

RETIREMENT

# When is the right time to retire? Maybe later than you think

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Delaying retirement for a few more years can have significant benefits.

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More Canadians are retiring later in life. In fact, according to the latest data, the proportion of Canadians retiring after the age of 70 has nearly doubled over the past dozen years alone. For those who enjoy what they're doing and are able to keep working, putting off retirement for a few more years can have significant benefits.

**IT'S GOOD FOR SOCIETY**

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A paper released Tuesday by the National Institute on Ageing at Ryerson University says that Canada can better keep up with the retirement income systems of other countries by improving the labour-force participation of older workers.

Having more older Canadians working will also increase tax revenue. With Canada's aging population, it will help ease shortages in labour and skills supply as baby boomers contemplate their exodus from the work force over the coming decade.

In an increasingly competitive global market, retaining high-quality talent in the labour force is important, and older workers have often built up a wealth of insight and experience that's hard to match.

## **IT CAN BE GOOD FOR YOUR HEALTH AND WELL-BEING**

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While many Canadians are looking forward to the dream of living a more leisurely lifestyle, the reality is that full retirement often has its challenges. After a lifetime of paid employment – and the structure and routine that come with it – the idle, unplanned hours of retirement can lead to stress, social isolation and lack of mental stimulation, and can even contribute to health conditions such as dementia. Studies show that in many cases, working has both cognitive and social benefits.

## **IT'S GOOD FOR YOUR WALLET**

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Of course, working longer has financial benefits – particularly when retiring means leaving behind valuable employee benefits and a hard-earned salary that would be difficult to replace. Putting off retirement also boosts CPP and OAS benefits with every month these payments are delayed.

If you work longer, you'll need to save less for retirement. Every year you delay your retirement is one fewer year you'll need to draw on your savings, and one more year for those savings to grow. Delaying retirement also gives you more time to save. Canadians who are nearing retirement are usually free of major debt and the financial responsibility of children, so it's easier for them to put more of their paycheques aside.

According to Statistics Canada's 2016 Survey of Financial Security, only 70 per cent of Canadian families nearing retirement have RRSP savings, with a median balance of about \$90,000. Assuming the average national salary of about \$50,000 and a 4 per cent investment return, if you put away a third of what you bring in, your savings would double in five years (in today's dollars).

## **THE LONGEVITY CHALLENGE**

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As Canadians live longer – and therefore need more savings to fund those extra retirement years – they'll need to boost their saving efforts just to keep up. In fact, the challenges associated with increased longevity have motivated many industrialized countries around the world to move the “normal” retirement age from the age of 65 to

67 or even later, and a recent report by the Canadian Institute of Actuaries argues Canada should take the same approach.

On average, baby boomers can expect their retirement to be more than 20 per cent longer than their parents', yet they typically won't have the same level of secure workplace pension income or investment returns to carry them through their later years. Despite low interest rates over the past decade, the costs of goods and services continue to climb by about 2 per cent each year, as they have for nearly three decades.

There's not much we can do to control these external variables, but we can control how much – and for how long – we continue to work. And that's what more Canadians are doing.

Starting in 1976, the average retirement age dropped from the age of 65 to 61 over three decades. But the tide turned after 2008, with the average retirement age nearly returning to the original age of 65 within a single decade. Projections suggest that working longer is a continuing trend, one that's likely to ramp up over time. Government initiatives are under way across Canada to support the labour-force participation of older workers.

## **TIMING IS EVERYTHING**

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All that said, delaying retirement doesn't work for everyone. For many Canadians, exiting the work force isn't a voluntary choice but one driven by loss of employment, caring for an ailing spouse or parent, or poor health. Also keep in mind that while approximately two in five of today's 65-year-olds will live past the age of 90, at least one in five will not reach the age of 80.

On a more positive note, retirement can open the door to engaging in new, rewarding activities and interests that can also have significant economic and societal value – including the enormous unpaid contributions of seniors through volunteer positions, child-minding and caring for other seniors.

Choosing how and when to retire is a highly personal decision. But if you're still (mostly) happily working and aren't sure if you're ready to stop, working another year or two will give you some extra time to address any financial shortfalls and map out how to make the most of your golden years.

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