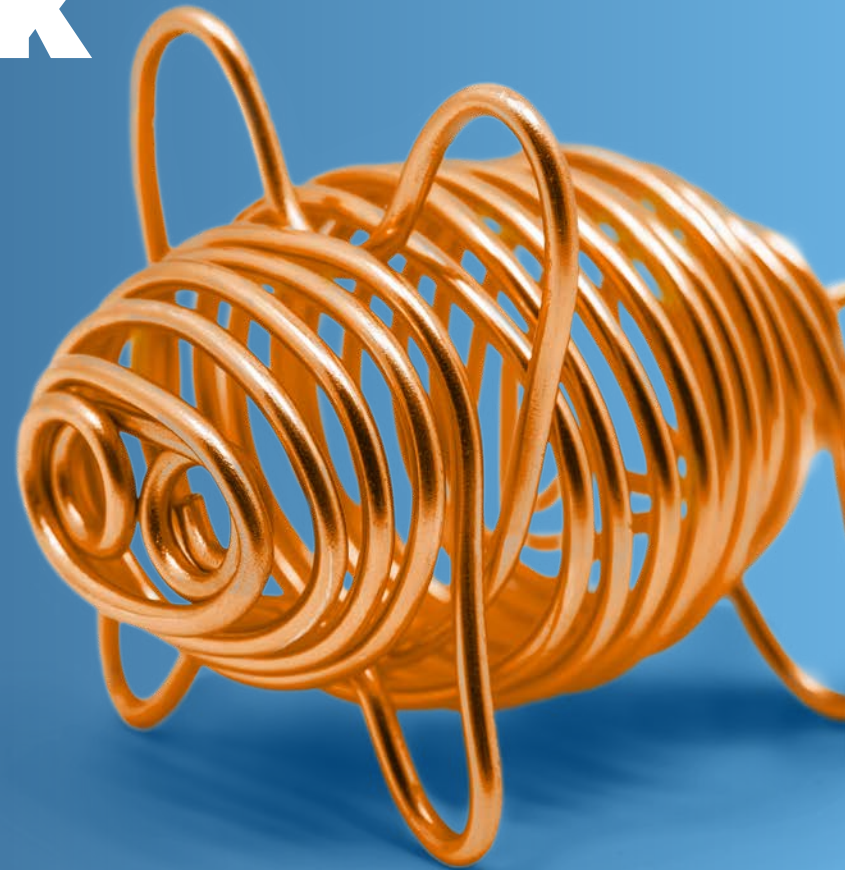


Mackenzie Retirement Reality Check 2021

Five retirement challenges
Canadians must tackle today.



Summary

Top Findings

Find Income

Start Planning

Create Confidence

Improve Knowledge

Get Advice

Conclusion

Summary

In March 2020, Canadians across the country looked at their retirement statements in a panic. The global economy was shutting down, markets were cratering and no one had any idea as to what would happen next. But unlike in 2008, the last major economic crisis, most people didn't abandon their investments.

According to Mackenzie's 2021 Retirement Reality Check survey, an annual survey that looks at how people are saving for retirement and identifies gaps that still need to be filled, 59% of respondents made no changes to their portfolios during the pandemic—which many were no doubt happy about after seeing markets soar during the rest of the year. That finding, combined with several other statistics, including that 86% of employed individuals are already saving for retirement, is a good indication that Canadians have their financial futures in mind.

But while putting money into a retirement account—and even staying the course during a pandemic—will certainly help people meet their retirement goals, many are still struggling to generate the kind of income required for retirement, while others aren't sure how to continue growing the money needed to live and travel on. Those are just some of the findings from Mackenzie's Retirement Reality Check report.

Mackenzie's Retirement Reality Check 2021 report was conducted by Pollara Strategic Insights between June 30 and July 12 through an online survey with a randomly selected sample of Canadians. As a guideline, a probability sample of this size carries a margin of error of $\pm 3.1\%$.



1,601

Total number of
Canadians surveyed



750

Canadians surveyed
who are 45 years of age
or older and still working.



851

Canadians surveyed
who are retired.

Today's Retirement Reality:

Top findings

Retirement Reality Checks

<p>#1 Find Income</p>	<p>Employed Canadians expect to work four years more than retirees before they leave the office. Many will also work in retirement.</p>	<p>Employed Canadians say they need more money to fund their retirement than current retirees do.</p>	<p>Employed Canadians are less confident about what their paycheque might look like in retirement than retirees.</p>
<p>#2: Start Planning</p>	<p>A large majority of Canadians have started saving for retirement.</p>	<p>Fewer have started to consider how much they'll need in retirement and where that money will come from.</p>	<p>Even fewer have a plan to manage their money in retirement.</p>
<p>#3: Create Confidence</p>	<p>Most employed Canadians are only somewhat confident in their retirement plans.</p>	<p>About half of retirees are only somewhat confident in their retirement plans.</p>	<p>A majority of retirees encountered surprises with their plans after they stopped working.</p>
<p>#4: Improve Knowledge</p>	<p>Canadians admit they're not confident enough in their financial knowledge.</p>	<p>Retirees were more confident in their financial knowledge pre-retirement than employed Canadians are today.</p>	<p>People do understand the importance of retirement-related financial knowledge, many just don't seek it out.</p>
<p>#5: Get Advice</p>	<p>Only 50% of employed Canadians use a financial advisor to manage their investments.</p>	<p>Most retirees didn't use an advisor to create their retirement plan.</p>	<p>Those who use an advisor generally have more money, plan better and understand their investments more than those who don't.</p>



Expert Insight

“Canadians believe they know what they want in retirement, but they really haven’t planned for it. As a result, they’re not very confident about their post-working years, and even when they are retired, most still are not very self-assured. We can play a role in increasing their confidence.”

Ron Hanson,
Head of Retirement at
Mackenzie Investments

Today's Retirement Reality:

Top findings

Staying the course through COVID

While volatility was on people's minds, most Canadians surveyed didn't panic. Here's what we found about how people handled their retirement savings during the pandemic.



Volatility Concerns

57%

Employed Canadians who are either very or somewhat concerned about market volatility.

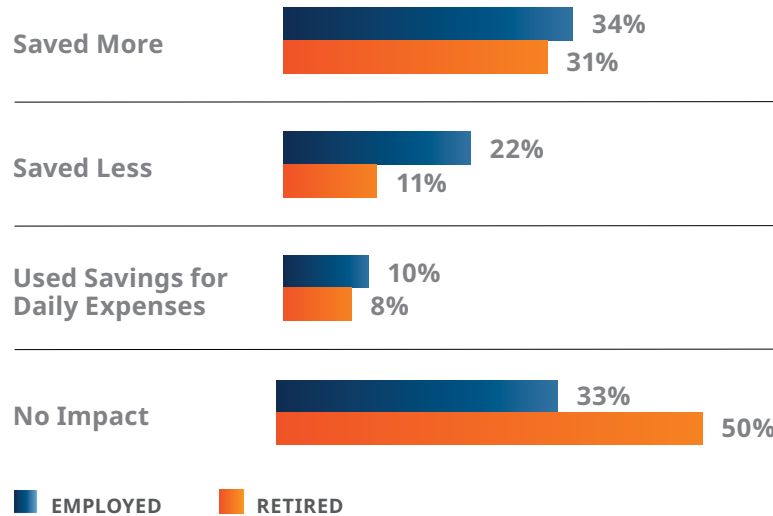
51%

Retired Canadians who are either very or somewhat concerned about market volatility.



Still saving

Most Canadians either saved or stayed the course during the pandemic.



No Change

59%

Employed Canadians who said they made no changes to their investments during the pandemic.

62%

Retirees who said they made no changes to their investments during the pandemic.

69%

People who said the pandemic had no impact on their retirement.

Retirement Reality Check #1:

Find income

There is no blanket number that all Canadians need to achieve their dream retirement. It depends on plenty of factors, including your time horizon, your future goals and much more. However, it's clear from the report that currently employed Canadians think they'll need to save more for retirement than the previous generation. The difference is significant: Employed Canadians say they need, on average, \$697,000 before they reach retirement versus the \$327,000 that retirees saved, on average, while they were working. Working respondents also said they'll need \$1,000 more per month to live on in retirement than current retirees do.

Another concern is that both working Canadians and retirees don't think they'll have enough income to sustain their retirement. Just 29% of retirees are very confident that their income will last for the rest of their life, while only 18% of those employed are very confident that they'll have enough income in retirement to live the way they'd like. Part of the problem is that people are far more focused on growing their investments during their working years rather in retirement. In fact, you need to do both. Accumulate assets during your working years so that you have enough money to retire on, and then continue growing your savings—even as you start drawing them down—so you can keep funding your retirement goals. Being retired doesn't mean your investments should stop growing.

One challenge for working Canadians is that they may need to rely more on investment growth than retirees do. The former expect to earn income from employer-sponsored pensions, investments and government sources, while the latter is drawing on mostly government and employer-sponsored pensions. Only 25% of retirees say that savings and investments are a main source of income. The difference may be a result of the kind of pension income retirees receive. Many will have had defined benefit plans, which offer a set income for life, versus defined contribution plans, which most of today's employees receive and are subject to market volatility.

**Expert Insight**

“Canadians are saving but the survey shows there’s still a huge gap between what people think they’re going to need in retirement and what they’ve saved. We want to help them close that gap by helping them understand their income needs and making sure their investments are on target to meet those needs.”

Ron Hanson,

Head of Retirement at Mackenzie Investments

Key Takeaway: Working Canadians may need more income sources than today's retirees, but both need to ensure they have enough so that they don't outlive their savings. They also need to develop a proper decumulation strategy that will allow them to draw down their savings, while ensuring their investments can still grow in value.

Income Gap

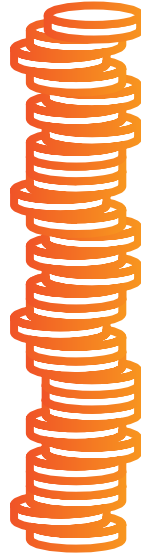
Canadians spend 27% less in retirement than they originally expected.

\$3,601

What employed Canadians say they'll need per month in retirement.

\$2,637

What retired Canadians say they currently spend per month.



34%
Working Canadians who think they'll need to save between \$750,000 to \$1 million for retirement. Only 14% of retirees said the same.

57%
Employed Canadians who expect to work in retirement.

71%
Working Canadians who think retirement investments should be safe, not grow.

52%
Retirees who worry about market volatility.

Money matters

Canadians will need income from multiple sources to fund their retirement

What sources of income will you most rely on in retirement?

Income from work pension plans	Money from your savings and/or investments	Income from government pension plans	The money you will make from selling your home
35%	30%	29%	9%
42%	25%	40%	8%

■ EMPLOYED ■ RETIRED

What's on your bucket list?

Respondents share their main goals for retirement.

■ EMPLOYED ■ RETIRED

Live comfortably for the rest of their life **80%** **83%**

Travel **64%** **57%**

Staying in their home for as long as they can **62%** **55%**

Helping children and grandchildren financially **32%** **31%**

Top bucket list categories



Wellness

80% **69%**



Spending time with family

52% **47%**



Taking a month-long vacation

40% **26%**

Top bucket list travel destinations

Here's where those who do want to travel want to go.



Visit Major Global Cities (New York, Paris, London, Tokyo)

27% **16%**

Visit an African Safari

19% **9%**

Visit Great Wall of China

13% **6%**

Hike Macchu Pichu

10% **6%**

Retirement Reality Check #2:

Start planning

Here's the good news: The vast majority of those surveyed are already saving for retirement. The problem? For Canadians to meet their income goals, they'll need to do a better job of planning for retirement. That includes determining how much they'll need to retire on, and understanding what income sources to draw from and how to properly manage their money, which involves strategically drawing down assets while ensuring some can continue to grow.

It's always better to plan earlier than later, but, fortunately, today's retirees didn't wait too long to start thinking more carefully about their golden years. On average, Canadian retirees started looking at how much they would need to live on in retirement and how best to manage their assets in their early 40s. Contrary to popular belief—that Canadians are late to retirement planning—just 10% of respondents said they started saving in their 50s, while 16% said they waited until their 50s to start planning for retirement.

Key Takeaway: Planning can make or break a retirement – you can't attack your bucket list if you don't know how much you need. Start planning, and not just saving, as soon as you can.



Expert Insight

“You increase the probability of meeting your retirement goals if you have a proper plan in place. But it's not just about saving – you need to match your goals in retirement with the income your savings can generate.”

Ron Hanson,
Head of Retirement at Mackenzie Investments

Pay attention to planning Canadians may be saving, but they also need a plan

Have you started each of the following when it comes to planning for your retirement?

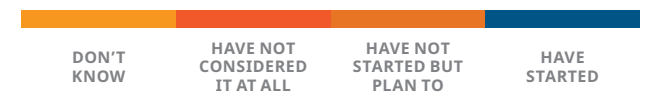
Saving money for your retirement



Planning how much you would need for retirement (including how much you would need, where the income would come from, etc.)



Planning how to manage your money in retirement



Saving vs. Planning

35 The age that retired Canadians say they started saving

42 The average age currently retired Canadians started figuring out what they'd need for retirement

44 The average age currently retired Canadians started thinking about how they'll manage their money in retirement

Retirement Reality Check #3:

Create confidence

Just having a plan is still not good enough—you must also have a high degree of confidence that your plan will work out as expected. Unfortunately, working Canadians are only somewhat confident in their plans—just 23% say they're very confident in knowing all their sources of income in retirement—which makes it harder to feel good about pursuing the activities they'd like to in their golden years.

According to the report, confidence doesn't necessarily increase with age. Many current retirees also feel only somewhat confident, rather than very confident, in their retirement plans. Part of the challenge may be that a lot of retirees had no idea what to expect in retirement, with 45% saying that while their plans were close to right, there were still a few surprises. Nearly one-quarter of retirees said they either encountered a lot of surprises after they stopped working or their plans didn't end up resembling reality.

Key Takeaway: Canadians must improve their understanding of what life in retirement is really like. The more confident you feel about the next chapter the easier it will be to stick to a plan.



Expert Insight

“Retirement is an abstract concept. You know you’re going to retire, but it still seems so far into the future. People without a plan, particularly those who don’t have a financial planner, end up to some degree muddling through, be it financially and/or emotionally.”

Ron Hanson,
Head of Retirement at Mackenzie Investments

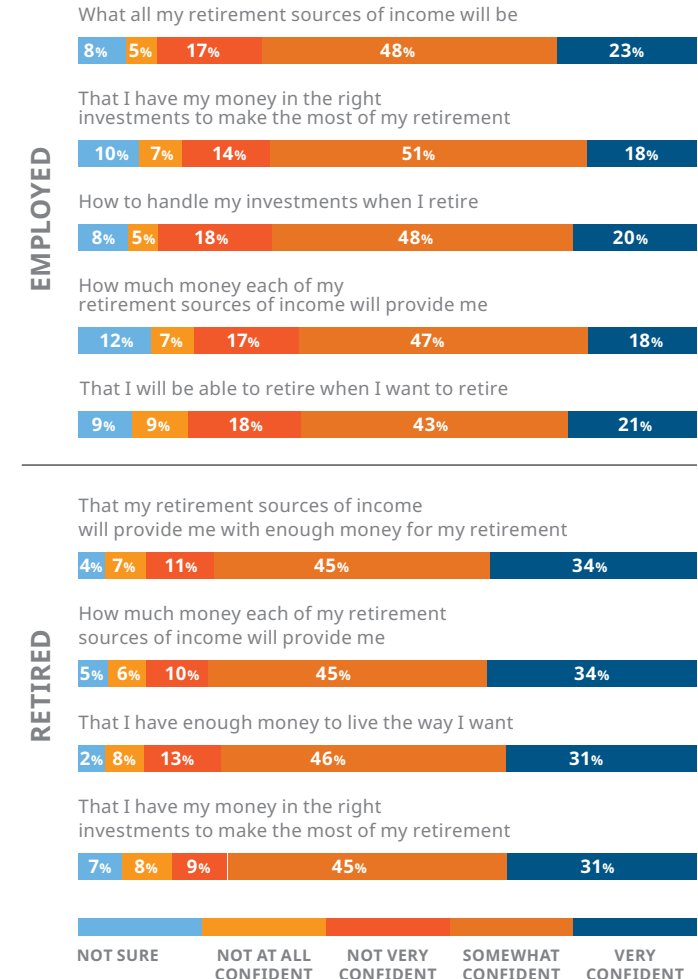
18%
Working Canadians who are very confident that they'll have enough in retirement

29%
Retirees who are very confident their income will last

Confidence challenge

Canadians are not confident enough in their retirement plans

How confident are you when it comes to each of the following aspects of your retirement?



Retirement Reality Check #4:

Improve knowledge

As the saying goes, “knowledge is power.” That’s especially true when it comes to money, a topic many people don’t know enough about. Indeed, both employed and retired Canadians admit they’re lacking in financial know-how. The report found that while many do feel somewhat confident about their knowledge in certain areas, such as knowing how much they’ll receive from their work pension or how best to manage finances in retirement, most don’t feel very confident. That’s an important distinction; people have worked hard for their nest egg and need to be assured they can manage as they transition to retirement.

The report also found that retirees were more confident in their financial knowledge before they stopped working than employed Canadians are today. That may be because they had less to worry about. Many of today’s retirees were in defined benefit pensions, there were fewer accounts to worry about and they were putting less of their income toward housing. People’s financial lives are more complicated today, which makes it that much harder to get the knowledge they need.

Fortunately, Canadians want to learn more, with the report revealing that 88% of people either strongly or somewhat agree that it’s important to know how much money they’ll need in retirement. Most also want to grow their nest eggs, with more than half recognizing that retirement is about more than keeping money safe.

Key Takeaway: Finances can be complex, but truly understanding your situation will allow you to generate income, plan ahead and feel more confident about your future.

90%

Retired Canadians who either somewhat or strongly agree that they need to handle their money properly if they’re going to make the most of it.

76%

Retired Canadians who either somewhat or strongly agree that they must make sure their nest egg continues to grow in retirement.

35%

Working Canadians who don’t understand the difference between managing their money now and managing it in retirement.

Willing to learn

Canadians recognize that they need to improve their financial knowledge

To what extent do you agree or disagree with each of the following statements?

88%

It is important that I know how much money I will need when I retire



It is important that I have enough money saved when I retire to last me the rest of my life



I will want to make sure my nest egg continues to grow even after I retire



Managing finances in retirement is different than managing finances when you are still working



It is more important that my investments grow now than after I retire

Retirement Reality Check #5:

Get advice

Many of the retirement challenges that Canadians face could be resolved with one thing: financial advice. Currently, only half of employed Canadians are working with an advisor, while just 45% of retirees said they either relied on an advisor to help them develop a plan or received some advice from a professional when creating a plan. Given that people know they need more financial knowledge, why are the advisor uptake numbers so low? That's the age-old question, but surveys taken over the years suggest that people aren't sure where to start or they're too busy to find someone to work with.

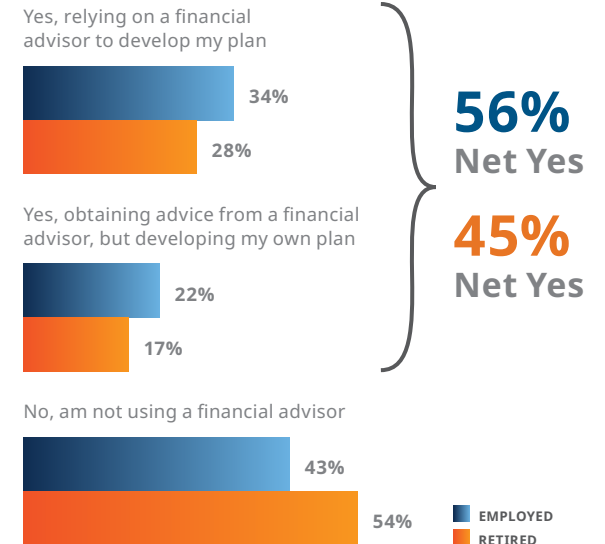
However, Mackenzie's report has found clear benefits to working with an advisor. For instance, people who work with a professional are more aware of what's going on with their investments than those who don't, while out of all the Canadians who expect their investments to grow over time, two-thirds work with an advisor.

Key Takeaway: Canadians who use an advisor are closer to reaching their financial goals than those who don't. They're also more confident, more knowledgeable and better positioned for the future.

Seeking help

Some Canadians are using an advisor, but many are still on their own

Are you using a professional financial advisor to help you with your retirement plan?



Advisor-Finding Tips

5 things to consider when asking for help

1. Do a self-assessment

Write down your near- and long-term goals and your attitudes toward investing

2. Find an advisor

Search online and get advisor recommendations from friends. Build a short list of candidates.

3. Interview candidates

Choose three. Ask about their background, experience, business practices and fees.

4. Check references

Call clients, check licensing organizations to confirm credentials, visit the Canadian Securities Administrators site to see any disciplinary history.

5. Make your decision

Consider skill, trust and communication. Select the one you're most comfortable with.

Get the right advice for your retirement

As the report reveals, most Canadians recognize the importance of the need to save for retirement. Simply putting money into a registered retirement savings plan (RRSP) or tax-free savings account (TFSA) is a great start, but is only part of the picture. You also need a solid plan that gives you the confidence in knowing that you're meeting your goals, helps you understand how much you need in retirement and how to both grow and draw on your investments in retirement and more. It may seem like a lot of work, but it doesn't have to be: Advisors are the key to overcoming the many challenges outlined in the report. They're the ones who can help you generate enough income to achieve all of your retirement goals.

As the pandemic has shown everyone, anything can happen, so the earlier you can plan the better. What retirement might look like will be different for each person, especially after COVID-19, which is making people rethink how they want to live their lives. You don't have to nail down every retirement detail now—and many retirees do find that their wants and needs are different post-work than what they had thought—but those who think boldly, invest prudently and plan wisely will be that much better off in the years ahead.



Expert Insight

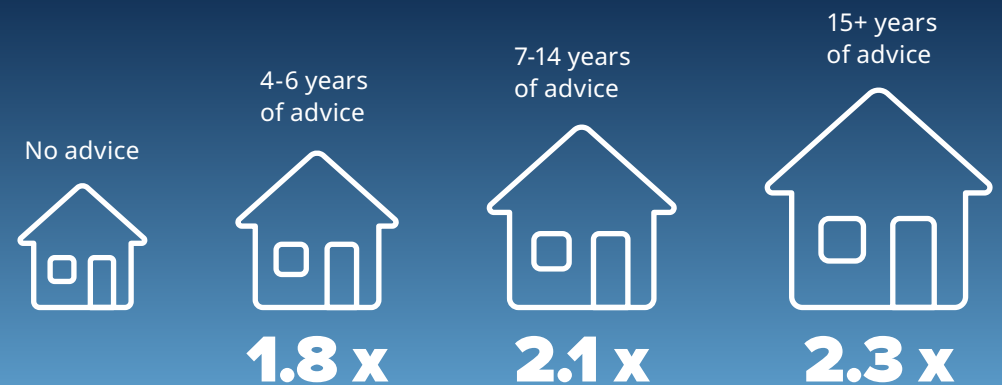
“Research clearly shows that all these things can be improved with professional help. An advisor can guide you through the process and find the right products and services to meet your goals.”

Ron Hanson,
Head of Retirement at Mackenzie Investments

There are plenty of reasons why you need an advisor, but here's a top one:

On average, households that use an advisor have about twice the level of financial assets as their non-advised counterparts.

Studies have also shown that those who rely on advice have higher levels of financial satisfaction, while many credit their advisor with helping them learn better savings and investments habits.



Source : More on the Value of Financial Advisors. CIRANO (2020)

Income insights



Solutions



Expertise

Retirement rewired, with your retirement partner.

That's better together

mackenzieinvestments.com/retirement



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