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next

# Retirement outlook in Canada:

What employers need to know

Empowering employers to help their teams achieve  
secure and fulfilling retirements.

STUDY CONDUCTED BY ANGUS REID GROUP® - INSIGHTS FOR PEOPLE CORPORATION MAY 2024





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# Retirement terms

## Employer-sponsored retirement plan

A retirement savings plan offered by an employer to assist employees in saving for retirement. These plans may provide a variety of coverage and investment options.

## Defined benefit pension plan (DBPP)

A retirement plan where the employer guarantees a specified pension amount upon retirement, based on factors such as salary history and years of service. Employees don't make investment decisions; instead, the employer manages the plan's investments.

## Capital accumulation plan (CAP)

A type of retirement plan where employees are responsible for making investment decisions. This category includes plans such as defined contribution pension plans (DCPPs), group registered retirement savings plans (RRSPs), and deferred profit sharing plans (DPSPs).

## Defined contribution pension plan (DCPP)

A retirement savings plan where both the employer and employee can contribute, and the final benefit depends on the investment performance of the contributions made. Employees have control over their investment decisions in terms of contribution amounts and fund selection.

## Group registered retirement savings plan (RRSP)

A type of retirement savings plan offered by employers that allows employees to contribute to their retirement savings on a tax-deferred basis. Contributions are often matched or supplemented by employer contributions.

## Deferred profit sharing plan (DPSP)

A retirement plan that allows employers to share profits with employees by making contributions to a trust on their behalf. The funds are typically allocated to employees based on their earnings and/or years of service.





# Retirement at a glance

There's a lot of good news when it comes to retirement in Canada, and important learnings for employers. In this Next Paper, we'll identify what employers need to know about today's retirement landscape, and how they play a crucial role in improving their employees' retirement outcomes.

Through research and expert analysis, we'll highlight opportunities employers have to establish a more productive and mutually beneficial employer-employee relationship.



## Key findings we'll cover:

### **Employer-sponsored plans improve outcomes**

Retirees with employer-sponsored retirement plans—whether in plans where investment decisions were managed for them, such as defined benefit pension plans, or in capital accumulation plans where they made the investment decisions, like defined contribution pension plans, group RRSPs, or DPSPs—report a higher standard of living and greater financial security than those without.

### **Retirees value these benefits**

Many retirees value the financial security these plans provide, though employers often struggle to encourage employees to participate in employer-sponsored retirement savings plans.

### **Phased retirement is on the rise**

Many Canadians are choosing to phase into retirement for both financial and lifestyle reasons. Employers should adapt human resource policies, hiring practices, and compensation programs to accommodate for older workers and tap into their expertise.

### **Holistic health is a top priority**

Retirees are focused on maintaining physical, emotional, and financial health. Comprehensive wellness programs that support employees throughout life stages are viewed favourably and could boost their engagement.

### **Education boosts plan engagement**

Investments in employee education help maximize retirement savings. Enhanced educational efforts by employers can deepen engagement and build employee loyalty.





# Introduction

In today's evolving workplace, Canadian employers are starting to recognize that retirement plans are about much more than just a paycheque. These plans support employees' overall financial, physical, and mental well-being. They help secure a stable future and demonstrate an organization's commitment to attracting and retaining top talent.

Traditionally, retirement was seen as a well-deserved break after decades of hard work, typically tied to a pension that allowed for an easy transition into leisure. Employers expected their workers to step away completely, relying heavily on defined benefit pension plans for security. But times have changed. With the shift from plans where investment decisions were managed for employees, such as defined benefit pension plans, to capital accumulation plans where employees make the investment decisions, like defined contribution pension plans, group RRSPs, or DPSPs, along with a reduction in retiree health coverage, many Canadian workers are rethinking their retirement journeys. Today, more individuals are opting for phased retirement, seeking flexibility and a lifestyle that aligns with their personal goals, rather than a full-stop from work.

**Today's retirees are crafting their own definitions of retirement. They aren't just settling into quieter lives; they're actively seeking experiences that prioritize health, happiness, and fulfillment.** Many recognize the challenges of an abrupt transition out of the workforce and are choosing to stay engaged, pursuing active lifestyles that reflect their values and aspirations.

Our research reveals that comprehensive employer-sponsored retirement plans are more important than ever. They play a vital role in helping employees achieve financial security while contributing to healthier, happier, and more satisfying retirements.



“We're finding that many of our clients who are retiring do not plan to sit back and put their feet up but instead are engaging in activity that's meaningful, as a way to create fulfilling lives. This

is chapter 3 – not the final chapter. We need to view retirement holistically, moving beyond outdated expectations and crafting lifestyles that truly reflect who we are. More people are prioritizing emotional health and active living – turning 70 doesn't mean turning sedentary.”

— **Liz Bilton**, Vice President of Career Management at People First HR Services.





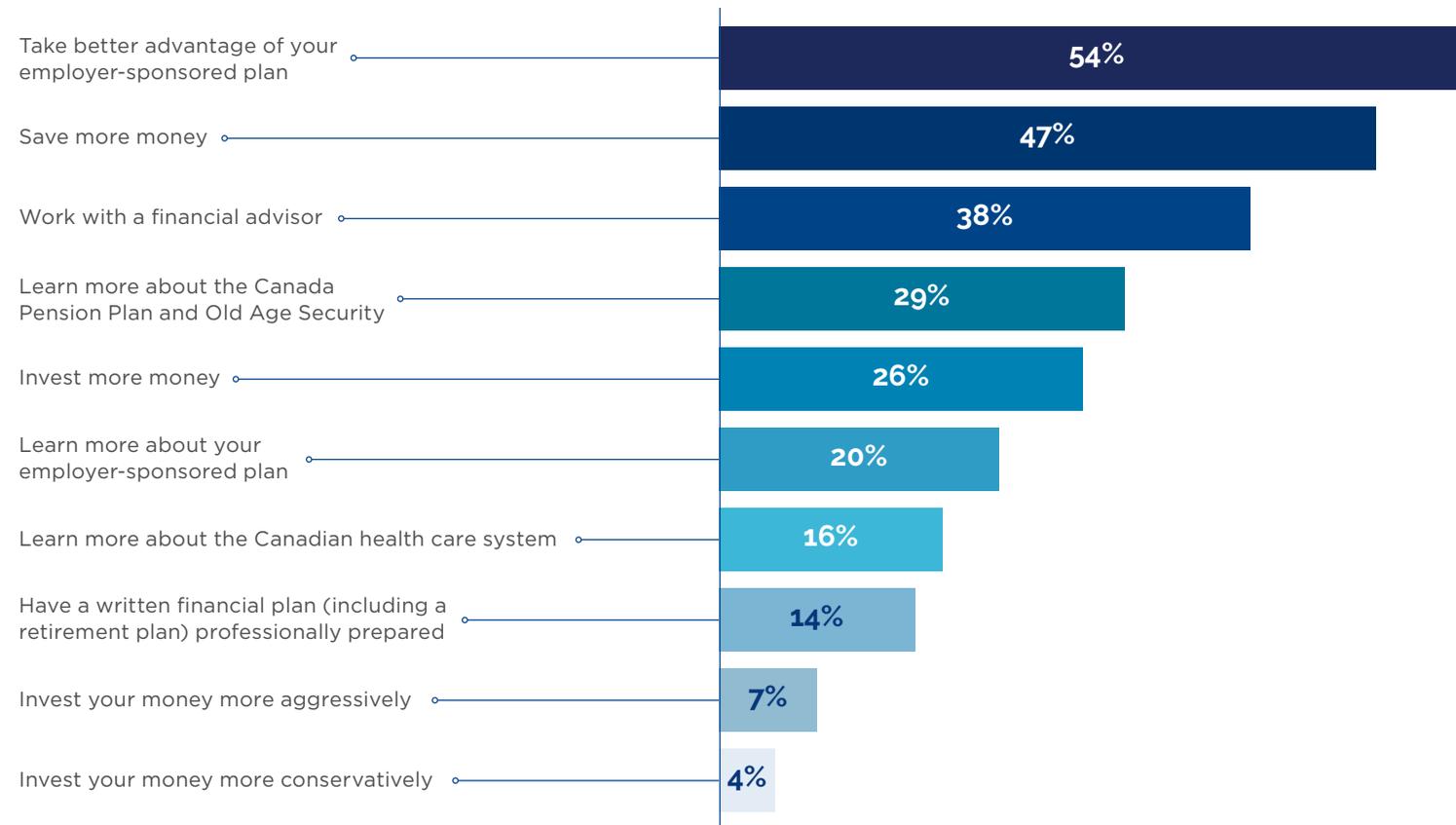
# Canadians are redefining retirement

It's no longer enough for organizations to offer standard retirement plans that focus solely on financial health. Tailored retirement solutions that include flexible group retirement plans, health care coverage, financial wellness, and mental health resources help meet the diverse needs of each employee. By focusing on their financial, physical, and emotional well-being, these retirement plans facilitate a smoother transition into retirement and encourage greater engagement with the plan itself, leading to better overall outcomes.

**When asked for advice, retirees strongly urge working Canadians and employers to fully leverage employer-sponsored plans and maximize contribution matching.** These recommendations emphasize the importance retirees place on these benefits. Group benefits and retirement consultants can help employers act on these insights, refining retirement offerings to better meet the needs of their workforce.



## Advice for working Canadians



**Employers have a clear call to action: invest in employee education, promote wellness initiatives, facilitate access to professional financial advice, and recognize the value of older workers as key contributors to the workforce. By doing so, they support their employees' well-being and tap into the wealth of expertise that experienced workers bring.**

Progressive employers are seeing the benefits of adopting flexible or fractional work arrangements for aging employees. These initiatives can lead to productivity gains that benefit both their organizations and the broader economy. Embracing these changes will help their employees lead more fulfilling retirements and help them gain a strategic advantage in today's competitive talent market.

Ultimately, empowering employees to lead secure and meaningful retirements is not just a moral obligation; it's a strategic investment in the future of the organization.





# Retirement key findings

In May 2024, People Corporation conducted a nationwide study on retirement in Canada. We wanted to understand how retirees view the changes in their lifestyles since leaving the workforce, their sentiments toward their employers, and what their expectations were before retirement compared to now.

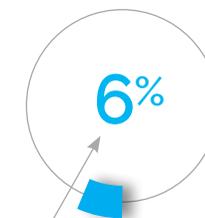
There's much for organizations that offer employer-sponsored plans to celebrate: 70% of Canadian retirees report high levels of happiness and actively pursue healthy lifestyles.

However, challenges remain. Rising inflation and interest rates are significant concerns, especially as many retirees continue to carry household debt. Notably, 23% of retirees wish they'd contributed more to their retirement plans.

**Employees with employer-sponsored retirement plans, regardless of whether they're in defined benefit pension plans or capital accumulation plans (including defined contribution pension plans, group RRSPs, or DPSPs), fare better than those without.**

## The data shows:

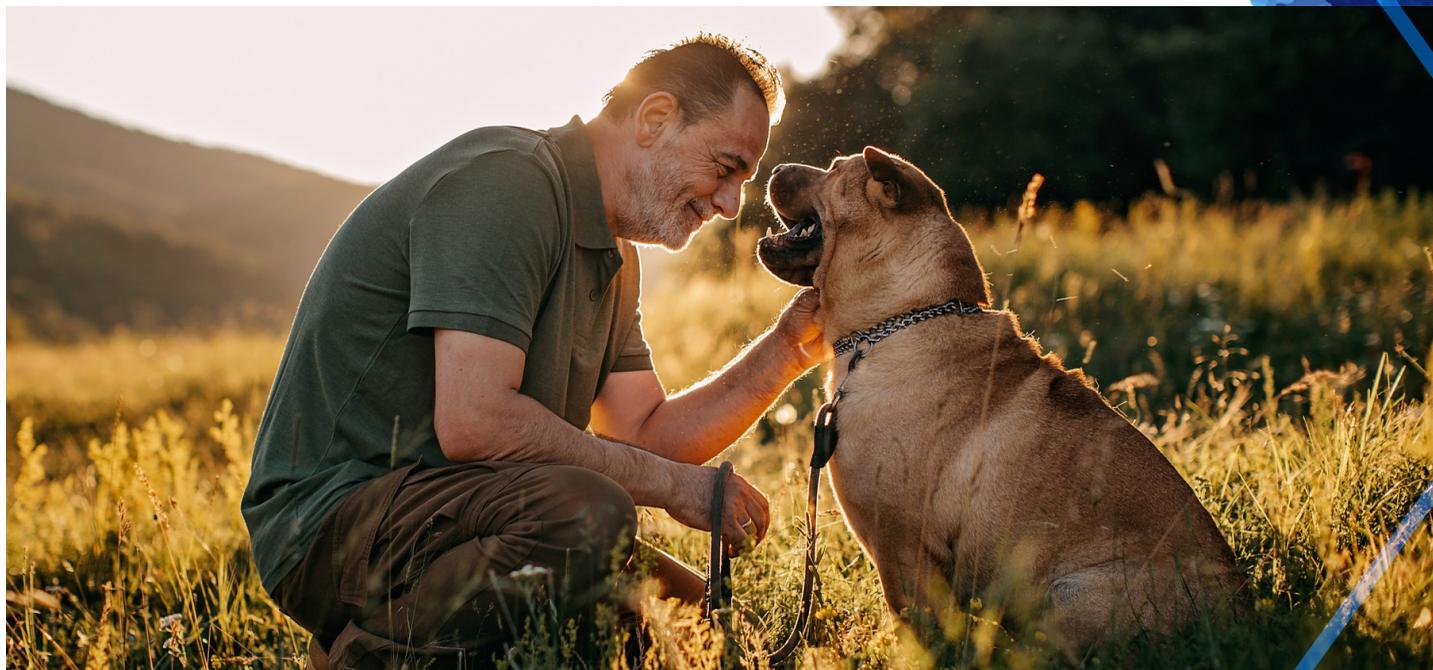
54% of retirees are members of a DBPP pension plan (guaranteed retirement income)



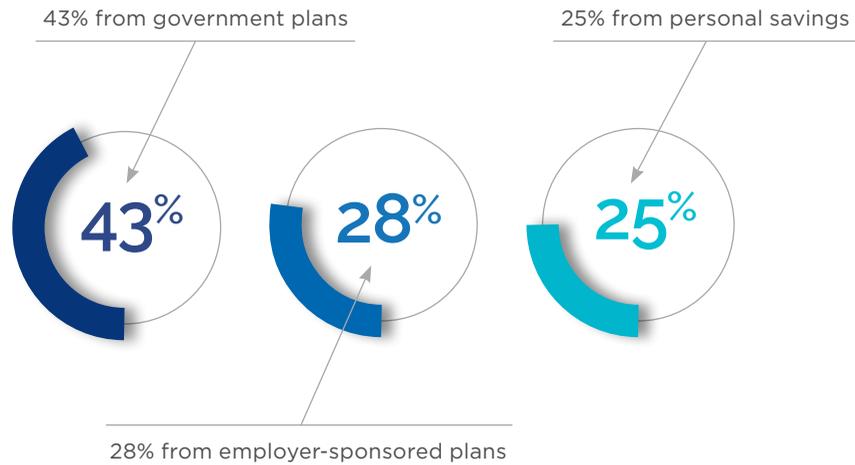
27% weren't offered an employer-sponsored retirement plan

13% participated in a capital accumulation plan such as a DCPP or group RRSP/DPSP. (These investments are managed professionally but the retiree decides on the amount, fund, and other details.)

6% either didn't participate or were unsure about their participation status



## Annual income sources for retirees:



More than half of an individual's retirement income will likely stem from a combination of employer-sponsored plans and personal savings. Employers should emphasize this in their communications to encourage proactive saving.



“Even if your organization can only offer a small match, it can significantly boost your employees' sense of financial security, which

in turn can enhance their productivity. Beyond offering a match, there are other ways to support your employees' financial wellness. Start by emphasizing the power of professional advice and fostering a culture that encourages open conversations about financial wellness. It's clear that employees can't rely solely on the government's plan for their financial future, so the reliance on personal savings for retirement will continue to grow. Investing in your employees' retirements, even in small ways, is a smart strategy that ultimately benefits both your employees and your organization.”

— **Danielle Ferrone**, Senior Consultant, Group Retirement Solutions at People Corporation



## Spending patterns of retirees:

51%

say their daily expenses have decreased compared to their working years

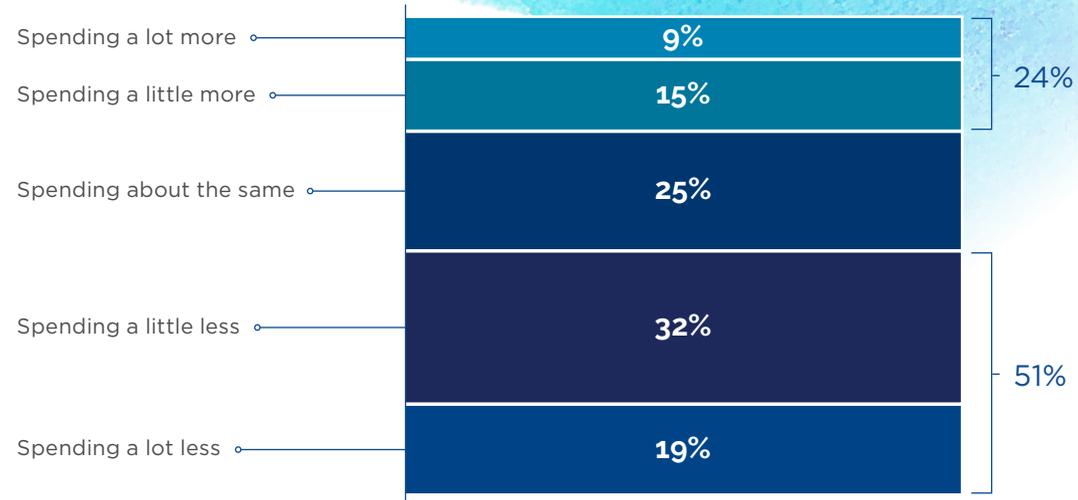
25%

say their spending levels are about the same

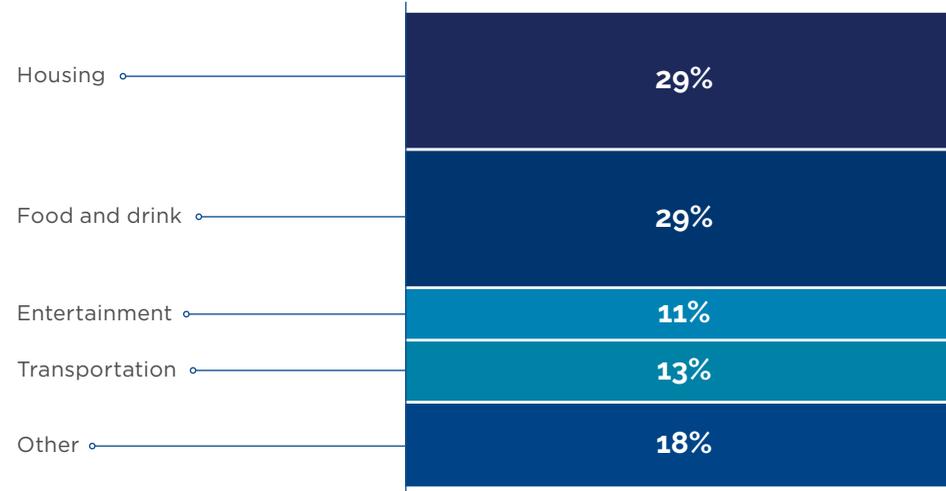
Our research confirms Canadians view retirement as a highly personalized experience, with regards to their health, finances, and work. There are significant opportunities for employers to adapt their offerings to meet these evolving needs, while gaining a competitive edge in the talent market.

The removal of mandatory retirement at age 65 has also given Canadians greater control over their retirement timelines, allowing them to make decisions that align with their individual circumstances and preferences.

## Day to day expenses



## Monthly spend allocation



## Mean annual spend





## Retirement flexibility

An impressive 73% of retirees surveyed reported they successfully chose their retirement date, reflecting the newfound flexibility in retirement planning.



“We’re seeing a new lens applied to retirement. People are moving away from traditional norms, embracing flexible schedules, and redefining what retirement looks like. Whether retiring earlier, working part-time, or continuing beyond 65, individuals are increasingly diversifying their skill sets and pursuing passions outside their primary careers. Financial wellness remains the cornerstone of these choices, and working with a credible advisor ensures a tailored plan that supports evolving goals and a fulfilling retirement.”

— **Patrick Barkwell**, National Director, Individual Financial Services, People Corporation

## Staying engaged in the workforce

Many retirees are choosing to remain active in the workforce, demonstrating their desire to stay engaged and productive. Among those surveyed, 16% of retirees report they are still working in some capacity:

5% are employed full-time

79% work part-time

16% engage in volunteering

Among those who retired in 2020 or later, 24% continue to work, with 30% of retirees aged 55 to 64 still employed.





## The reasons retirees choose to continue working are varied and multifaceted

### Emotional and social drivers:

**57%** feel “work is emotionally good for me”

**53%** express a desire to “keep busy”



“Work can mean different things. Sometimes it’s paid, sometimes it’s not. Our clients who are transitioning to retirement are all very much looking to build a different kind of life that’s fulfilling and satisfying in a new way.”

— **Susan Boissonneault**, Career Consultant, Program Lead at People First HR Services.

### Financial considerations:

**31%** report needing the income to sustain their lifestyle

**30%** report recent inflation and interest rate increases as influences on their decision to remain employed



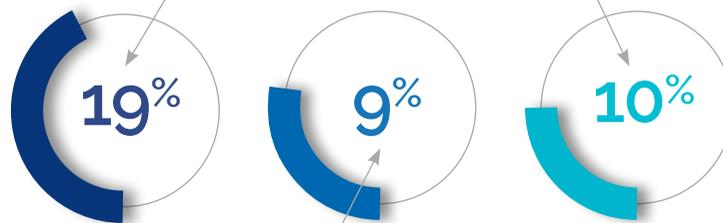
## Exploring new career paths:

**57%** of retirees are working in fields unrelated to their previous careers, suggesting a willingness to adapt and explore new opportunities

## Future work intentions:

19% of retirees plan to continue working for an extended period

10% intend to work indefinitely



9% expect to work for more than five years

As the trends shift towards flexible work arrangements and second career paths, organizations have an opportunity to adapt their HR strategies and harness the wealth of knowledge and experience of their 55+ aged employees. Employers that recognize this, and can adjust their human resources practices, including their benefit and retirement plans, acknowledging improving overall well-being – financial, physical, and mental wellness will be well positioned.





# The power of plan membership

**Employer-sponsored retirement plans are driving better financial outcomes for retirees.** The positive impact is clear in not only retirement savings but in fostering a broader sense of financial confidence and well-being among plan members.

When asked whether they feel confident about having enough money to be comfortable throughout their retirement years, members of both types of plans reported high levels of assurance:

**77%** of members in plans where they didn't make the investment decisions feel confident their finances will last.

**79%** of members in capital accumulation plans share this confidence.

In contrast, only 60% of those without an employer-sponsored retirement plan feel financially secure. This gap highlights how crucial employer sponsorship is in helping employees feel more prepared for their futures.

It's not just retirement savings that make a difference. Health coverage plays a critical role in financial confidence. Among those with employer-sponsored retirement health coverage, 79% feel secure in their financial future, compared to just 63% without this coverage.

This data highlights a compelling truth: employer-sponsored retirement plans and health coverage make a tangible difference in people's lives. By offering these plans, employers are giving their employees more than just financial security—they're providing peace of mind, emotional well-being, and a stable foundation for life after work.

**Promoting retirement planning as part of the overall value proposition strengthens an organization's talent attraction and retention efforts.** These plans are not just perks—they're strategic tools that enhance employee loyalty, engagement, and satisfaction.



"We're seeing a lot more employers getting involved in helping their employees prepare for retirement. They're focusing on education and

using data to drive better outcomes. With regular updates from consultants, employers can get a clearer picture of how plans are performing. When you take better care of your employees, it really builds loyalty—and that's a game changer for long-term success."

— **Kevin Bell**, Vice-President of Business Development at People Corporation.





# Room for improvement

While significant strides have been made in helping Canadians retire with confidence, there are areas where challenges persist, and employers have a key role to play in bridging these gaps. The transition to retirement continues to present financial and lifestyle hurdles for many, and there is ample opportunity for employers to step in and offer guidance.

## Growing inflation

Rising inflation rates have posed a significant challenge for many retirees in recent years. The numbers speak volumes: two-thirds of retirees have been forced to reduce their spending, with 47% making moderate cuts and 20% significantly scaling back their expenses.

Kevin Bell, Vice-President of Business Development at People Corporation, notes that many early retirees were unprepared for the sharp rise in living costs. “They hadn’t planned for these escalating costs of living,” Bell says, emphasizing the importance of future-proofing retirement plans against economic changes.

## Financial anxiety is real

For many retirees, the fear of running out of money is a constant worry. Of those surveyed, 43% of retirees are concerned they “will not have enough money to last throughout their retirement.” Of those, 7% are extremely worried, 8% are very worried, and 28% are somewhat worried. Only a small portion—16%—reported feeling no concern at all.

## Helping employees prepare

**Employers are uniquely positioned to help their workforce prepare for the financial realities of retirement, starting well before employees make the leap. Recent updates to the Canadian Association of Pension Supervisory Authorities (CAPSA) guidelines highlight this responsibility, recommending that employers provide access to both decision-making tools and ongoing education to help employees with retirement planning.**

Danielle Ferrone, Senior Consultant, Group Retirement Solutions at People Corporation, stresses the importance of early education, especially for employees in their 50s. “Provide specific education,” she advises. “What does retirement look like? How do you apply for the Canada Pension Plan and Old Age Security? Do you have enough money? What are the options available to you?”



“While company pensions, CPP retirement, and OAS benefits provide a strong foundation, they may not always be sufficient to sustain the lifestyle many aspire to in retirement or cover unforeseen expenses. The post-2009 landscape has introduced unique challenges, including

enhanced market volatility, fluctuating interest rates, and the balancing act of diminishing returns and inflation. Coupled with increased longevity, it’s clear that a thoughtful, layered approach to retirement planning is more essential than ever”

— **Patrick Barkwell**, National Director, Individual Financial Services, People Corporation



## Surprises and debt: the role of financial education

Retirement comes with its share of surprises, and many Canadians are finding themselves caught off guard by unexpected expenses.

### Unforeseen expenses

**For many retirees, the cost of retirement isn't what they expected:**

**25%** of retirees were surprised by the cost of health care and travel insurance, and more than half of those felt unprepared to handle these expenses

This data highlights a critical need for guidance as retirees manage rising costs. Employers can differentiate themselves by offering financial literacy programs that help their workforce plan for these kinds of expenses long before retirement arrives.



“CAPSA’s latest guidelines reinforce our findings: providing employees with meaningful financial education along with access to advice and decision-making tools can help them navigate the financial challenges of retirement. When employers take a proactive approach, they empower employees with the confidence and skills to secure their financial future.”

— **Danielle Ferrone**, Senior Consultant, Group Retirement Solutions at People Corporation

## A shift in attitudes toward debt

Today’s retirees display a surprising level of comfort with debt, signaling a shift from previous generations’ more conservative approach to financial security in retirement.

**56%** of retirees are carrying some level of household debt

**15%** of these retirees hold debt in the six-figure range

This rise in retiree debt could be influenced by historically low interest rates and evolving consumer habits, but it presents challenges for those focused on financial security in retirement.





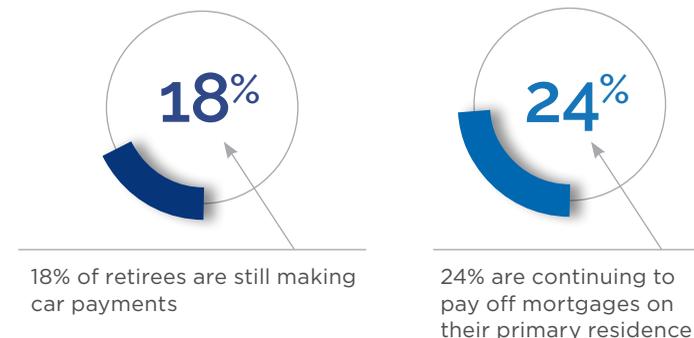
“When we talk to employees, they’re often discouraged thinking it’s too late to start saving or don’t have enough to invest. We want to encourage employees that the earlier they start saving the better, but it’s never too late! Even saving a small amount every paycheque goes a long way over 10 or 20 years. Some employers have tax-free savings accounts that allow employees to save for short-term financial goals like an emergency fund or a vacation.”

— **Danielle Ferrone**, Senior Consultant, Group Retirement Solutions at People Corporation

**This trend also ties into the growing number of retirees continuing to work, as fewer retirees with debt feel financially secure:**

Only **28%** of retirees who are still working (full- or part-time) are debt free, compared to **46%** of those no longer working

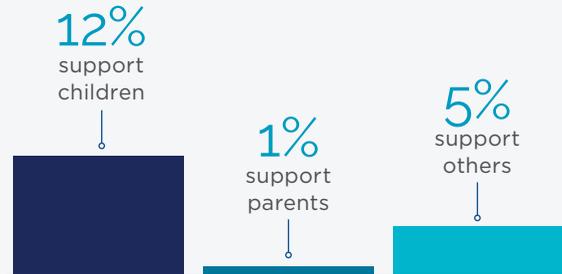
Digging deeper into the types of debt retirees are managing shows:



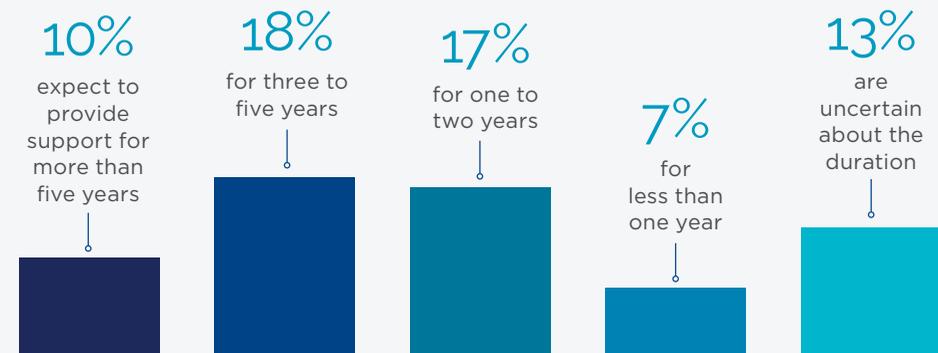
## Retired with dependants

For many retirees, household budgets are stretched further by supporting dependants:

**17% of retirees are providing financial support for one or more dependants.**



**These obligations extend for significant periods of time, with 35% of retirees indicating they will provide support indefinitely. The remainder face various timelines:**



This reality complicates the financial picture for retirees, especially as they manage rising costs of living and family obligations. While many retirees seek to maintain an active and purposeful lifestyle, these extra financial burdens can make retirement more difficult for some.

**Employers who recognize the complexities of retirement can make a tangible difference by offering educational and financial planning resources.** Programs that help employees plan for these long-term commitments can foster goodwill and loyalty. Offering flexible or fractional work arrangements can be a game-changer for those balancing caregiving responsibilities.





# Employers can shape the future of retirement

As retirees' lifestyles change, employers need to move beyond standard plans and offer tailored solutions that meet the unique needs of each member. This personalized approach not only boosts employee engagement but also enhances overall well-being.

When employees feel their specific circumstances are recognized, they're more likely to actively participate in their retirement plans, leading to greater satisfaction and loyalty.

For employers, this translates to stronger talent retention, as employees appreciate organizations that invest in their well-being. Ultimately, tailored solutions create a win-win, benefiting both employees and the overall performance of the organization.

## Action steps for employers:

### Enhance employee education

Develop and promote educational resources to help employees fully utilize their retirement benefits.

### Promote wellness initiatives

Implement holistic wellness programs that address the physical, mental, and financial health of employees.

### Facilitate access to professional advice

Provide access to financial advisors to guide employees in their retirement planning.

### Embrace older workers

Adapt work arrangements to attract and retain older workers, leveraging their experience to unlock productivity gains.





# The time to act is now

Our findings provide a roadmap for employers to make a lasting impact on the financial and overall well-being of their employees. The evidence is clear:

## **Employer-sponsored plans improve outcomes**

Employees enrolled in plans where they did not make the investment decisions (DBPP) or in capital accumulation plans where they did make the investment decisions (including DCPPs, group RRSPs, or DPSPs) report over 20% higher confidence in their financial futures than their non-plan peers. This highlights the importance of maintaining robust retirement offerings and reconsidering any decisions to scale back retiree health benefits.

## **Retirees value these benefits**

Retirees encourage today's workforce to take full advantage of their benefits plan. Employers should promote plan enrolment and provide access to professional financial advice to help employees maximize their retirement benefits.

## **Phased retirement is on the rise**

Employers who embrace flexible and fractional work arrangements can retain experienced talent while meeting the evolving needs of older workers. This trend, driven by lifestyle and financial considerations, offers a strategic advantage.

## **Holistic health initiatives resonate**

Employer initiatives focusing on physical, mental, and financial health strongly resonate with older Canadians. By fostering a culture of wellness through strong plan sponsorship, employers can improve engagement, productivity, and reduce absenteeism and disability claims.

## **Education is the key to a successful retirement**

Employers that invest in comprehensive, engaging employee education will gain an edge in both attracting and retaining top talent. Going beyond traditional plan communications to equip their workforce with the tools and knowledge they need for a fulfilling retirement but also benefit from greater visibility into employees' retirement plans. This insight supports succession planning and mentoring initiatives, enabling the organization to retain and share valuable knowledge as employees gradually scale down responsibilities and transition smoothly into retirement.



# This report paints an optimistic picture of retirement for many Canadians, thanks in large part to the efforts of proactive employers.

Where there is room for improvement, employers are uniquely positioned to drive meaningful change. Those who take this opportunity will enhance their workforce's well-being and gain a competitive edge in today's talent landscape.

Retirement planning can be complex but with the right supports in place, employers can play a key role in helping their employees approach this phase of their lives with confidence. The experts at People Corporation can provide insights and guidance to build plans that will help prepare employees for a successful retirement.



Let's chat.

## About the survey

These are the findings of a study/survey conducted by People Corporation in May 2024 among a representative sample of 1550 retired Canadians who are members of the Angus Reid Forum. The survey was conducted in English and French. For comparison purposes only, a probability sample of this size would carry a margin of error of +/- 2 percentage points, 19 times out of 20.

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