55% of Surveyed Canadians Are Worried About Retirement Security

Description

The results of a survey commissioned by the Healthcare of Ontario Pension Plan (HOOPP) and Abacus Data showed the 55% of respondents are worried about not having enough money to survive in retirement. Note that the survey was conducted from April 21, to April 27, 2022, when inflation hadn't hit 7.7% yet.

David Coletto, CEO of Abacus Data, said, "The general outlook for retirement security in Canada is darkening." The poll results highlight the challenges ahead for more Canadians who want to save for retirement security. Whether you're young or nearing retirement, the outlook isn't bright.

Age groups

Canadians under the age of 35 believe they are less likely to own a home or have more than $5,000 in savings. Meanwhile, 75% of non-homeowners between 18 and 34, expressed worries about their inability to buy a house due to high borrowing costs. Furthermore, the same age group can't afford mortgage payments.

Coletto said, "75% of all Canadians agree there is an emerging retirement crisis in Canada. And 72% feel that saving for retirement is prohibitively expensive." He added that if current trends continue, tougher times are ahead for younger generations. From a survey by Angus Reid, 62% of Canadians 55 or older have delayed retirement, and 63% are worried about never being able to retire.

The older generation admits not having enough savings or investments in preparation for retirement. Steven McCormick, HOOPP's senior vice president of plan operations, said, "Retirement and savings concerns have been high every year we've done the Canadian Retirement Survey, and now they're being exacerbated by rising interest rates and inflation."

Forceful strategy to bring moderate recession

Royal Bank of Canada (TSX:RY)(NYSE:RY), through economists Nathan Janzen and Claire Fan, said, “Canada’s economic growth has fired on all cylinders following pandemic shutdowns. But a historic labour squeeze, soaring food and energy prices, and rising interest rates are now closing in.”

The pair believe pressures will likely push the economy into a moderate contraction in 2023. However, compared to historical standards, the slowdown should be modest, they said. According to the Canadian Centre for Policy Alternatives (CCPA), the Feds have succeeded in reducing inflation three times in 60 years. However, a recession followed rapid and aggressive rate hikes.

Invest for the long term

Retirement experts suggest investing for the long term. If you’re young, and time is on your side, sock away money regularly for saving and investing. For example, RBC is Canada’s largest lender. The $172.4 billion bank has been through the worst recessions and financial crises, yet firmly stands tall until today.

RBC’s dividend track record is now 152 years. The big bank stock trades at $120.80 per share and pays a 4.32% dividend. Assuming you utilize your $6,000 TFSA limit for 2022, your investment will generate $64.80 every quarter. In a 20-year horizon, the money will compound to $13,979.86. The example shows the power of compounding.

Improve retirement security

McCormick said more than half of Canadians are concerned about rising interest rates and inflation. It will cause financial challenges and force them to retire later. If finances allow, young and old generations should try to invest and utilize retirement accounts to improve retirement security.

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