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2023 Canadian Retirement Survey

Executive Summary

The Healthcare of Ontario Pension Plan (HOOPP) commissioned Abacus Data to conduct its fifth *Canadian Retirement Survey* in the spring of 2023. This annual public opinion tracking survey examines Canadian individuals' retirement savings behaviour within the current economic environment, and the personal, societal and economic issues impacting retirement preparedness.

The results of this year's survey demonstrate that a prolonged period of rising inflation and interest rates, volatile markets and a lack of affordable housing has led to a significant downturn in the financial wellbeing of Canadian adults in every age group, risking their retirement readiness and security. Yet despite increasing financial strain, most Canadians are willing to sacrifice pay for any (or a better) pension.

Canadians continue to recognize the personal and societal value of good workplace pension plans and view them as a solution when it comes to addressing many of these challenges.

Significantly fewer Canadians have saved for retirement in the past year, as inflation continues to rise.

Just under half of employed Canadians (44%) have not set aside any money for retirement in the past year, a significant increase over 2022 (+6 pts). This comes as working Canadians rank saving for retirement (50%) and affording the day-to-day for their family (42%) as their top two financial priorities.

The impact of inflation is clear, as cost of daily living remains the top concern for Canadians (70%, +15 pts since 2021), followed by income keeping up with inflation (66%, +17 pts since 2020). Despite the challenges of the current economic environment, Canadians still see the importance of retirement saving; having enough money for retirement is also a top concern (59%, +10 pts since 2021).

If inflation continues to rise:

- 87% of Canadians say their day-to-day expenses will become significantly less affordable than they are today
- 64% say their debt load will increase
- 60% say they will have to push out their target retirement date

Half of Canadians under 35 say they are living beyond their means, concerned about higher interest rates.

As Canadians continue to experience rising inflation, high interest rates and a lack of affordable housing, those aged 18-34 years old are particularly hard hit. Half (51%) agree that they are living beyond their means, and not by choice, compared to only 31% of those aged 35+.

Canadians under 35 are most concerned about the cost of daily life (69%), their income keeping up with inflation (67%) and housing affordability (65%). They're also the most likely to agree that they're splurging on smaller luxuries since they can't afford big ticket items (54%, compared to 28% of Canadians 35+).

The data suggests that many in this age group are struggling financially. They are:

- more likely to be concerned about the amount of debt they have (48%) or ever having a workplace pension (45%) than older Canadians (33% and 29%, respectively)
- concerned about the impact of higher interest rates on their ability to save money (91%), save for retirement (86%) and reduce debt (83%)
- the least likely to own a home (43%) compared to older Canadians (64%) and the most likely to worry about the impact of interest rates on their ability to buy a home (72% of non-homeowners under 35, compared to 27% of older non-homeowners)
    - Of those who do own a home:
        - 64% are worried about what interest rates will do to their ability to afford their current or future mortgage payments
        - three in five (56%) are relying on the sale of their home to set them up for retirement (more than any other age group), but 58% are concerned about their ability to pay off their mortgage so that they can retire when they plan to

While younger Canadians express significant financial struggles, they remain more optimistic than older Canadians in some ways. In fact, optimism appears to worsen with age. When asked whether they were getting ahead in their current standard of living, the age breakdown is as follows: 18-34 (46%); 35-54 (36%); 55+ (26%).

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Canadians close to retirement are falling behind; almost half report less than $5,000 in savings.

Troubling trends in the data suggest Canadians who should be approaching or at retirement age are finding it an increasingly elusive goal.

One in three (33%) Canadians are falling behind in their standard of living, with pre-retirement adults (55-64) the most likely to say they're falling behind (38%). If inflation continues to rise, more than half (54%) of those 55-64 agreed they will have to push out their target retirement date.

Thirty-two percent (+6 pts since 2022) of working Canadians have never set aside any money for retirement, including one in five pre-retirement workers.

Cost of daily living remains the top concern for adults aged 55-64 (71%), and 64% are concerned about having enough money in retirement. Moreover, 44% of non-retired Canadians aged 55-64 have less than $5,000 in savings; 75% have $100,000 or less in savings.

Of the 66% of pre-retirement adults who own a home:

- 34% say they're relying on the sale of their home to help fund their retirement and 52% are worried about what interest rates will do to others' ability to buy a home from them as they approach retirement
- 27% are worried about their ability to pay off their mortgage so that they can retire as planned

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Canadians know the personal and societal value of pensions and are willing to pay for one; expect employers to contribute.

Canadians of all ages see the value of pensions and are willing to pay for them. More than two-thirds (69%) say they would prefer a slightly lower salary and any (or a better) pension than a higher salary and no (or a worse) pension. This figure remained steady over previous years even as Canadians cope with the recent rise in inflation and interest rates.

As Canadians age, the number who would forego salary in favour of any (or a better) pension increases, from 51% of those under 35 to 82% of those aged 55-64 and 88% of those 65+.

The findings also indicate Canadians with pensions are more likely to be getting ahead:

- 41% of Canadians with pensions say they are getting ahead in their standard of living compared to just 27% who say they're falling behind; only 27% of Canadians without pensions say they are getting ahead, with 42% falling behind.
- 47% of Canadians with pensions say they will have more than enough or enough money to save if inflation continues to rise, compared to those without pensions (27%).

As most Canadians (69%) continue to agree there is an emerging retirement income crisis, they also continue to recognize the societal value of pensions and the opportunities they bring.

- The vast majority (86%, +13 pts since 2022) believe that it is in everyone's interest for more people to have better retirement savings.
- 80% agree that reasonable paycheque deductions are an effective way of helping Canadians save for retirement.
- Most Canadians (79%) agree the pensions we build today are the fuel for tomorrow's economy.
- 78% agree that all employers should be required to contribute in some way towards pensions for all workers.
- Canadians believe that governments can save money by supporting pensions that are more affordable (76%); three-quarters of Canadians (74%) agree that if workers cannot access good workplace pensions and contribute during their working lives, they will become a burden on taxpayers.

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Conclusion

Canadians are struggling financially, following a prolonged period of rising inflation and interest-rate hikes. Half of Canadians under 35 say they're living beyond their means not by choice, while more than three-quarters of those aged 55-64 who are not already retired have $100,000 or less in savings; almost half have less than $5,000 in savings.

Canadians across all age groups are feeling financially strapped, including older adults who, ideally, should be better positioned to look forward to retirement. They continue to recognize improved access to good workplace pension plans as one solution to these challenges; they are willing to sacrifice pay to get them, and they also look to employers and governments to play a role in expanding access.

These findings are based on a survey conducted online with 2,000 Canadians from April 21 to 28, 2023. A random sample of panelists were invited to complete the survey from a set of partner panels based on the Lucid exchange platform. These partners are typically double opt-in survey panels, blended to manage out potential skews in the data from a single source. The margin of error for a comparable probability-based random sample of the same size is +/- 2.17%, 19 times out of 20. The margin of error will be larger for data that is based on sub-groups of the total sample. The data were weighted according to census data to ensure that the sample matched Canada's population according to age, gender, educational attainment, and region. Totals may not add up to 100 due to rounding.