Are Canadians ready for **long-haul retirement**?

Retirement planning is inherently an exercise in foresight. Yet people's retirement plans can be myopic, focused too much on the early years of travel considerations and hitting the links. Often overlooked is later retirement.

Retirement planning is inherently an exercise in foresight. Yet people's retirement plans can be myopic, focused too much on the early years of travel considerations and hitting the links. Often overlooked is later retirement.

Although living well past age 90 seemed like a remote probability 20 years ago, today it's much more likely. A study by the National Institute on Aging (NIA) suggests that about one in five Canadians will live past age 95.

With that in mind, plan sponsors can help their members to consider if their retirement plan will hold up for the long haul.

"Building a sustainable retirement income to last 40 years requires a strategy that keeps investments growing faster than inflation," says Eric Monteiro, senior vice-president of group retirement services at Sun Life.

> "Building a sustainable retirement income to last 40 years requires a strategy that keeps investments growing faster than inflation."

The NIA study notes that only 10% of private sector worker will have access to defined benefit pension plans. Most Canadian workers have access to employer-matching defined contribution and group RRSP plans.

While still fundamental to their retirement, these group plans often require employees to make more choices around how their money is invested.

- When to start Canada Pension Plan (CPP) and Old Age Security (OAS).
- How to withdraw from their workplace plans, personal RRSPs, TFSAs, and locked-in retirement accounts (LIRAs) from previous employers in a tax efficient manner.

Life's brighter under the sun

Group Retirement Services are provided by Sun Life Assurance Company of Canada, a member of the Sun Life group of companies.

Sun Life

Throw in longevity considerations and the impact of inflation, and plan members must ensure their income strategies are built to last. It's not an easy task.

Though CPP, OAS, and the Guaranteed Income Supplement (GIS) for low-income seniors provide safeguards, that's not much comfort. "People may run out of money to facilitate the lifestyle they want," Monteiro cautions.

A recent survey by Ipsos found that 95% of Canadians aged 45 and older would prefer to age in place, but only one in 10 believe they could afford it. The worry can grow as people reach their later senior years.

"Although research shows people are living longer, it doesn't mean they're living healthier," Monteiro says. "In the past, a lot of care was provided by family, often spouses and adult children. But that's becoming less common, and it's much more likely people will have to pay for that care."

Funding retirement for several decades, including the need for in-home care, is possible. The challenge for sponsors is getting plan members to look that far out into the future, says Nicolas d'Allemagne, retirement consultant for Sun Life.

"Most say, 'Over the next 10 years, I will spend a lot more than the following 20 years,' but they also must consider they may have even higher expenses later on."

"Most say, 'Over the next 10 years, I will spend a lot more than the following 20 years,' but they also must consider they may have even higher expenses later on."

The right advice can turn knowledge into habits

Among plan members, knowledge of how to build a portfolio to last varies. "It's our job to help them build this knowledge and be retirement ready," says JM Lavoie, vice-president of strategy and market development for group retirement services at Sun Life. "If they understand how all these investment vehicles work, they are more likely to use them to their fullest benefit."

Planning for long-term retirement is about more than asset allocation and product selection. It's also about making tax-efficient decisions on when to draw income from various sources. That includes taxable options such as life income funds (LIFs) and registered retirement income funds (RRIFs), non-taxable assets such as the TFSA, and government pensions like the CPP and OAS.

Plan sponsors are often on the front lines for these questions. Sun Life provides plenty of support, including its Sponsor Resource Centre covering several retirement planning topics.

It's a good idea for members to leverage Sun Life experts such as d'Allemagne, who can provide advice on investment and product options.

"Annuities, for example, are increasingly on the radar of older employees with the markets being volatile and interest rates going up," d'Allemagne says. "One thing I always remind them is that it's important to make sure they have other assets for income like an RRSP because they don't want all their money locked into an annuity."

Plan members probably know that they need to save, budget better, and invest for the future, and create a viable and long-term retirement spending plan. The trick is turning that knowledge into habits.

For plan members, it can happen more easily when they think about the purpose and intentions behind habits, in this case a healthy retirement, says Margaret Miyagishima, a Calgary-based retirement coach and founder of Next Stage for You. That demands mental, physical, emotional and financial well-being.

"Life happens, so it's really about learning how to roll with the challenges, which speaks to resilience. "That's why I encourage people to be working with a financial adviser," Miyagishima says.

The sooner plan members take a holistic view of retirement, the better the outcomes will be, Lavoie adds. "When it comes to planning and saving for retirement, time is your friend."

Plan sponsors working with their providers can offer education on that impact. For instance, early savers and planners might be able to afford to invest in riskier assets that generally provide higher returns over the long term. Even once retired, individuals should still allocate some capital to long-term growth.

"People can earn about 40% of their retirement income by staying invested in the markets during those 30-plus years of retirement," Lavoie says. "So it's important to remind members to be less worried about the market's ups and downs. They can be more concerned about maintaining good habits like budgeting and portfolio rebalancing so their assets still match long-term goals."

He notes that the definition of retirement is changing. "Fewer people today plan to work until a certain day and then stop." Neither should retirement planning, he says. Plan sponsors can encourage members to update their retirement plans regularly to address shifting needs at all ages.

Age 95 or beyond may seem distant. "Yet unquestionably, planning sooner than later for this possibility will lead to a much better outcome," Lavoie says.

[SLF_RetirementIncome_Article_6_EN_1q22_cm_V1]