

Retirement 20/20

Achieving retirement fulfillment



Family Excitement Slowing down
Prosperity Fulfilling work gradually Boredom
Fear
Having to work Security Financial stress Fun
Contentment Enjoyr
Balance

85%

OF RETIREES HAVE
A POSITIVE OUTLOOK
ON RETIREMENT



Explore the results from the 2015 Fidelity Retirement Survey Report to find out what is needed to achieve retirement fulfillment.

About the 2015 Fidelity Retirement Survey

This study was commissioned by Fidelity Investments and was conducted between October 22 and November 3, 2014, by The Strategic Counsel.

The Fidelity Retirement Survey was first commissioned to provide Fidelity with information about the attitudes and behaviours of pre-retirees and retirees in the Canadian marketplace, including their hopes and fears about retirement, their expectations regarding working in retirement, and how they anticipate they will fare financially during this stage of life.

This is the tenth year that the survey has been conducted.

The survey was conducted among 1,392 Canadians 45 years of age and older:

- A disproportionate sample of 1,392 pre-retirees and retirees is completed annually to allow for regional analysis.
- The results are then weighted to reflect the national proportionate distribution of those 45 years of age and older.

Were a probability sample of this size to be undertaken, it would yield results accurate to +/- 3.1 percentage points, 19 times out of 20.

Total number of respondents

1,392

CANADIANS SURVEYED

Respondents' age range

45+

MEDIAN AGE 57

Of the total number of respondents...

52%

PRE-RETIREEES

48%

RETIREEES



About our expert

Peter Drake
Vice-President,
Retirement and Economic
Research, Fidelity
Investments Canada

Peter joined Fidelity in 2006 and leads the firm's research in economics, capital markets and issues around planning for and living in retirement. He has over 40 years of experience as an economist, and before joining Fidelity, he worked at the economics department of the TD Bank Financial Group, including 11 years as Vice-President and Deputy Chief Economist.

Peter is a noted expert on retirement and presents his research and insights across the country and in the media. His work at Fidelity has resulted in his being an invited speaker at several conferences on retirement.

Achieving retirement fulfillment

Achieving retirement fulfillment can mean different things to different people, but at its core, retirement fulfillment starts with creating opportunities to have choices in retirement – choices to play, to work or to learn. This report will outline some of the questions and ideas that Canadian pre-retirees and retirees are thinking about.

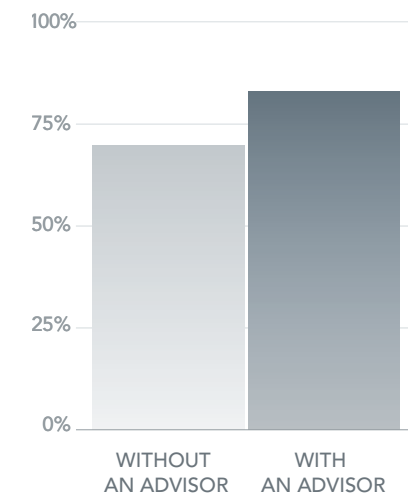
The word cloud below highlights the words retirees associate with their retirement – the larger the word, the greater the association. How does this compare to your vision of a fulfilling retirement?



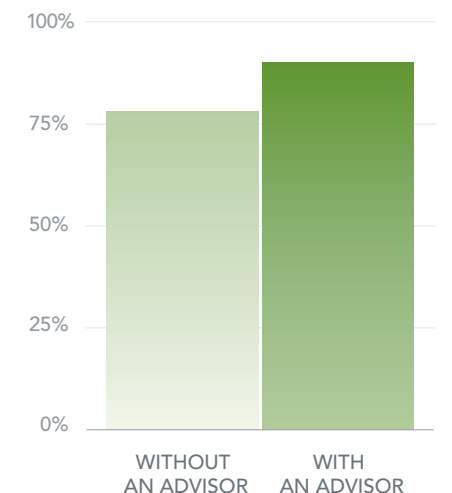
Drake says...

Creating opportunities to have choices in retirement takes time, planning, discipline and patience, but once achieved, you can have the freedom and flexibility to do what you find fulfilling.

Percent of pre-retirees with a positive outlook on retirement



Percent of retirees with a positive outlook on retirement



Working with a financial advisor

Creating opportunities to have choices in retirement can be much easier when investors decide to work with a financial advisor. Financial advisors provide investors with the guidance, discipline and partnership to create a financial plan that fits the investor's retirement vision.

According to Fidelity's retirement survey, pre-retirees and retirees who work with a financial advisor are more confident and more likely to achieve their desired retirement lifestyle than those who do not.

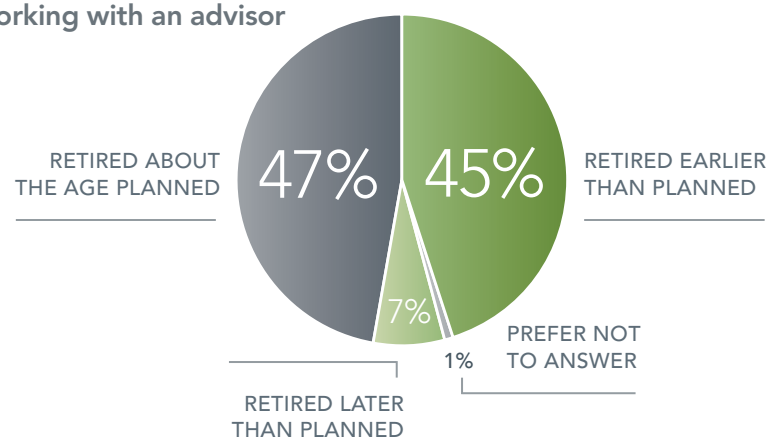
Beyond investment advice:

Most valued versus service provided



Retirement timing:

Retirees working with an advisor



Drake says...

One of the most important choices you can make is the decision to work with a trusted financial advisor. Being an active participant in your retirement planning can give you the discipline to stay on the path to achieve your desired retirement lifestyle.

Of respondents who have an advisor...

91%

ARE CONFIDENT IN THE ADVICE THEY RECEIVE

37%

HAVE A WRITTEN RETIREMENT INCOME PLAN

30%

OF PRE-RETIRES HAVE A WRITTEN WILL

Trust

IS THE TOP REASON RESPONDENTS SEEK ADVICE FROM AN ADVISOR

Funding retirement income

62%

OF PRE-RETIRES EXPECT TO CONTINUE WORKING IN RETIREMENT

54%

OF WORKING RETIREES DO SO FOR FINANCIAL REASONS

27%

OF RETIREES ARE CURRENTLY WORKING AT LEAST PART-TIME IN RETIREMENT

Inheritance

IS AN ANTICIPATED SOURCE OF INCOME FOR 22% OF PRE-RETIRES

37%

OF RETIREES ARE CONCERNED THAT MARKET VOLATILITY WILL ADVERSELY AFFECT RETIREMENT INCOME FROM SAVINGS

48%

OF RETIREES RETIRED EARLIER THAN THEY HAD PLANNED

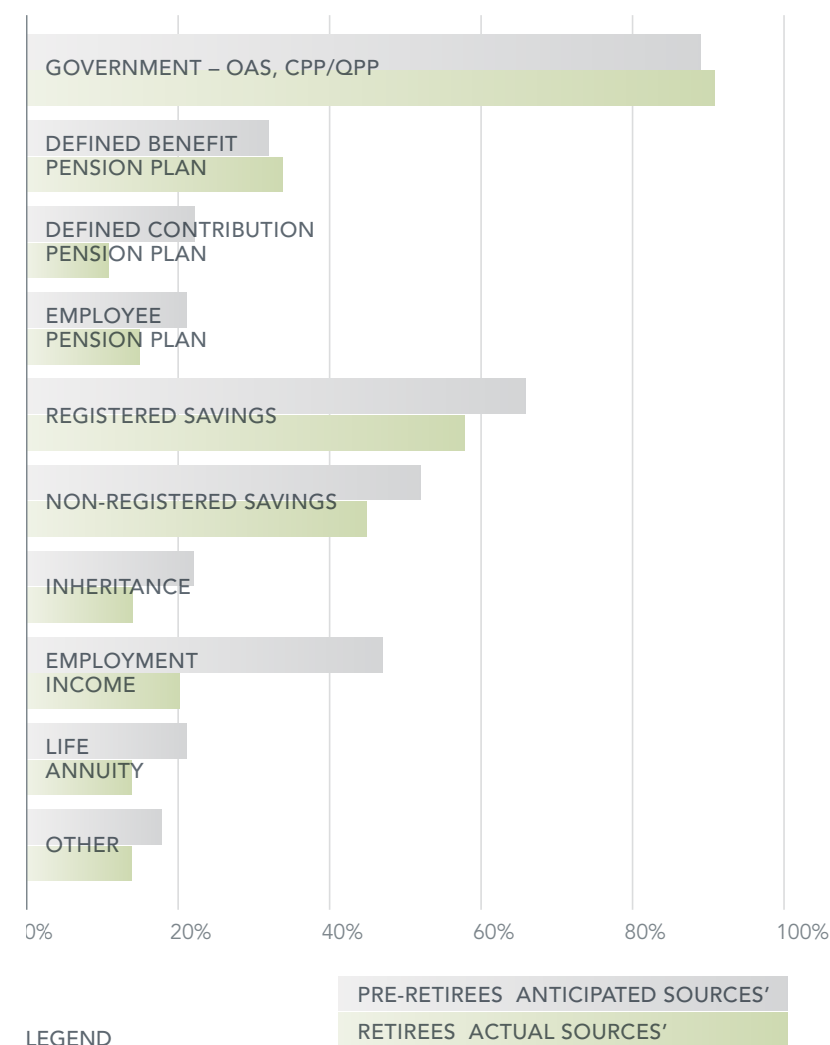
Drake says...

The goal for retirement planning is creating retirement income that is large enough to meet your needs, predictable enough to make plans and sustainable enough to last as long as you need it.

Creating choices in retirement begins with a diverse set of retirement income options. Retirees need to match their retirement lifestyle with their retirement income.

A significant change for many retirees is the shift from receiving one paycheck to receiving income from multiple sources. Advisors can help create a plan to achieve a desired retirement lifestyle.

Sources of income:



Retirement in Canada – Spanning a decade

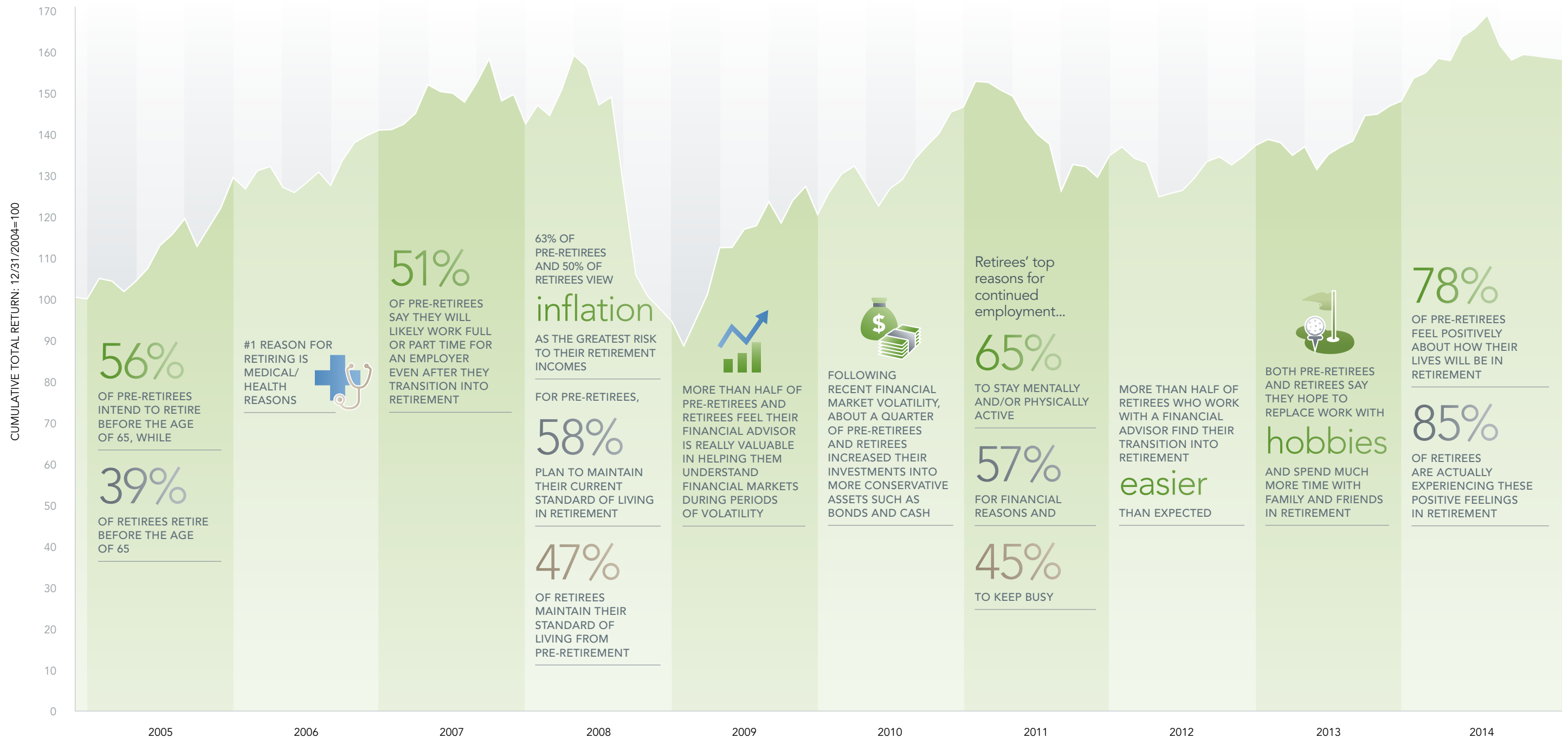
Market conditions may vary over time but your retirement planning is forever.
What will the next decade mean for your retirement?

Drake says...

There are three key observations on retirement from the last decade

1. Working in retirement is not a retirement plan.
2. Inflation is a risk to retirement income.
3. Financial advice is key to retirement fulfillment.

S&P/TSX Composite Total Return Index



The 5 key risks to retirement income

Most retirees are aware of the financial issues they may face in retirement. In general, pre-retirees were more worried than retirees. That could be a healthy sign, indicating an awareness of the issues that could lead to better preparation.

In the widely read 2011 report, *After the global financial crisis – The 5 key risks to retirement income*, Fidelity outlined five factors that must be accounted for in any retirement plan.

Even low (2% annual) inflation can reduce purchasing power over a 25-year retirement

2% = -40%

INFLATION RATE REDUCTION IN PURCHASING POWER OVER 25 YEARS

Where will the money come from?

Retirement income

Working in retirement

Home equity

Drake says...

Inflation hurts retirees more than any other group. In retirement, you have to plan for inflation, because it can do a lot of damage over the long term.

Respondents' perceptions of the risks to personal financial security in retirement

Inflation

The potential for rising prices to erode purchasing power



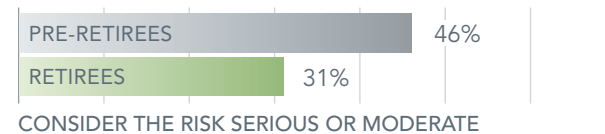
Health care

The chance that out-of-pocket costs may drain savings



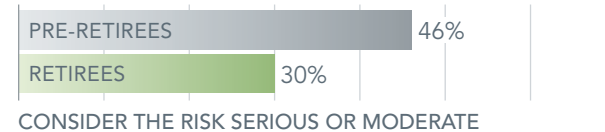
Asset allocation

Choosing the wrong mix of equities, bonds and short-term securities



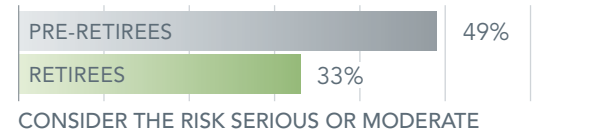
Withdrawal

Taking out too much from savings and running out of money



Longevity

The risk of outliving one's savings



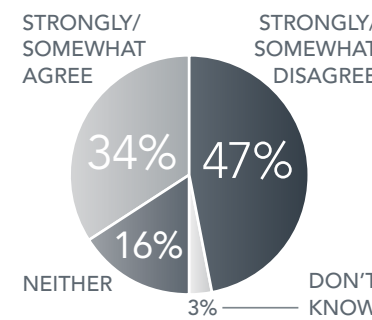
Making choices about debt

Attitudes about debt are shifting among Canadians, and decisions about debt in retirement need to be carefully considered.

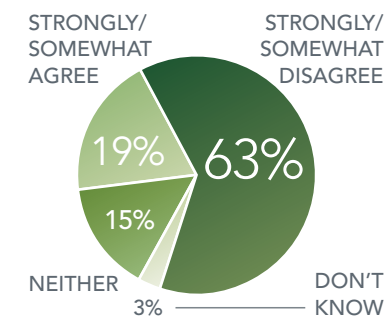
More pre-retirees expect to carry debt into retirement. If investors decide to carry a mortgage or other debt into retirement, they need to make sure it does not limit their choices.

"Worried about the amount of debt that I am carrying"

Pre-retirees...

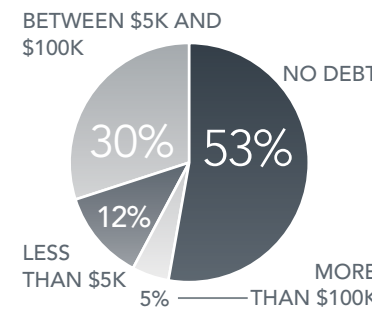


Retirees...

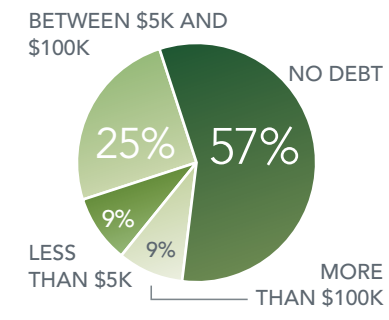


Pre-retirees' debt levels will be somewhat higher than retirees had when they retired.

Pre-retirees will owe...



Retirees owed...



Drake says...

Canadians love owning homes, and an increasing number of homeowners are planning to use their home equity to help fund their retirement. But this may not be an effective strategy to generate retirement income.

The value of home equity for Canadian households almost doubled in ten years...

\$2.4 trillion

AT THE END OF 2013

\$1.3 trillion

AT THE END OF 2003

Source: Investor Economics.

Percent of people who are very or somewhat likely to use their home for future income...

36% **21%**

OF PRE-RETIRES OF RETIREES

Percent of people who already sold/borrowed against a home...

7% **12%**

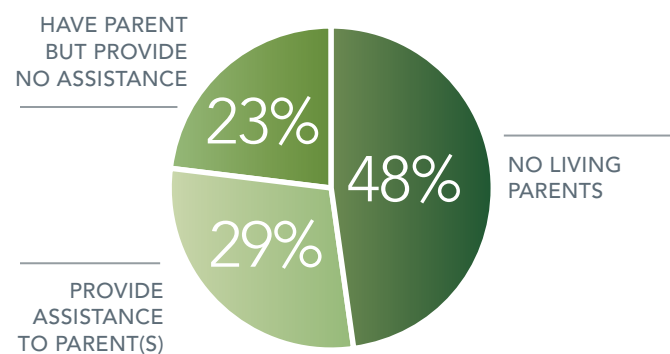
OF PRE-RETIRES OF RETIREES

Defining a retirement lifestyle

Retirement is being redefined. Achieving retirement fulfillment means that individuals have created the opportunities to play, work or learn. Taking the time to envision retirement before it happens will help create a plan that achieves this vision.

A significant number of Canadians say they plan to be working, in some capacity, during retirement. Many people choose to work in retirement to keep busy, while others work primarily for the extra income.

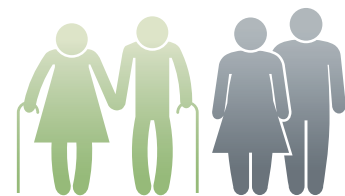
Retirees providing assistance or support to elderly parents



FOR THE 29% THAT PROVIDE ASSISTANCE TO PARENT(S), 34% OF RETIREES SAY IT IS TAKING MUCH MORE TIME THAN ANTICIPATED

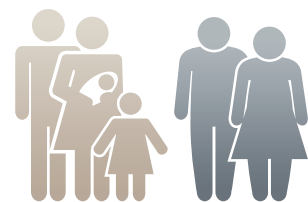
The sandwich generation

8%
OF RETIREES EXPECT TO OR ALREADY SUPPORT AN ELDERLY PARENT



27%

OF RETIREES ARE SUPPORTING OR HAVE SUPPORTED AT LEAST ONE CHILD AFTER RETIRING



Retirees' top reasons for continued employment...

58%

TO STAY MENTALLY AND/OR PHYSICALLY ACTIVE

54%

FINANCIAL REASONS

47%

TO KEEP BUSY

Drake says...

While the number of people working in retirement is increasing, planning to work in retirement is not good retirement planning, because of the risks around personal health, changes to your workplace and your own attitudes about continuing to work.

Retirement checklist

A few steps that can help you achieve retirement fulfillment

- Envision your retirement lifestyle.** There are lots of things to do in retirement.
- Try it out.** Try some retirement activities before you retire. This gives you an opportunity to get a better sense of those activities you like to do and to revise your plan ahead of time.
- Get advice.** Talk with your financial advisor about the type of retirement you want.
- Make a plan.** Work with your financial advisor to come up with an achievable retirement plan.
- Create your retirement paycheck.** Diversify your retirement income to protect against the unexpected.
- Don't forget about debt.** Think about the type and level of debt that you are comfortable carrying.
- Get involved.** Be an active participant in your retirement planning – talk with your financial advisor regularly to evaluate your progress on achieving your retirement vision.

Drake says...

Retirement fulfillment, ideally, is about choice. And to be in a position to make the choices you want, you need to prepare ahead of time. You need to know what you want to do in retirement, and you need a financial plan that will provide you with the income to do those things.

Looking for more information?

Visit gettingadvice.ca to learn more about Fidelity's *Getting Good Advice* series.



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