Where do Canadians plan to retire, and why?

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
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Individuals approaching retirement have many important decisions to make, one of which is where they want to spend their retirement years. Retirement in itself is change enough, so is it the best time to relocate?

To better understand how Canadians approaching retirement are answering that question, the BMO Wealth Institute commissioned a survey, and found that more than 70% of Canadians aged 45 and over had given thought to this question.

While many Canadians talk about a change of scenery during retirement, such as living abroad, what happens in reality is very different. Rather than uproot their lives during this major life change, Canadians prefer to stay close to home, with just over 10% of survey respondents stating they would relocate outside of Canada.

Who’s moving? Who’s staying?

The survey revealed that Albertans are the most likely to relocate (61%), while for residents of Atlantic Canada, home is where the heart is (only 37% are thinking of relocating).

Age and gender appear to be differentiating factors: those under 65 years of age are twice as likely to relocate as those 65 years and older; and men are more likely to relocate than women.

It may not come as a surprise to learn that weather was one of the most frequently cited considerations in a decision to relocate for retirement, especially by residents of Alberta and British Columbia. Financial reasons and proximity to family and friends were also key drivers.

Principal factors driving relocation decision

<table>
<thead>
<tr>
<th></th>
<th>Weather</th>
<th>Financial</th>
<th>Family/Friends</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>57%</td>
<td>54%</td>
<td>45%</td>
</tr>
<tr>
<td><strong>ATL</strong></td>
<td>56%</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td><strong>QC</strong></td>
<td>42%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td><strong>ON</strong></td>
<td>55%</td>
<td>48%</td>
<td>48%</td>
</tr>
<tr>
<td><strong>MB/SK</strong></td>
<td>55%</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td><strong>AB</strong></td>
<td>74%</td>
<td>64%</td>
<td>64%</td>
</tr>
<tr>
<td><strong>BC</strong></td>
<td>43%</td>
<td>52%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Source: Leger Marketing, 2011
Retirement locations of choice

An overwhelming majority of the respondents plan to stay in Canada (85%), and only 5% plan to settle in the U.S., with Quebec residents showing the highest tendency to do so. For the 5% planning to head south of the border to retire, Florida and Arizona are still the most popular choices.²

If you are considering retirement in British Columbia, you are not alone. Of the respondents who intend to stay in Canada, nearly all the British Columbians plan to retire in their home province. Over 80% of Ontarians and Quebec residents, and just under 80% of Atlantic Canadians, also plan to retire in their home provinces. Meanwhile, the residents of Alberta, Manitoba, and Saskatchewan are more inclined to move – and for some of them, the destination is British Columbia.

Where do you plan on settling?

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>BC</th>
<th>AB</th>
<th>MB/SK</th>
<th>ON</th>
<th>QC</th>
<th>ATL</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stay in Home Province</td>
<td>85%</td>
<td>83%</td>
<td>87%</td>
<td>88%</td>
<td>89%</td>
<td>89%</td>
<td>75%</td>
<td>99%</td>
</tr>
<tr>
<td>Move to British Columbia</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>Move to other provinces</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>3%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Leger Marketing, 2011
Priorities shift as we get closer to retirement

Deciding on one’s retirement location is both a financial and non-financial exercise, and the respondents appear to be well aware of this. They have pondered all the factors – housing costs, health care facilities in the community, proximity to family, taxes, health care costs, transportation and access to recreational facilities.

When asked to rank these factors in importance, proximity to family, health care facilities in the community and housing costs were ranked highest nationally, with only 4% considering taxes the most important factor.

The three primary factors carry different weight from province to province, with Atlantic Canadians rating proximity to family as the most critical factor, compared with residents of Alberta and British Columbia, where housing costs are the primary factor.

The decision to relocate in retirement also seems to be heavily influenced by one’s age and gender. Those who are 55 and over are more likely to see proximity to family as the key factor in deciding on retirement location, compared with those 45–54. Those who are 65 years and older are the most likely to rate health care facilities in the community as the principal consideration. Regardless of age, women are more likely than men to have considered proximity to family in planning for retirement.

![Select the most important factor when it comes to where you plan to spend your retirement](image-url)
The financial aspect

While financial considerations are not the only – or even the primary – deciding factors in a decision to relocate, they are crucial nonetheless. Moreover, once the decision to move is made, evaluating its impact on your finances is imperative.

A move that is lifestyle motivated may lead you to a location where the cost of living is higher or the taxes are more onerous. Relocation may also entail frequent travel (to visit family, for instance), thereby increasing your retirement income needs, or you may find it necessary to acquire expensive health insurance.

You will also need to assess the effectiveness of your existing estate planning strategy. For instance, a continuing power of attorney that is valid in Ontario is not necessarily accepted in Florida or Arizona, and a will that was prepared when you and all your assets were situated in Quebec may no longer be adequate when you reside elsewhere.

If you plan to relocate to a different Canadian province, a review of your health care coverage, provincial tax differences and the adequacy of your estate plan is crucial. Some provinces (Ontario and British Columbia, for example) levy health premiums on their residents; others don’t. Provincial tax differences can be substantial, depending on your income level. For example, for someone with a taxable income of $100,000, the marginal tax rate is 45.7% in Quebec and 43.4% in Ontario, but an Alberta resident with the same taxable income will only have a marginal tax rate of 36%.

Conclusion

Regardless of where one chooses to retire, it is refreshing to know that a majority of Canadians approaching retirement are thinking about where they will spend their golden years. Thinking about where to retire, and recognizing the impact of that decision on lifestyle, health and finances, is undoubtedly an indispensable element of a complete retirement plan.

Retiring outside of Canada has even more financial implications. It would mean changes to your tax situation and how you would manage your finances. Ask yourself these questions:

- If you leave Canada permanently, how will a departure tax affect your retirement finances?
- As a non-resident with investment assets in Canada, how will you manage those assets?

1 Leger Marketing survey (September 2, 2011) conducted for BMO Retirement Institute.
2 Reflects a base size n=37.

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