxiety

This year's data is remarkable for its mix of improving sentiment and continued anxiety.

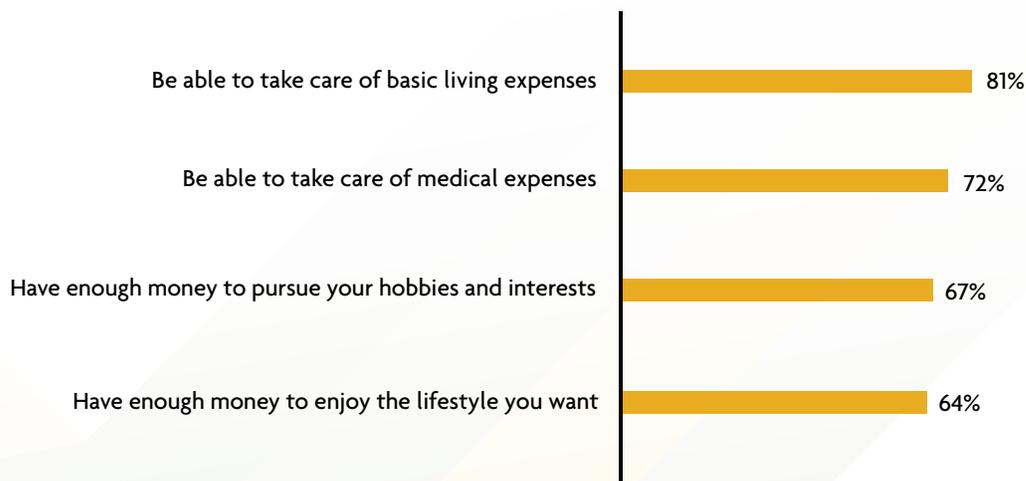
The effects of the financial crisis on Canadians' retirement expectations appear to be wearing off. On the whole though, they remain unsure about their ability to achieve their financial goals.

Forty-four per cent of Canadians are satisfied with their retirement savings (11% very satisfied and 33% somewhat satisfied). That's up from 33% in 2012.

People are more confident about having the extras in retirement. Sixty-seven per cent are very or somewhat confident that they will have enough money to pursue their hobbies and interests in retirement (vs. 63% in 2013). More than six in 10 (64%) believe they will have enough money to enjoy the lifestyle they want (vs. 59% a year ago).

We see a significant increase in the average amount of retirement savings Canadians expect to have. It jumped from a low of \$385,687 in 2012, to \$417,870 in 2013 and to \$556,495 in 2014. Indeed, 37% are focused on some aspect of retirement savings as their top financial priority. (Seventeen per cent say "save for retirement"; 15% say "ensure my money lasts my full retirement"; and 5% say "ensure I have enough money to cover my retirement healthcare needs.")

Eight-in-10 are confident of being able to take care of the basics in retirement

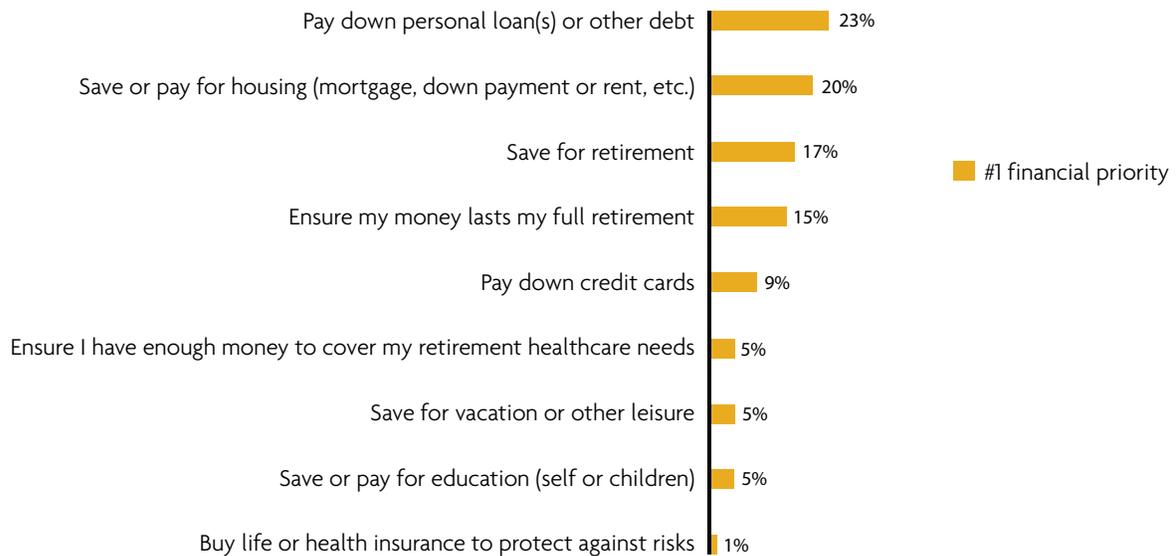


Q: Now, thinking about when you anticipate/are receiving retirement income, would you say you are very confident, somewhat confident, or not at all confident that you will... [% Very/somewhat confident]

Source: 2015 Sun Life Canadian Unretirement Index. Base: All respondents

Eighty-one per cent are confident that they will be able to "take care of basic living expenses" in retirement (32% very confident and 49% somewhat confident). Seventy-two per cent are confident about their ability to "take care of medical expenses" in retirement (20% very confident and 52% somewhat confident). Both results match last year's numbers.

Debt reduction remains Canadians' top financial priority



Q. Currently what is your number one financial priority?

Source: 2015 Sun Life Canadian Unretirement Index. Base: All respondents.

These results appear to indicate a reversal in the pessimism that has been so much a part of this study since 2010. When asked if they think there is a serious risk they could outlive their retirement savings, over one-third (36%) say yes, 30% say no and 35% don't know.

Not knowing is common.

We asked Canadians if they feel they have the financial knowledge to be able to make a plan for their retirement. Fewer than half (47%) say yes. The rest say no (35%) or they don't know (18%).

Canadians feel they lack sufficient knowledge about how much retirement income they need (41%), about how taxes affect retirement savings/income (37%) and about how government programs such as Canada Pension Plan/Quebec Pension Plan and Old Age Security work (28%).

Additional uncertainty is reflected in how few Canadians are able to put a number on how many years of retirement they think they will have. Only 50% can do so. Among these, the average estimate is 21 years.

Despite all this, just 33% of Canadians work with a financial advisor and 22% have a written financial plan.

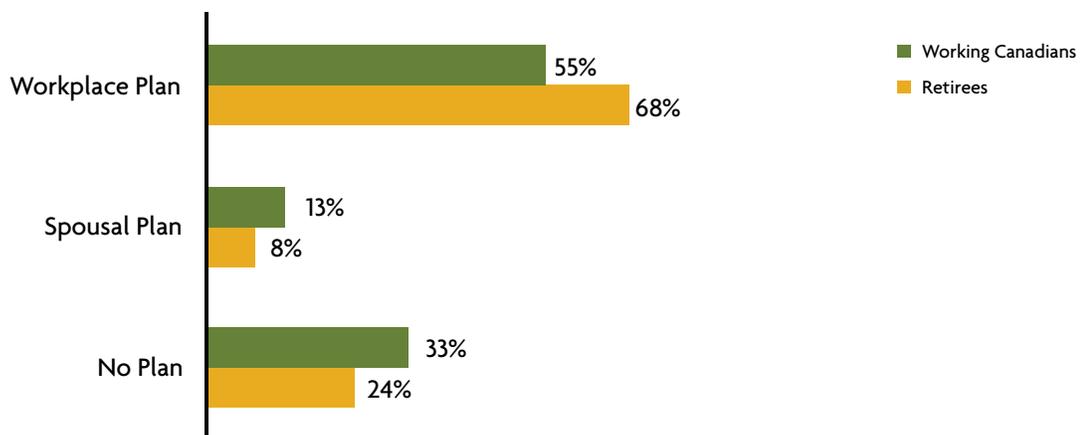
A tale of two retirements

Compared to current retirees, working Canadians are two and a half times more likely to believe they are at “serious risk” of outliving their retirement savings.

The actual average retirement age among current retirees was 61. A whopping 88% retired before age 66. They intended to retire early (at 62 on average) and for the most part, they did so.

Their experiences differ markedly from today’s workers. Three-quarters (76%) benefited from a workplace retirement plan (68% had their own and another 8% were married to a plan member). By comparison, just 68% of working Canadians have a workplace plan (55% have one of their own, 13% will benefit from a spousal plan).

Access to a workplace retirement/savings plan



Q. Through your employment, do/Prior to your retirement did you have access to a workplace retirement or savings plan (e.g. Pension Plan or Registered Retirement Savings Plan)?

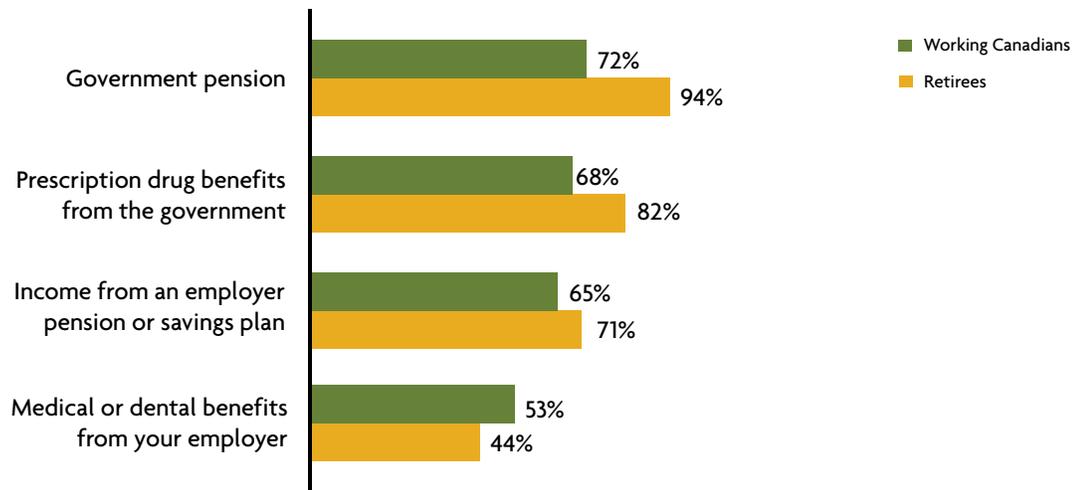
Source: 2015 Sun Life Canadian Unretirement Index. Base: All respondents.

Retirees are significantly more confident about their government pensions (94% vs. 72% among working Canadians), their government-funded prescription drug benefits (82% vs. 68% respectively) and their employer pensions (71% vs. 65% respectively).

Indeed, working Canadians are more likely to be “not at all confident” than retirees about:

- Having enough money to enjoy the lifestyle you want: 36% working Canadians vs. 20% retirees.
- Having enough money to pursue your hobbies and interests: 33% working Canadians vs. 17% retirees.
- Being able to take care of medical expenses: 28% working Canadians vs. 11% retirees.
- Being able to take care of basic living expenses: 19% working Canadians vs. 5% retirees.

Confidence in receiving benefits comparable to today’s retirees



Q. How confident are you that you/ continue to receive each of these types of benefits at a level comparable to today's retirees/today? [% Very/somewhat confident]

Source: 2015 Sun Life Canadian Unretirement Index. Base: All respondents.

Nearly two-thirds (63%) of retirees are very/somewhat satisfied with their retirement savings. Only 44% of today's workers say the same. When it comes to outliving their retirement savings, 55% of today's retirees are unworried, 31% are unsure and 14% are worried. Contrast this with 30% of workers who say they are unworried. One-third (35%) are unsure and 36% are worried.

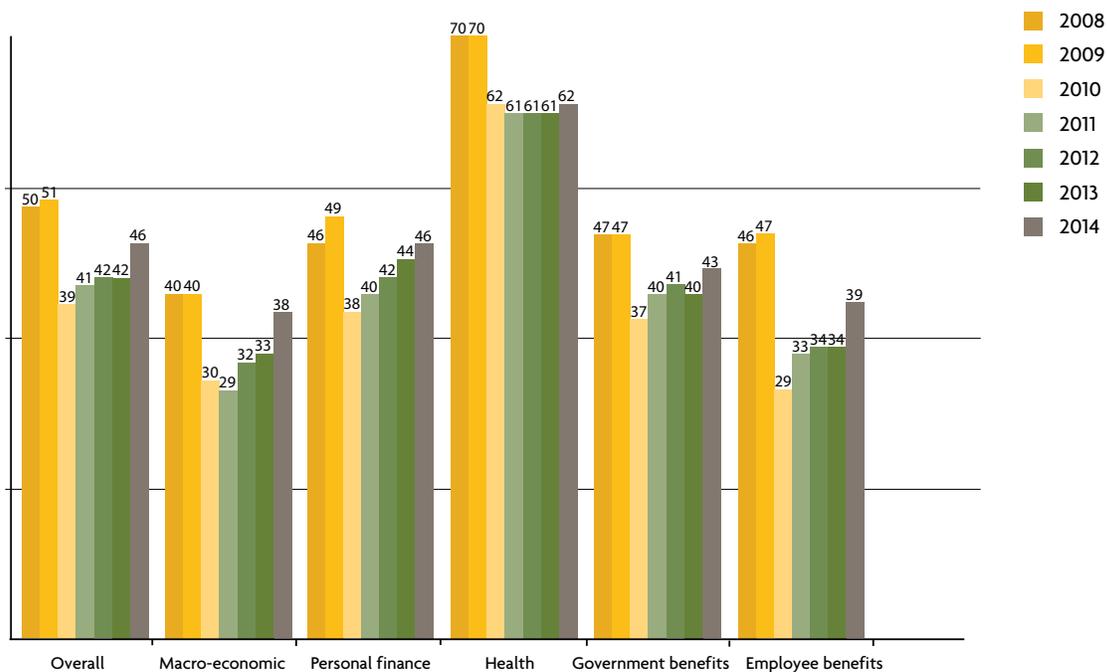
It makes sense that current retirees would answer more positively about retirement planning. Many of those who did not achieve their financial goals have adjusted accordingly. But clearly, there is more to this story. Today's workers have experienced a prolonged period in which low interest rates, volatile capital markets and a drop in employer-funded retiree benefits have combined to make retirement planning more challenging. More than ever, working Canadians have to plan, save and take full advantage of whatever plans their employer provides. The onus is on the individual to an extent current retirees did not experience. It is also on the financial services industry to support consumers with investor education and innovative product design.

Sun Life Canadian Unretirement Index score

The index runs on a scale of 0 to 100, where 100 represents extreme optimism and the expectation of a perfect retirement. The lower the index number, the more negative or pessimistic the outlook is on issues that influence retirement.

The overall **Sun Life Canadian Unretirement Index** score – measuring the confidence of working Canadians – is 46, an increase after two years at 42. Canadians' confidence in their health remains relatively flat at 62 this year. Other indices like macro-economics, personal finance and employee benefits continue to reflect a move to more positive views. New this year is a slight recovery in the confidence in government benefits (43, up from 40 last year).

Sun Life Canadian Unretirement Index scores



Source: 2015 Sun Life Canadian Unretirement Index. Base: All respondents.



For more information on the Sun Life Canadian Unretirement Index, or any of the information presented in this paper, please contact kevin.press@sunlife.com, or visit www.sunlife.ca/unretirementindex.