



FIDELITY PRIVATE WEALTH

2024

Fidelity Retirement Report

HELPING CANADIANS THINK ABOUT RETIREMENT



We've been writing the annual *Fidelity Retirement Report* for 19 years now, providing insights to help Canadians better understand the retirement landscape. The last few years in particular have been filled with levels of uncertainty and economic volatility that will go down in the history books.

During the COVID-19 pandemic in 2020, we lived through a world of near-zero interest rates and inflation well below the Bank of Canada's 2% target. Fast-forward four years and we find ourselves with much higher interest rates and inflation stubbornly above 2%.

The share of retirees who have a positive outlook on retirement has decreased since last year, driven by the rising cost of living. Pre-retirees are also considering delaying retirement to deal with the same challenge. However, as of this writing, markets have not only held up but major indices are hovering around all-time highs. Despite all of the macroeconomic volatility in recent years, disciplined investors have been rewarded with resilient and growing retirement portfolios. Despite alarming headlines about the economy, the way people prepare for retirement remains substantially the same.

The high cost of living is affecting not just retirees but their adult children as well. This year's survey finds that most retirees report helping those children in retirement in some form, with expenses ranging from rent to down payments on houses and educational costs for grandchildren. Retirees and pre-retirees alike may need to incorporate these kinds of expenses into their financial planning.

Throughout the years, as economies shift and people's visions of retirement change, we consistently find that those who use financial advisors and those who have written financial plans feel more positive about their retirement. Macroeconomic volatility has not changed this.

We hope that the insights from our annual retirement survey help you, whether you're already in retirement or you're planning for your golden years ahead. – April, 2024

About the Fidelity Retirement Report

Every year, the *Fidelity Retirement Report* examines the latest trends in how Canadians in and approaching retirement are thinking about retirement.

This study was commissioned by Fidelity Investments Canada and fielded between January 9 and January 23.

TOTAL NUMBER OF CANADIANS SURVEYED:

2,000

RESPONDENTS' AGE:

62

MEDIAN AGE

RESPONDENTS' GENDER (%):

51%

FEMALE

49%

MALE

This is the 19th year the survey has been conducted.

- We surveyed a disproportionate sample of pre-retirees and retirees to allow for analysis by segments like gender and region.
- The results were then weighted to reflect the national proportionate distribution of those 45 years of age and older.

Total sample results are accurate to **+/- 2.31** percentage points, 19 times out of 20. Discrepancies in or between totals are due to rounding.

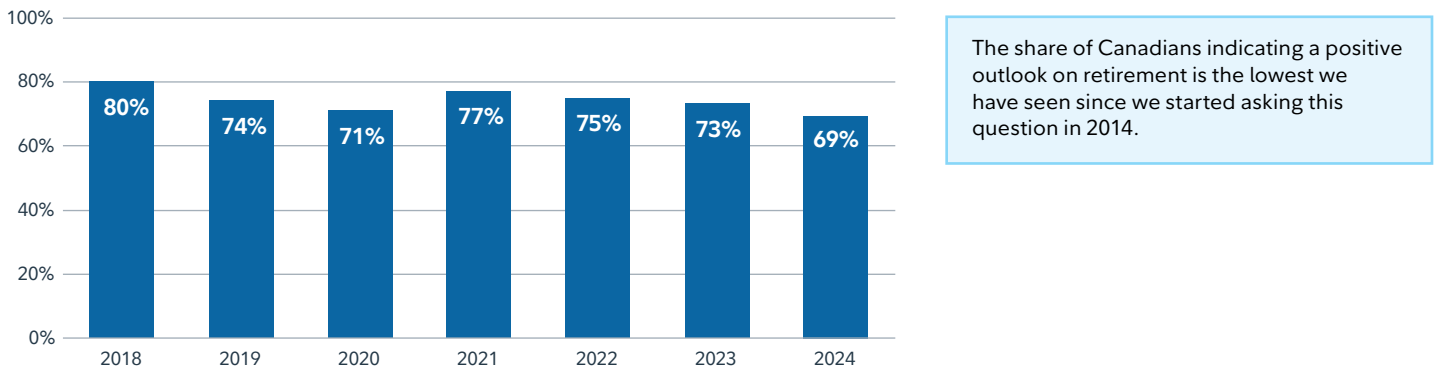


While most Canadians have a positive outlook on retirement, we see declining proportions

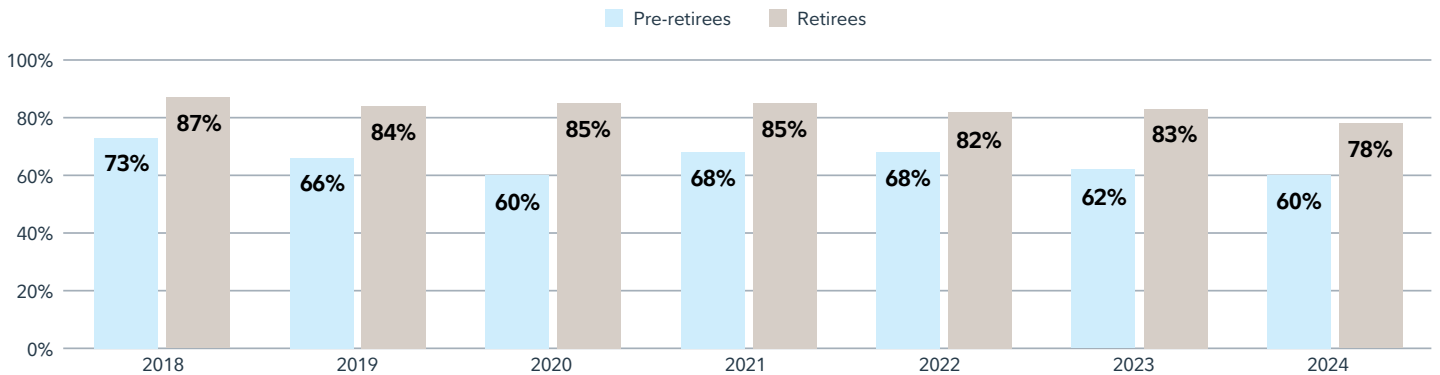
As in previous years, we find most Canadians, retirees and pre-retirees alike, continue to have a positive outlook on their retirement. However, we find that the share of Canadians doing so has decreased over the years, hitting 69% this year.

Somewhat unusually, this was driven by retirees, who have typically had a more stable and positive outlook on their retirements than pre-retirees.

All respondents: Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.



Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.



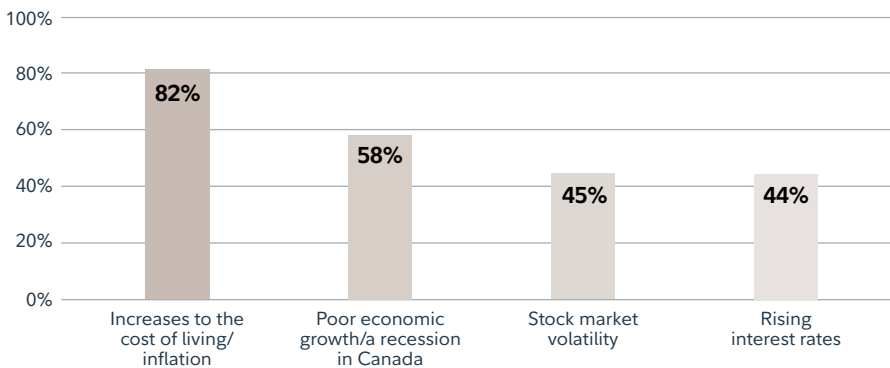
We saw a significant difference between the share of pre-retiree men who had a positive outlook on retirement (68%) and pre-retiree women (54%).

This decline was driven by macroeconomic headwinds.

It comes as no surprise that retirees are feeling the bite of inflation. Other macroeconomic issues such as a slowing economy, rising rates and volatile markets are also common factors that have negatively affected retirees financially.

Pre-retirees are also feeling the pinch. We find that compared with last year, a larger share of pre-retirees are considering delaying their retirement in response to the rising cost of living.

Retirees: For you personally, how do you believe each of the following factors are impacting you financially in retirement? **Answer:** Negatively.



While most retirees feel that a slowing economy is negatively affecting them, it is worth noting that financial markets do not necessarily move in lockstep with the economy. Retirement portfolios can remain resilient during periods of economic difficulty, and for many retirees, their standard of living has much more to do with their retirement portfolios than economic growth figures.

Pre-retirees: Has the rising cost of living influenced when you think you will retire?

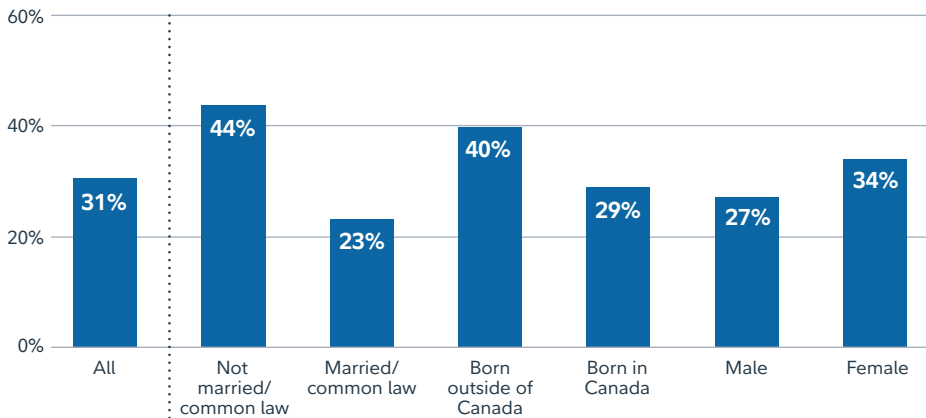
	2023	2024
Yes, I'm planning to retire earlier than I originally expected or planned	8%	7%
Yes, I'm planning to retire later than I originally expected or planned	37%	43%
No, I'm planning to retire at the same age as I originally planned	55%	50%

Many retirees indicate that the amount of money they receive in retirement has not been enough.

Nearly one in three retirees indicate that the amount of income they receive has not been enough to maintain their pre-retirement standard of living, but this varied a lot based on demographics.

Financial planning can help, though. We find that those with written financial plans and those with financial advisors were less likely to state that their retirement income has not been enough to maintain their pre-retirement standard of living.

Retirees: Has the income you currently make in retirement been enough to maintain your (pre-retirement) standard of living? **Answer:** It has *not* been enough.



There could be many explanations behind these results. For instance, women tend to have longer lifespans, which can increase the risk of outliving savings. Those born outside Canada may have been in Canada for fewer years, meaning that they could be getting less in Old-Age Security and Canada Pension Plan benefits.



Retirees: Has the income you make in retirement been enough to maintain your (pre-retirement) standard of living? **Answer:** It has not been enough.

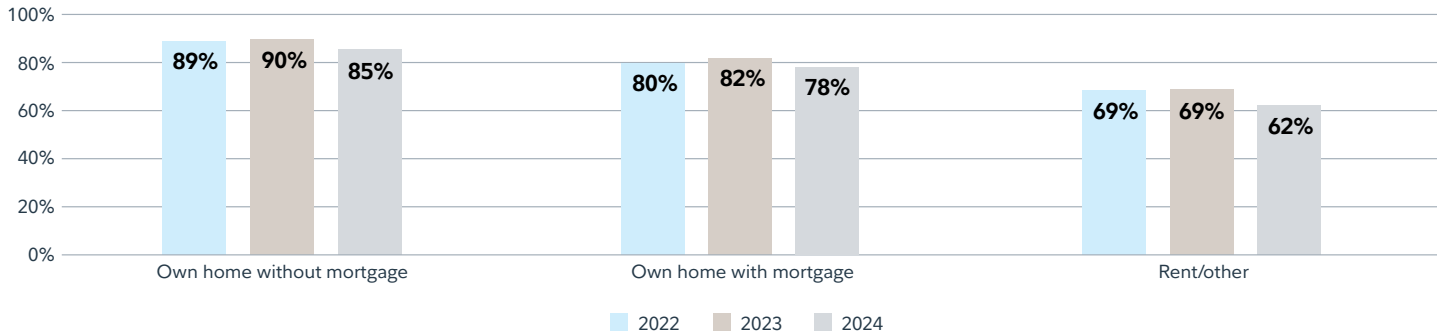
NO ADVISOR	42%
HAVE ADVISOR	24%
NO WRITTEN FINANCIAL PLAN	35%
HAVE WRITTEN FINANCIAL PLAN	19%

The impact of home status and mortgages.

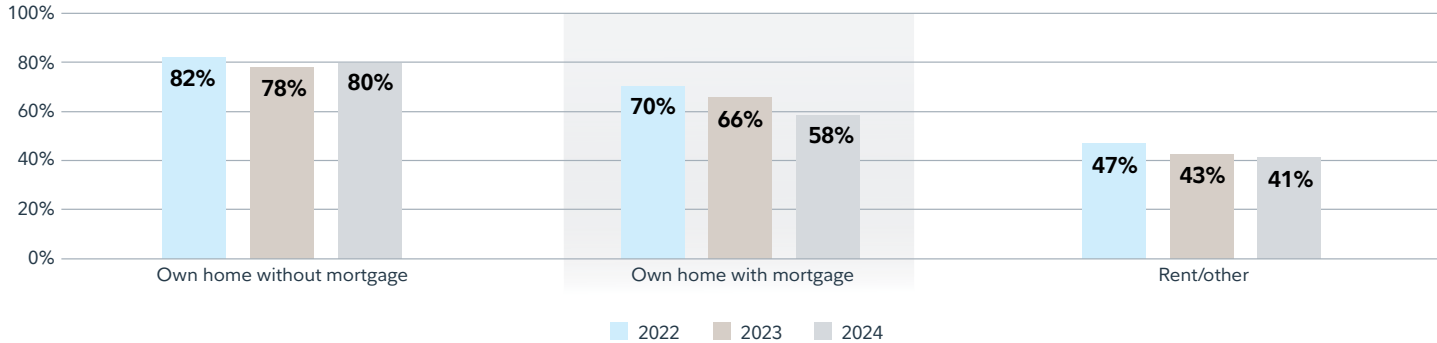
Despite an overall drop in the share of Canadians with a positive outlook on retirement, we see large differences based on housing status.

In particular, the outlook of pre-retirees with mortgages has been trending down in the last few years.

Retirees: Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.



Pre-retirees: Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.



In a period of higher interest rates, pre-retirees with a mortgage may still have to balance retirement savings with higher mortgage costs.

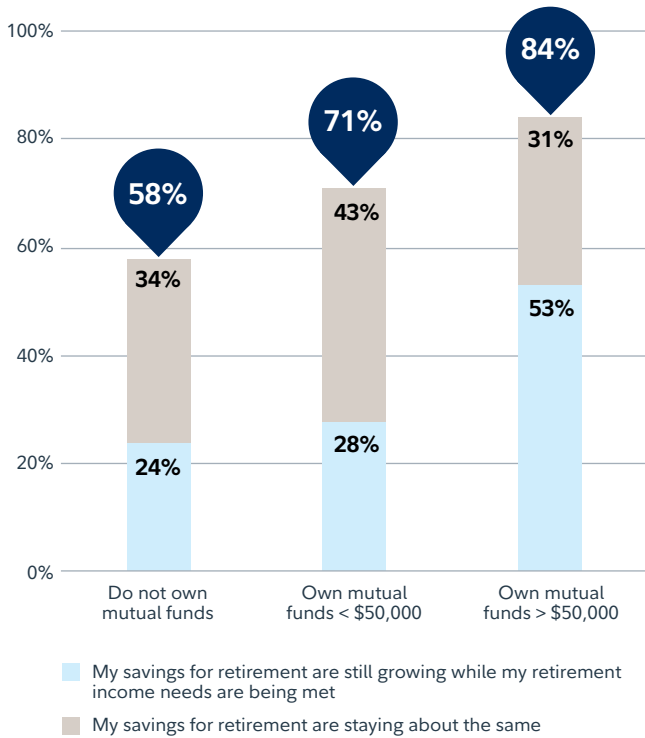
The negative trend is not as pronounced among retirees, because their mortgages are likely proportionally lower.

Despite all of this, most Canadians indicate that their retirement savings are not being depleted.

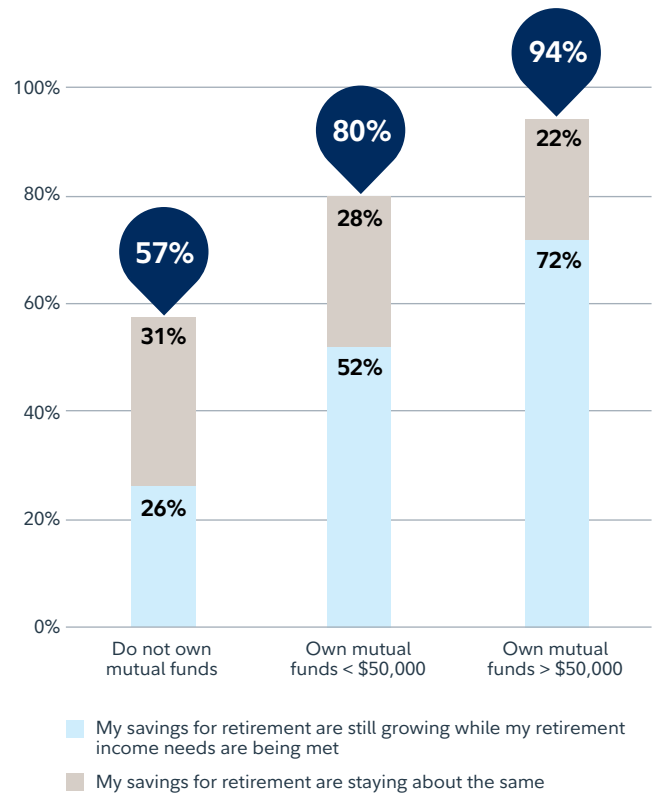
We find that most Canadians, retirees and pre-retirees alike, indicate that their retirement savings have been resilient.

We also find that those holding mutual funds were more likely to indicate that their retirement savings were resilient during an economically turbulent time.

Retirees: Which of the following best describes your situation when it comes to retirement savings (by mutual fund ownership)?



Pre-retirees: Which of the following best describes when it comes to retirement savings (by mutual fund ownership)?

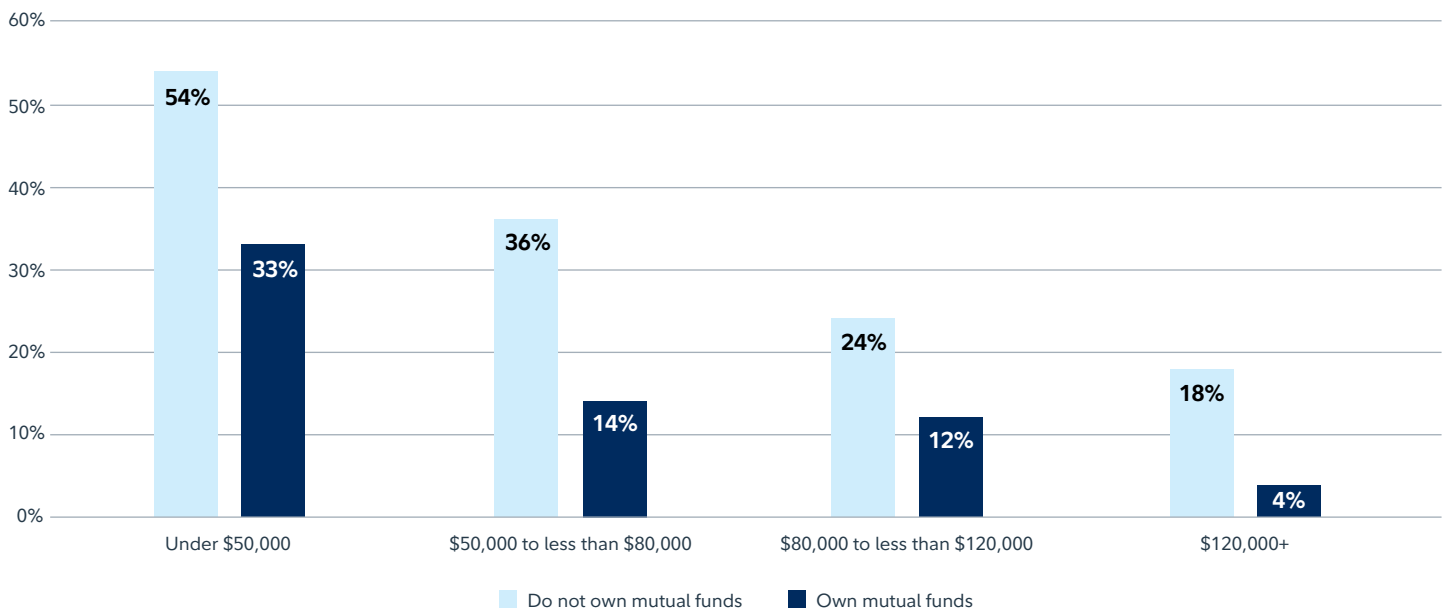


...This trend is consistent across income brackets.

Even within the same income brackets, those who own mutual funds are less likely to say that their retirement savings are being depleted.



Which of the following best describes your situation? **Answer:** My retirement savings are being reduced to meet other expenses (by mutual fund ownership, both retirees and pre-retirees).





Growing retirement savings isn't just about having a high income or stashing money away in a savings account. Being disciplined and consistently investing in financial markets is critical to positive retirement outcomes.



The decline in the outlook of retirees this year was driven by those without a written financial plan.

It can be tough out there. But year after year, we find that those with written financial plans have a more positive outlook than those who do not. Even though retirees as a whole saw their outlook on retirement decline this year, this was driven entirely by retirees without a written financial plan.

Retirees: Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.

	 With a written plan	 Without a written plan
2020	92%	81%
2021	92%	80%
2022	93%	77%
2023	91%	79%
2024	92%	73%

Pre-retirees: Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.

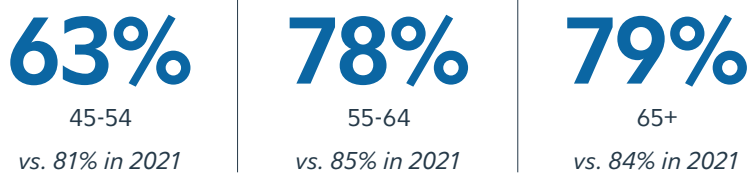
	 With a written plan	 Without a written plan
2020	79%	54%
2021	91%	60%
2022	86%	62%
2023	85%	55%
2024	81%	54%

It's possible that advisors may need to focus more on pre-retirees. Saving money for retirement can be difficult in an environment of rising costs, but it's important that Canadians stay the course.

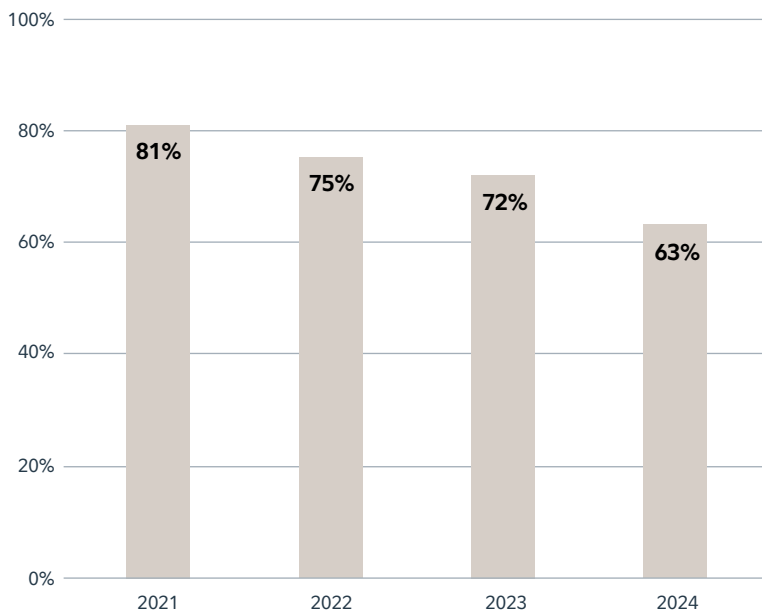
Younger retirees have seen a significant decline in their outlook on retirement since 2021.

Our survey showed that younger retirees were significantly less likely than older ones to have a positive outlook on retirement—a trend over the past few years.

Retirees: Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.



Ages 45-54: Thinking about retirement, which of the following reflects your outlook? **Answer:** Positive.



It is not uncommon for people to plan for retirement with some version of the 4% rule – the idea that investors can spend about 4% of a diversified portfolio in retirement with a low probability of depleting their investment savings. This is often true of those in FIRE (Financial Independence, Retire Early) communities – an online trend dedicated to retiring much earlier than the traditional ages of 60 to 65.

While there can be variations of how the 4% rule is implemented, it is worth noting that factors such as inflation, market volatility and the longer time horizons that come with early retirement can increase the risk of depleting investment portfolios.

It’s important for retirees and pre-retirees alike to be dynamic in their planning, accounting for these risks as the economy shifts. For those wanting to retire early, it may be worth considering a larger investment portfolio and/or a more conservative withdrawal rate.



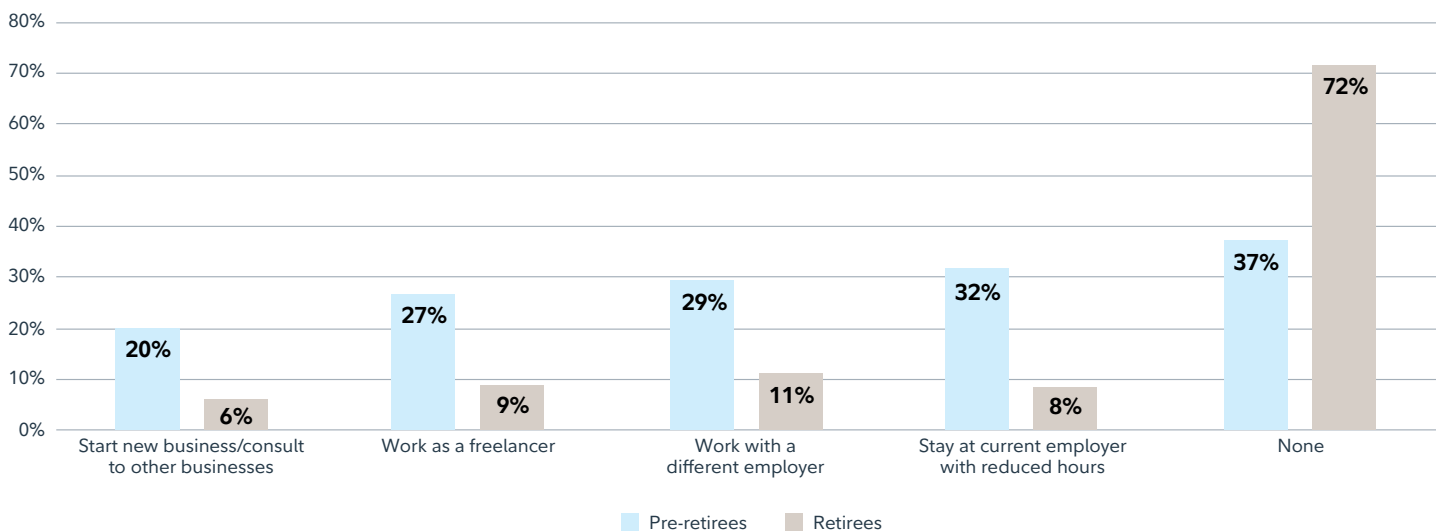
Most pre-retirees anticipate working in retirement in some form.

We see changing views on working in retirement. Less than a third of retirees have worked in some form or another in retirement. But most pre-retirees anticipate doing so.

Some groups were more likely to state as much, including those born outside Canada and those likely to support their adult children financially.

Pre-retirees: Please indicate if you will likely do any of the following once you transition into retirement.

Retirees: Did you do any of the following after you transitioned into retirement? Select all that apply.



According to Statistics Canada, the average age of retirement in Canada declined from 65.1 years in 1977 to a low of 60.9 years in 1998. However, it has steadily increased in the last few decades, reaching 65.1 again in 2023.

Pre-retirees: Please indicate if you will likely do any of the following once you transition into retirement.

Answer: Working in retirement in some form.



74%

Respondents who are likely to support non-student adult children in retirement



58%

Respondents who are unlikely to support non-student adult children in retirement



59%

Born in Canada



75%

Born elsewhere



63%

All respondents

One reason for why those born outside Canada may be more likely to work in retirement is that they are also more likely to support their adult children in retirement. Forty-seven percent of these respondents expect to do so, compared with 34% of those born in Canada.



While inflation was one reason for this trend, most pre-retirees would like extra money for recreational purposes.

Keeping up with the rising cost of living is an important financial reason for which pre-retirees are considering working in retirement. However, it isn't the most common one. We find that most pre-retirees indicate that they would like the extra money to spend on hobbies or recreational activities.

We also find that there isn't a clear relationship between those working in retirement and their level of household income, suggesting that in general, many Canadians may be working or anticipating working to maintain a higher material standard of living, rather than just to keep up with the rising cost of essentials.



Pre-retirees likely to work in retirement: Which of the following best describe the financial reasons why you think you will likely work in retirement?



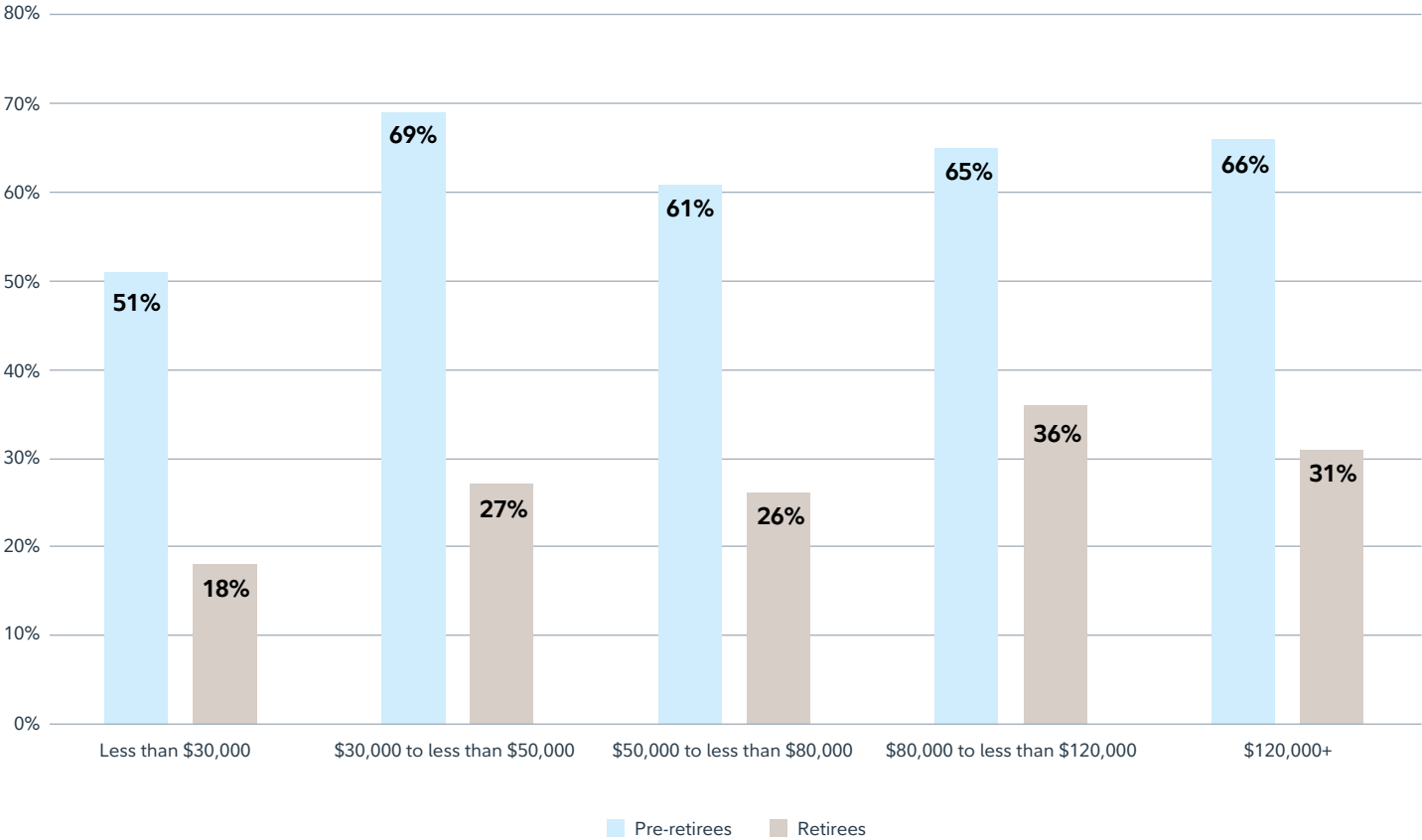


Pre-retirees: Please indicate if you will likely do any of the following once you transition into retirement.

Answer: Working in retirement in some form (by annual household income).

Retirees: Did you do any of the following after you transitioned into retirement?

Answer: Worked in retirement in some form (by annual household income).



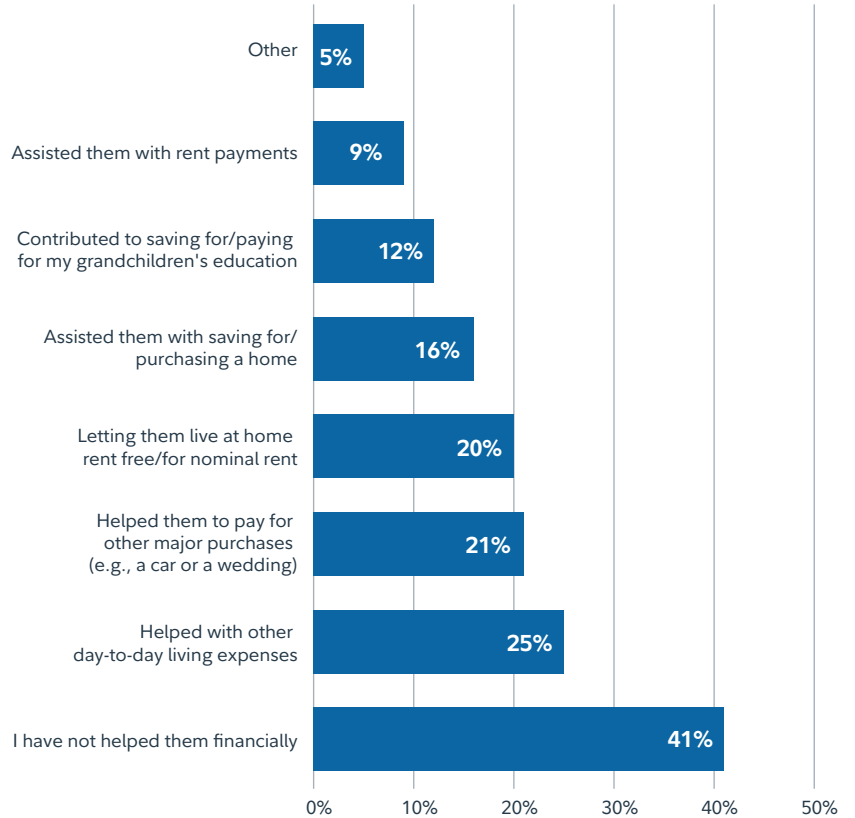
Six in ten retirees report helping adult children financially in retirement.

In the current economic environment, it's not uncommon for retirees to support their non-student adult children. In fact, six in ten retirees report financially helping their children in some form while being retired. This ranges from help with day-to-day expenses to larger purchases like weddings or houses, and even helping grandchildren with education.

In contrast, just under four in ten pre-retirees who will have non-student adult children during retirement anticipate doing so. It may be something for pre-retirees to consider in their retirement planning.

Retirees with adult children who are not students:

During your retirement, in what ways have you financially supported your non-student adult child/children? Select all that apply.

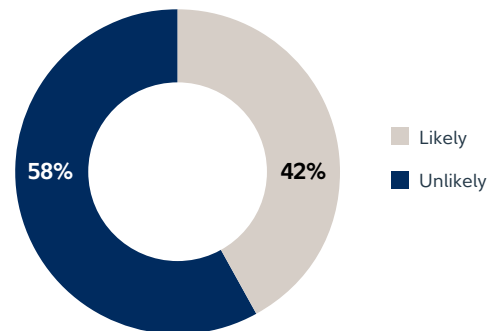


59% Report helping children financially in some form during retirement.



Pre-retirees who will have non-student adult children in retirement:

How likely is it you will financially support your non-student adult child/children in retirement (excludes N/A /Not sure)?

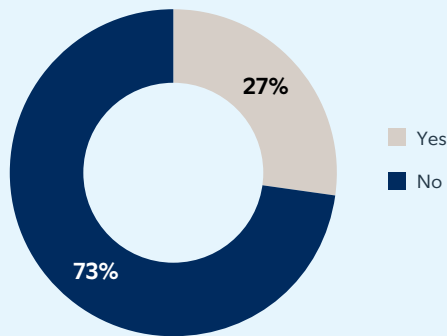


Key components of a written financial plan

Most Canadians lack a written financial plan. Among those that do have them, most have not planned for a tax-efficient way to transfer wealth to children.

In a world where supporting adult children in retirement is not uncommon, parents may want to consider this in their financial planning.

Do you have a written financial plan that specifically deals with retirement?



Frequent components of written financial plans

92% Details about the sources of income that you will rely on for your retirement (pension, government income, savings, etc.) and the total income that this will provide

92% Estimate of the total savings you will need to retire comfortably

73% A budget estimate for your spending in retirement/A budget for how your spending will change in future years or later in retirement

Less frequent components of written financial plans

50% A budget for healthcare costs and requirements

43% A plan about how to transfer your savings/wealth to your children in a tax-efficient way

39% A budget for home modifications/renovations that allow you to remain in your home throughout retirement





Much of financial planning focuses on generating income in retirement to meet day-to-day expenses, since retirees are less likely to have large lump-sum expenses, like the down payment on a house. However, given current trends, it may be worth considering planning for significant expenditures relating to supporting adult children.

The value of a written financial plan

The share of pre-retirees who report feeling financially prepared for retirement has been decreasing over the years. This year, as in years before, we continue to see that those with written financial plans are more likely to feel positive about their retirements, financially, emotionally, socially and physically.

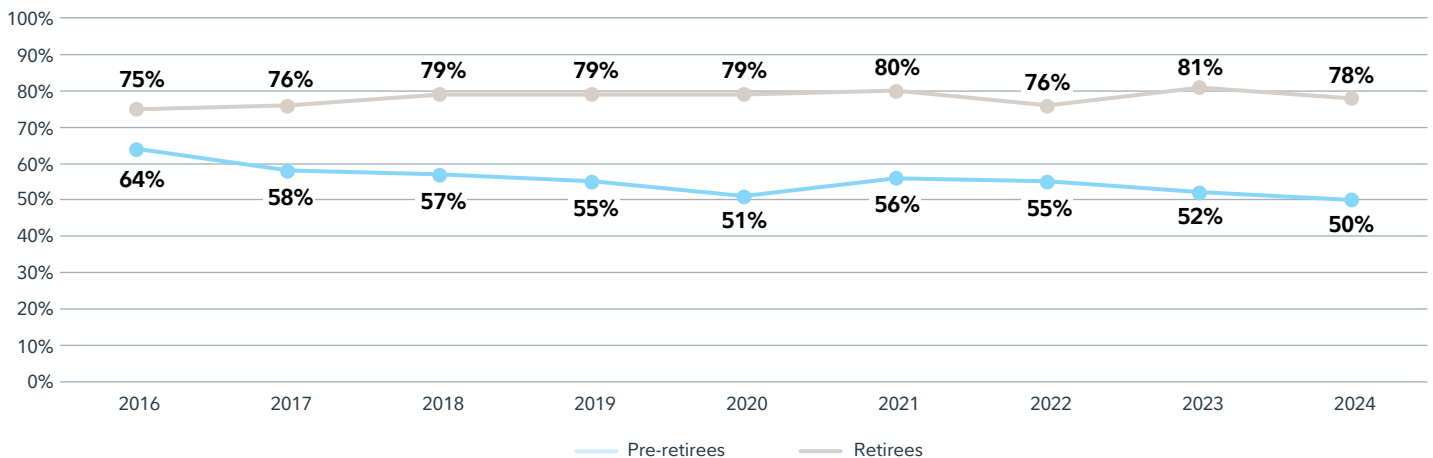
Pre-retirees: How well-prepared for retirement do you feel you are?

Retirees: How well-prepared were you for retirement?

	PRE-RETIRES		RETIRES	
	WITHOUT a plan	WITH a plan	WITHOUT a plan	WITH a plan
 Financially prepared	41%	78%	72%	95%
 Emotionally prepared	56%	77%	78%	88%
 Socially prepared	62%	78%	74%	88%
 Physically prepared	66%	88%	78%	95%

Pre-retirees: How well prepared for retirement do you feel you are? **Answer:** I am financially prepared for retirement.

Retirees: How well-prepared were you for retirement? **Answer:** I was financially prepared for retirement.



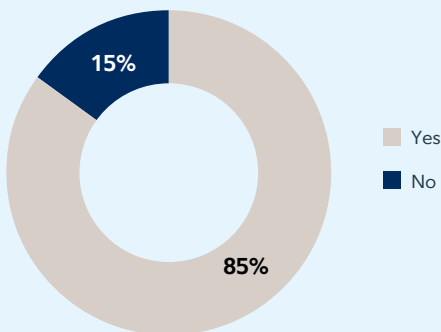
The value of financial advice

There’s been a lot of uncertainty out there, whether in the financial markets or the broader economy. Financial advice can play an important role in helping Canadians feel better about their retirement.

All respondents: Please indicate the extent to which you agree with the following statements. **Answer:** Agree.

	PRE-RETIREEES		RETIREEES	
	WITHOUT a plan	WITH a plan	WITHOUT a plan	WITH a plan
I feel optimistic that there will be lots of opportunities for future investment growth	30%	51%	28%	48%
I feel I’m getting closer to achieving my financial goals	28%	49%	32%	48%
I feel financially prepared for retirement/was financially prepared for retirement	38%	60%	65%	87%

Those with a written financial plan: Did you work with a financial advisor to build your financial plan (retirees and pre retirees)?



Compared year over year, we have generally seen directional declines in these figures – likely a consequence of continued turbulence in the economy. In particular, the share of retirees who feel that they are optimistic that there will be lots of opportunities for future investment growth declined from 55% last year to 48% this year, among those who had advisors.

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