



Is Canada on Track for a Retirement Crisis?

Description

Ask any three Canadians if the country is on the brink of a retirement crisis, and two will respond, “Yes.” At least that’s what the Healthcare of Ontario Pension Plan (HOPP) discovered this year.

According to their [report](#), 67% of Canadians believe there is an emerging retirement crisis, with only 15% saying there isn’t (18% didn’t have an opinion). That’s a strong majority, and when you look at the data, you can easily see why Canadians think a retirement crisis is just around the corner.

Is Canada on track for a retirement crisis? Maybe...

First off, it’s hard to cement any opinions based on 2020 or 2021 data. While, sure, in an ideal world, Canadians would save money no matter what’s happening in the overall economy, 2020 surely knocked many Canadians off guard.

That said, the data around Canadian would-be-retirees is a bit concerning.

According to a CIA report released in September, nearly half of Canadians don’t have a financial plan for retirement, with another 40% admitting they don’t know when they’ll retire, if at all. The pandemic has pushed retirement plans back for nearly 23% of Canadians, with 69% of those workers saying they will work longer than they expected.

Why are Canadians pushing back retirement? Well, among other reasons, the majority of Canadians just didn’t save money for retirement last year. According to the HOPP survey cited above, six out of ten Canadians (63%) couldn’t save a dime for retirement in 2021. Lower-income families were hit the hardest, with 78% making less than \$50,000 unable to save, but even middle-income and high-income families struggled, too. 62% of those earning between \$50,000 and \$100,000 didn’t save for retirement, and almost half (41%) of those making above \$100,000 had to pump the brake on retirement savings, too.

That doesn’t mean Canadians didn’t save at all. In fact, around 46% said they saved more than they had before the pandemic, just not for retirement purposes. That gives me some hope: with the

pandemic starting to ease up, we may see more Canadians setting aside money in their retirement accounts.

What to do if you're *not* setting money aside for retirement

First off, if you haven't already, I would start by making a retirement plan. This includes deciding, once and for all, how much income you'll need in retirement, that is, how much money you'll need annually in order to live the life you want. This will involve some major planning on your part. For instance, you'll want to predict how much you'll spend in retirement, as well as how much you might get from various income sources (investments, pensions, savings).

Once you make a retirement plan, then you can set a savings goal. Usually, people set a fixed savings goal, for instance, \$500 per month for the next 10 years. But, in order for you to get some momentum, I recommend a *savings snowball*. Start with a small savings goal that you know you can hit: \$50, \$100, \$150. Hit this goal consistently over a few months, then gradually increase how much you set aside. The more you hit your savings goal, the deeper you embed a savings habit into your lifestyle.

After you hit the goal consistently, you can start to increase it. At a certain point, you may hit a ceiling after which you can't increase your goal anymore. That's fine. As long as your maximum savings goal allows you to amass enough retirement savings, you can coast until retirement. Otherwise, you may want to get a second job or consider asking for a raise at work.

Finally, don't forget to invest consistently until retirement. I'd recommend a dollar-averaging approach, or setting aside a fixed sum for investments every two weeks or month. With most of [Canada's best brokers](#), you can set up automatic deposits, which will withdraw money from your chequing account regularly, helping you invest money before you have time to spend it.

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