Perfecting the workplace pension: The quest continues

The BMO Wealth Institute provides insights and strategies around wealth planning and financial decisions to better prepare you for a confident financial future.

Contact the BMO Wealth Institute at wealth.planning@bmo.com
Executive summary

Fewer and fewer Canadians can rely on a traditional lifetime guaranteed defined benefit company pension to see them through their retirement. Other than in the public sector, the trend in workplace pensions is increasingly moving towards capital accumulation plans.

An obvious reason behind this phenomenon is the reluctance of employers to be their employees’ retirement income guarantors: in times of low interest rates, uncertain market returns and increasing longevity, the risk is simply too high. At the same time, when evaluating job opportunities, modern-day employees are not placing a high priority on a good retirement pension either. To them, salary and flexible work arrangements are far more important. So despite their shortcomings, the greater control and flexibility of capital accumulation plans such as defined contribution pension plans and group RRSPs have their appeal.

Nonetheless, capital accumulation plans do have a serious drawback: instead of having a guaranteed income, how much retirement income you can count on depends a lot on how much you have saved and how well you have invested. As the average person has a tendency to make less-than-optimal financial and investment decisions, a number of “auto-features” have been introduced to workplace pension plans to nudge — or even require — employees to save and invest for their retirement.

The effectiveness of these automatic mechanisms is undeniable. Yet there is also growing awareness that over-automating the process of saving and investing may create complacency on the part of plan participants and, paradoxically, result in a lower level of engagement. Truly successful financial planning for retirement requires the individual to take charge. Reliance on mechanisms to combat general deficiencies in human nature alone will not suffice — they must be accompanied by unceasing efforts to increase the financial knowledge and engagement of the future retiree.
Introduction

“The search for perfection begins with detecting imperfection.” — Unknown

It is now more than 20 years since the last major pension reform in Canada. Federal and provincial politicians are agreed, at last, that further reform is overdue. The federal government has now introduced legislation creating a new vehicle for retirement saving — Pooled Registered Pension Plans (PRPPs) — and with this development, the move from a defined benefit (DB) model to a defined contribution (DC) model as the primary private sector retirement savings mechanism in Canada has been confirmed.

This shift has implications for future generations of retirees. As a society, our experience with capital accumulation plans such as the DC plan has identified a number of challenges that need to be addressed if this model is going to serve us as well as the DB model that it is replacing.

While Canadian seniors today are relatively well off — only four per cent of retirees in Canada are considered low-income, compared to 13 per cent among OECD countries on average¹ — there is growing concern that future generations of retirees will not fare so well. While there has been a steady improvement for retirees over the past four decades, that trend may be reversing.²

If tomorrow’s retired workers are not able to enjoy the same standard of living as today’s, it will be, in part, because savings rates and investment returns have declined, while life expectancy has increased. But it will also be because workplace pension plan coverage has changed for most Canadians. Today, only one-third of working Canadians are part of an employer-sponsored pension plan, down from 41 per cent in 1991. In particular, DB pension plan membership has dropped over the past 20 years from nearly one-third of private sector workers (31%) to less than 16%. Private-sector DB plan membership declined nearly four percentage points from 2008 to 2009 alone (the latest statistics available).³

Not all Canadians have been affected. More than 80% of public-sector employees still have DB pension coverage — indeed, though they represent less than one-quarter of the workforce, more public-sector employees now belong to DB plans than private-sector employees. Yet even they are seeing enrolment in DC plans grow more quickly than enrolment in DB plans, albeit on a smaller base.⁴
The shift from defined benefit to defined contribution

The trend away from DB pension plans and toward capital accumulation plans such as DC pension plans or group RRSPs is not a fluke. DC plans have certain advantages, for employers and employees alike.

Employers: from income guarantor to benevolent bystander

For employers, the major advantage of capital accumulation plans is that they do not need to assume the funding risk in guaranteeing employees an income for life.

By definition, a defined benefit pension plan specifies the size of benefit an employee will receive upon retirement; if there is not enough money in the pension plan to cover the cost, it is up to the employer to make up the difference. In a defined contribution pension plan, on the other hand, it is the contribution amount that is specified. The employer’s liability is limited to making the predetermined contributions; the eventual benefit paid out to the employee will vary depending on the investment performance of the plan. In a group RRSP (which is not a pension plan), the employer’s role is largely administrative, although it may choose to provide matching contributions.

In recent years, employers have become more conscious of the risk that DB plans may fall short and that they will be obliged to make additional contributions, because investment rates of return in most pension plans have decreased in tandem with declining interest rates.

The financial crisis of 2008, with its sharp reduction in stock prices across the board, left many DB plans under-funded, and many of the companies sponsoring those plans were having difficulties as well. In fact, many experienced a “double whammy”: with company profits already down, they were also being required to top up their pension contributions, producing yet another hit on earnings. The problem was sufficiently widespread that governments had to pass temporary measures to give employers more time to bring their pension plans back into balance.

The recent Ontario Court of Appeal (OCA) case of Re Indalex Limited highlights a further disadvantage for companies with defined pension plan liabilities. The OCA decided that in the context of Companies’ Creditors Arrangement Act proceedings, pension plan deficiency claims could have
priority over a company’s secured creditors. The case is now on appeal to the Supreme Court of Canada, but until the Supreme Court renders its decision, Ontario companies with defined benefit pension plans may find it more challenging to obtain financing.

Perhaps the expense and risk of future liability would be worthwhile to employers if they provided a major competitive advantage in attracting and retaining employees, but there is little evidence that this is the case.

In a recent survey commissioned by the Institute, Canadians aged 25 to 64 who are not yet retired were asked to name the factor that was most important to them when they considered a job opportunity. The result shows that respondents across all age ranges place a relatively low priority on a good retirement pension. Overall, only seven per cent of all respondents selected a good retirement pension as the most important factor. Salary (47%) and flexible work arrangements (22%) were considered far more important. Even as Canadians continue to be inundated in the media with dire warnings of a future retirement income shortfall, they are demonstrating a clear preference to maintaining control, whether over their current remuneration, work hours or work locations, as compared with the promise of a future benefit.

**When considering a job opportunity, which characteristic is most important to you?**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Salary</td>
<td>47%</td>
</tr>
<tr>
<td>Flexible work arrangements</td>
<td>22%</td>
</tr>
<tr>
<td>Career development opportunities</td>
<td>9%</td>
</tr>
<tr>
<td>Wellness benefits</td>
<td>8%</td>
</tr>
<tr>
<td>Good retirement pension</td>
<td>7%</td>
</tr>
<tr>
<td>Vacation time</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

When considering job opportunities, salary and flexible work arrangements were far more important factors than a good retirement pension.
In the same vein, only nine per cent of respondents indicated that it was “very likely” that they would leave their current position for a new position because the new employer offered a better pension or retirement savings plan.

How likely would you be to leave your current position for another one mainly because the new employer offers a better workplace pension/savings fund?

- Very likely: 9%
- Somewhat likely: 28%
- Not very likely: 40%
- Not at all likely: 23%

Little wonder, then, that employers no longer want to be “guarantors of adequate retirement incomes” for their employees, striving instead for something “less heroic.”

Employees: taking the bitter with the sweet

In the aftermath of recent market turmoil and historically low interest rates, it is hard to understand the appeal of capital accumulation plans for employees. Yet they were immensely popular at a time when the stock markets were experiencing a bull run and people had the confidence (albeit, in many cases a misplaced confidence, as we discovered subsequently) that they could do better investing for themselves than leaving it to their employers.

Now that we have experienced repeated market setbacks, the biggest drawback of capital accumulation plans for employees — their inability to insulate plan participants from investment or longevity risk — has come to the fore, and people tend to forget their strength, i.e., the higher degree of control and flexibility they provide to the participant.
Among the types of capital accumulation plans, group RRSPs provide the greatest flexibility. As RRSPs are not governed by the pension lock-in rules, the accumulated funds can be accessed before or after retirement. Easy access can of course be a mixed blessing: where the funds are not set aside for retirement, there is always the risk that they could be applied towards other purposes, leaving one’s retirement finances in jeopardy. For this reason, many people, knowing that self-control could be an issue, would much rather have retirement money set aside and forget about it until retirement. To gauge our survey respondents’ sentiment on this issue, they were asked to indicate their preferred level of access to their retirement savings. The result: just over a quarter of Canadians preferred to have retirement savings completely set aside (so that it cannot be accessed at all) until retirement. A somewhat smaller proportion (21%) would rather maintain control; they want to have their savings accessible at all times. The majority (52%) preferred to have their savings set aside but accessible under specific circumstances (such as for a house purchase or education program or to alleviate financial hardship) — a preference that happens to match exactly the current rules governing RRSPs.

**Preferred level of accessibility of retirement savings**

<table>
<thead>
<tr>
<th>Access before retirement under specific circumstances</th>
<th>52%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No access until retirement</td>
<td>27%</td>
</tr>
<tr>
<td>Access at all times</td>
<td>21%</td>
</tr>
</tbody>
</table>

Compared with RRSPs, DC plans are more restrictive, since they are regulated by provincial pension legislation as well as the Income Tax Act. However, they are still more flexible than DB plans. Although there is no access to the funds during the accumulation stage, and the funds remain “locked in” when they are transferred to a locked-in plan (typically when a person switches employer), there is still limited access to the funds under specific circumstances (depending on the rules of the relevant pension jurisdiction). When the locked-in plan is converted to a life income fund (typically at retirement), many jurisdictions allow up to 50% of the fund assets to be “unlocked.”
By comparison, a person who retires with a DB pension plan can conceivably be “pension rich but cash poor.” The pensioner’s entitlement is to an income stream only; one cannot ask for an “advance” on next month’s pension cheque. If the need arises for a lump sum to finance an unexpected expense, the individual may have to take out a loan, even if the present value of their pension asset is in the millions of dollars. This lack of liquidity can be problematic for retirees. As our previous Institute report pointed out, a majority of retirees consider it more important to have flexibility to deal with contingencies than the certainty of a predictable retirement income for life.\textsuperscript{10}

Philosophically, there is also something paternalistic about the traditional DB plan. It is seen as vaguely “old fashioned,” dating from an era when most people spent their entire careers with one employer, moved up the ranks steadily and duly retired on their 65th birthday. The reality is that nowadays most Canadians expect to have multiple employers over their careers. The Institute’s survey indicates that half of the respondents already have had five or more employers since they started working, and 20% expect, by the time they retire, to have worked for ten or more employers over their careers.\textsuperscript{11} Either out of necessity or preference, more people are also working for themselves.

In an era when there are diverse paths to retirement, retirement at age 65 is no longer a given. It is not unusual for people to take protracted breaks from employment — to return to school or to take up family obligations — and then return to the workforce. Retiring several times in a lifetime is also becoming more common.\textsuperscript{12} Despite their shortcomings, the greater control, portability and flexibility of capital accumulation plans have an understandable appeal to an increasingly mobile workforce.

**Making capital accumulation plans “smarter”**

Self-determination does of course come with a price: if the concept behind DB plans is paternalistic (“you must contribute because we know what is good for you”), the concept behind capital accumulation plans is that individuals are responsible for ensuring they will end up with enough income to retire on. The stakes are especially high for middle-income earners: it is well documented that higher-income earners have more resources to draw on (including assets outside workplace plans), while
lower-income earners can look to government pensions to replace most or even all of their pre-retirement earnings.\(^{13}\)

Capital accumulation plans typically leave all the major decisions up to the individual, starting with the decision as to whether to participate at all. Assuming a person enrols, the amount of his or her contribution (whether a fixed amount or a percentage of pay) is also his or her decision. As circumstances change (promotions, pay raises), it is the individual who is expected to adjust his or her contributions accordingly. How the funds are invested is also up to the individual; depending on the plan, the menu of investment options that is offered can be large or small. And at the end of the day, how large a nest egg a plan participant can amass depends not only on investment knowledge and skill, but also on pure luck. In a DB plan, by contrast, different members of the same pension plan would expect to retire with a pension of comparable size just as long as they had similar years of service and earnings history.

For those in capital accumulation plans, who are left on their own to make all these choices, the reality is inescapable: invariably, human nature kicks in, and that raises the possibility of making bad choices, or the failure to make any choice at all. In an earlier BMO Wealth Institute report,\(^{14}\) we examined the insights gained from research in behavioural finance, the field of study that tries to explain why human behaviour, as it relates to financial decisions, often appears less than rational. Many such factors conspire to reduce the effectiveness of capital accumulation plans. By way of example, people tend to place less value on a reward in the future than a benefit today, which is why the decision to forego current consumption in order to build a nest egg for the future never comes naturally. Likewise, people have a tendency to procrastinate and to favour the status quo, which is why people will drag their feet when it comes to joining a plan or making changes to it (such as increasing contributions). Making the decisions to participate and contribute are just the first steps; one’s eventual retirement well-being can still be sabotaged by bad investment decisions that stem from over-confidence (thereby taking too much risk or not diversifying properly), neglect (not rebalancing one’s portfolio) or simple lack of investment knowledge.
The financial community is now familiar with the pernicious effects of human frailty on the effectiveness of capital accumulation plans, and mechanisms have been developed to make these plans “smarter.”

Automating the decision to save

To overcome the effects of procrastination, many workplace retirement pension or savings plans now include “auto-features” such as automatic enrolment and auto-escalation. With automatic enrolment, employees are enrolled in the plan automatically as soon as they meet the eligibility requirements, and contributions are made via payroll deductions. Typically, the employee is given a choice to opt out. Automatic escalation automatically increases the amount of the employee’s contribution over time. These features effectively take the choice away from the individual, so that the “I meant to do it … I am going to do it … I never got round to doing it” conundrum becomes a non-issue.

The Institute’s survey respondents who participated in an employer plan were asked among other things, if automatic features were part of the plan, and how helpful they found those features. Although only 43% of the respondents had access to auto-enrolment and a mere 13% had auto-escalation, a resounding 88% of those respondents found those features helpful.

The federal government has also come down in favour of automatic enrolment, with its announcement of the newly minted Pooled Registered Pension Plan (PRPP). Under the PRPP structure, employer participation in a PRPP is voluntary, but once an employer chooses to participate in a PRPP, employees are to be automatically enrolled in the plan, with the option to opt out of the PRPP within 60 days.

Dispensing with the need to make the initial decision to join a plan is often helpful; studies have shown that engagement level with a retirement savings program rises with the amount of funds accumulated. In other words, individuals may feel “forced” into saving at the beginning, and have little interest in the plan, because the balances are negligible, but they will become engaged and knowledgeable plan participants as the nest egg grows. They may eventually even be grateful, in hindsight, for having been compelled to save “for their own good.” While there is no true compulsion when opting out is possible, studies have shown that opt-out rates tend to
be low, because a person’s inertia causes him or her to stay in the plan! Likewise, an automatic increase in contributions is effective because it takes away the need to take action to save more as one’s remuneration increases.

Outside of Canada, automatic features in capital accumulation plans are already prevalent. The degree of automation mandated by the authorities ranges from “encouragement” to “mandatory with opt-out” to “mandatory with no opt-out” (see table on next page).

- In the **United States**, automatic features have become popular since the passage of the Pension Protection Act in 2006. Although applying these features to 401(k) plans is optional rather than mandatory, there is ample evidence that many employers are rapidly embracing the concept voluntarily.

- In the **United Kingdom**, the introduction of the National Employment Savings Trust (NEST) in 2012 will usher in the automatic enrolment of employees into a workplace pension plan (employees will have the option to opt out).

- **Australia** has gone the farthest: the superannuation guarantee program implemented 20 years ago made retirement plans compulsory. A 9% contribution rate is required from employers, while voluntary contributions by employees are encouraged via tax incentives.

As the world’s population continues to age and concerns about retirement finances intensify, it will be interesting to see if more countries, including our own, will move closer to the Australian model. Already, in the United Kingdom, some experts are predicting that if too many workers end up opting out of the NEST program, opting out may eventually be abolished.\(^{20}\)
Automating investment decisions

Once the decisions to join and how much to contribute are made (or made redundant, via automatic enrolment and automatic escalation), there are still investment decisions to be made. Choosing the right investments is obviously crucial, since the amount of benefit at retirement depends heavily on the outcome of those decisions.

The problem is that average plan participants lack the sophistication to make complex investment decisions. They rely too much on past performance. They fail to diversify properly, or to diversify at all. Others over-diversify. Even if they make the right investment decision initially, they often fail to monitor the asset allocation to ensure that it is still appropriate for their age and risk tolerance. Still others — those who are even less familiar with investment matters — are overwhelmed by the information overload that results from a wide array of investment choices. Confused and frustrated, they may simply withdraw into inaction. For them, a plan that has a default investment option designed to suit most people’s needs will help. Studies have shown that many people simply stick with the default investment option, making it their permanent investment selection. Research from Australia, where there is almost total pension coverage of the working population due to the compulsory nature of the superannuation system, indicates that 80% of the plan members tend to leave their money in the default investment option, and that only one-quarter of those have actively chosen to be there.21

For this reason, finding the perfect default investment option design for capital accumulation plans is a current preoccupation. It is part of the quest to simplify things for plan participants. Arguably, it will also save those who would otherwise make bad investment decisions from becoming their worst enemies.

Therein lies the appeal of the target date or lifecycle fund as the default option. The target date fund typically applies an allocation that is deemed appropriate for the plan participant by reference to a specified target date (i.e., the expected retirement date), and reallocates the assets over time. In doing so, it not only addresses the issue of initial investment selection but also that of ongoing asset allocation rebalancing. Theoretically, you can leave the money in the hands of the expert and snooze.

“I don’t need to do anything — the company takes care of everything for my retirement.”
Or can you?

Is auto-pilot the cure-all?

Helpful as auto-features are, it is necessary to guard against over-reliance on them. The danger is that by making all decisions automatic, the individual may be lulled into passivity (“I don’t need to do anything — the company takes care of everything for my retirement”) and, even worse, complacency and a false sense of security. Research studies have found that participants in target retirement date funds often mistakenly think that by investing in such funds, their retirement income is thereby assured, or they are offered a guaranteed return, when in reality, these funds can have an asset mix of a wide range. In 2008, for example, a survey of the annual performance of target maturity date funds in the United States found that target date funds designed for those retiring in 2010 lost on average 23.3%, and in the worse scenario, lost 41% of the asset value.\(^{22}\)

It is also important to realize that everyone’s vision of retirement is unique. Different aspirations as to the what, where, how and when of retirement mean that a retirement income that is more than adequate for me may be sorely deficient for you. An investment option designed for the average person (if he or she exists) will inevitably be generic. It can be a good starting point for building a portfolio the objective of which is to provide a universally reasonable living standard, but it is no substitute for a financial plan tailored to meet the needs and circumstances of a particular individual. It is no accident that people who have actually made the effort to evaluate their financial goals and choices are feeling more prepared: the Institute’s survey found that people having a financial plan are far more likely (49%) to say they are saving sufficiently for retirement than those who don’t (19%).

The plan design wish list

A good workplace retirement pension or savings plan should ideally incorporate features designed to meet its participants’ needs. To find out what working Canadians are really looking for, the Institute’s survey respondents were asked, if they were to design their own plan, which three must-have features they would choose.
If you could design your own workplace pension/retirement savings plan, what three features would you consider must-haves?

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t know</td>
<td>51%</td>
</tr>
<tr>
<td>Employer/company matching contribution</td>
<td>17%</td>
</tr>
<tr>
<td>Flexibility/options/control/self-directed</td>
<td>15%</td>
</tr>
<tr>
<td>High interest rates/good returns/growth</td>
<td>11%</td>
</tr>
<tr>
<td>Accessibility/liquidity/early retirement option</td>
<td>9%</td>
</tr>
<tr>
<td>Safe/secure/stable/low-risk investments</td>
<td>8%</td>
</tr>
</tbody>
</table>

Significantly, and perhaps indicative of the general confusion that is felt across the board, more than half of the respondents did not have any idea. Of those who did, the most desired feature was not a guaranteed income or automatic enrolment; rather, it was matching contributions. This should not come as a surprise, given that the predominant reason the respondents were unable to save sufficiently for their retirement was that they simply did not have any extra money after paying all their living expenses. It has been suggested that “perhaps Canadians have hit personal affordability limits” when it comes to retirement savings. Indeed, one of the major criticisms of the PRPP is the lack of requirements for mandatory employer matching contributions. There is less incentive to save when there is no matching contributions — especially for employees who find it difficult to save on their own.

The frequency with which flexibility and liquidity are mentioned is equally instructive. As discussed above, the retirement saving instrument that offers the most flexibility is the RRSP, so it is hardly surprisingly that even for survey respondents whose employers offer plans (and 94% of them participate in those plans), 38% considered their personal RRSP as their primary retirement savings vehicle. It will be particularly interesting to see whether the PRPP, a stated objective of which is to benefit self-employed as well as employed people, will receive a warm reception from independent-minded self-employed workers, especially in view of the locking-in provisions.
Conclusion

It is a foregone conclusion that future generations of working Canadians can no longer count on an employer-sponsored defined benefit pension for life when they retire. The inexorable trend, at least in the private-sector workplace, is towards capital accumulation plans, which require the employee to assume the investment and longevity risks.

The biggest challenges with capital accumulation plans stem from human behavioural handicaps. Inertia, procrastination, paralyzed by choices ... all these tendencies prevent us from saving and investing properly or sufficiently, or even simply to start the process. In view of this, mechanisms incorporating auto-features have been introduced to nudge or even compel us to save and invest, and to make the investment decision a no-brainer. There is copious evidence that these mechanisms are effective and appreciated by plan participants.

Automation, though, is not a panacea for all the challenges that Canadians face in retirement savings. There are competing financial priorities during various phases of a person’s working career (buying a home, raising a family, looking after family members in need, etc.), so a program that incorporates matching contributions from the employer will provide greater incentive to employees to do what is good for them.

Nor should the general aversion to rigidity be ignored: a savings program that places too many restrictions on access to funds, either before or after retirement, will likely have less appeal to future retirees, whose paths to retirement may be very different from those of the current cohort.

It is also important to put things in perspective: putting in place the right structure is only part of the solution. The ultimate purpose of these enabling structures is to make it easier for individuals to plan for their retirement financially. For retirement financial planning to be truly a success, the individual must be fully engaged in the planning process. After all, in an era where the “true pension” — a guaranteed lifetime income stream which does not run out and which does not lose purchasing power — is becoming the exception rather than the rule, individuals must assume responsibility for their own retirement well-being and make choices. As Dr. Moshe Milevsky (a member of the BMO Advisory Council on Retirement) points out, “You are on your own.”

25
Our aging demographics, coupled with rising life expectancies and historically low interest rates, will continue to put the spotlight on retirement income sustainability. In the realm of financial planning, knowledge will beget engagement, engagement will beget informed action, and appropriate action will heighten the probability of success. The search for the optimal workplace retirement savings plan will persist, and with it, the effort to raise the average Canadian’s level of financial literacy must go on.
2 Kevin D. Moore, William Robson, and Alexandra Laurin. “Canada’s Looming Retirement Challenge: Will Future Retirees Be Able to Maintain Their Living Standards upon Retirement?” Commentary 317. Toronto: C.D. Howe Institute, December 2010. According to this report, until recently, all but 15 per cent of newly retired individuals could expect to be able to replace at least three-quarters of their average pre-retirement consumption, but that trend began to reverse itself in 2006. The report forecasted that, over the next four decades, the proportion of new retirees who are unable to replace three-quarters of their consumption will triple.
4 2011 ONCA 265.
5 According to the Institute’s survey, when asked “How many employers have you had since you started working?”, 76% answered four or more, and 20% indicated 10 or more. (Note: the average working tenure of the respondents is 24.5 years)
6 As illustrated in Tina Di Vito’s “52 ways to wreck your retirement ... and how to rescue it” (Chapter 42), the typical lifeline in the past of “school → work → retire" is now replaced by paths that can go in many directions, such as “school → work → school → work → retire → school → work → retire.”
7 The Institute’s survey results indicate that 52% of the respondents whose current household income level is less than or equal to $60,000 expect government pensions to be their primary retirement income source; the percentage drops to 38% for respondents at the $60,000-$80,000 income level, 26% for those at the $80,000-$100,000 income level, and only 14% for those whose income exceeds $100,000.
9 Ibid.
10 BMO Wealth Institute. Retirement Income Planning: Can we have our cake and eat it too? February 2011.
11 The federal government introduced legislation in November 2011 to establish the PRPP, which envisages PRPPs as an optional program that employers can offer. Self-employed Canadians will also be able to participate. These plans will be managed by financial institutions. The government’s expectation is that more Canadians will have access to professional pension managers to watch over their retirement savings, and the management costs will be lower because they are spread over a much larger pool of money than any one individual would have.
12 Super System Review Final Report (2010). Interestingly, though, the Institute’s survey found that of all respondents whose plan had a default investment mix, a majority opted to change it to that of their own preference: 43% changed the asset mix immediately, while 30% did so after more than one year. Of the rest who left it at the default, 19% made a conscious decision to leave it at the default mix. Only 7% admitted they “never got round to looking into the asset mix.” The sample is admittedly small, though (n = 116).
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16 n = 400.
17 43% found them "Very helpful" and 45% found them "Somewhat helpful."
18 In especially tough times, even matching contributions may or may not elicit the expected response. A recent FNRA Investor Alert in the U.S., “Why leave money on the table — Make the most of your employer’s 401(k) match” (October 18, 2011), exhorted 401(k) participants to take full advantage of employer matching contributions; apparently, almost 30% did not, especially younger workers.
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25 Exaxe, November 2011.
26 Super System Review Final Report (2010). Interestingly, though, the Institute’s survey found that of all respondents whose plan had a default investment mix, a majority opted to change it to that of their own preference: 43% changed the asset mix immediately, while 30% did so after more than one year. Of the rest who left it at the default, 19% made a conscious decision to leave it at the default mix. Only 7% admitted they “never got round to looking into the asset mix.” The sample is admittedly small, though (n = 116).
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30 “A pooled pension plan isn’t a pension.” Moneywise, November 18, 2011.