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Head north snowbirds, Canada beats the U.S. as one of best countries in the world to retire

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Postmedia NewsBear in mind that a recent survey showed 72 per cent of Canadian investors believe the costs of retirement will fall increasingly to them rather than to the government.

Canada beats the United States for retirement security, ranking among the top 10 best countries in the world to retire to, according to the 2016 Global Retirement Index.

Norway, Switzerland, and Iceland won the top three spots in Natixis Global Asset Management's fourth annual ranking, released today. The U.S., with a score of 73 per cent, ranked No. 14 out of 43 nations (right after Luxembourg) in the global retirement index.

Norway joins a number of top 10 countries in having a compulsory workplace savings program. It requires employers to fund private retirement accounts with two per cent of a worker's earnings earnings annually. That pales next to Australia, No. 6, where employers must kick in at least 9.5 per cent.

The retirement leaders, with scores of 77 per cent or better: Norway, Switzerland, Iceland, New Zealand, Sweden, Australia, Germany, the Netherlands, Austria, and Canada.

The bottom 10, where the highest score was 57 per cent: India, with a score of 12 per cent, preceded by Greece, Brazil, Russia, Turkey, China, Spain, Cyprus, Mexico, and Portugal.

The index shows Canada has relatively high per-capita income and low levels of income inequality. Canada also spends substantial amounts on healthcare and provides excellent health insurance coverage, according to index data compiled by Natixis.

However, low interest rates and relatively high levels of government debt are not as favorable to Canada's retirees. The former makes it difficult for older Canadians to keep up with increased living costs; the latter could affect the country's ability to finance social programs over the long term, says Natixis.

A recent survey showed that 72 per cent of Canadian investors believe the costs of retirement will fall increasingly to them rather than to the government, but they may be underestimating those costs, says Natixis.

Canadian surveyed estimated they need to replace only 60 per cent of their income, below the accepted 75 to 80 per cent, and they only set aside 10.5 per cent of income for retirement, below the average rate of 12 per cent among investors from 22 nations in that study.

A high proportion, 45 per cent, also said they don't participate in a workplace savings program, Natixis said.

Canadians also see clear hurdles to financial security in retirement, listing the three biggest challenges as long-term care and healthcare costs, outliving their assets and inflation. When asked how they would make up the shortfall, more than half of those surveyed said they will continue to work in retirement.

The U.S. did reach the top 10 in two of the four sub- indexes, including the one that measures the stability of finances in retirement, which gets the most weight in the overall ranking:

This sub-index looks at the ratio of working people for every retirement-age person, the level of bank non-performing loans, inflation, interest rates, tax pressure, government indebtedness, and governance. The U.S. score, while high, was damped by the nation's "relatively high levels of public debt and increasing tax burdens." As the report said, "rising expenses in the long term seem inevitable as more boomers reach retirement age."

While the move to auto-enroll employees in retirement plans is a positive in the U.S. and elsewhere, the U.S. Department of Labor estimates that about a third of U.S. employees have no access to a retirement plan. Once employees are enrolled in a plan, an even bigger challenge is getting them engaged with it, said David Goodsell, who oversees investor research for Natixis.

A 2015 Natixis survey of 401(k) plan participants in the U.S. found 60 per cent saying they put between 1 and 7.5 per cent of salary into a retirement account, with 40 per cent of those people contributing between 1 and 5 per cent. Many respondents cited personal debt as an obstacle to saving more. Just 36 per cent of workers over age 50, who can defer an additional $6,000 of salary above the standard 401(k) cap of $18,000, did so.

The U.S. also did well, at No. 7, in the health care part of the index, which might come as a surprise to many Americans frustrated by the costs and hassles of their health-care coverage. This measure looks at health spending per capita, the level of uninsured health spending, and life expectancy. The U.S., the report said, has the highest health expenditure per capita of the 43 countries in the index, and ranks sixth for the level of uninsured health expenditures. It was No. 30 for life expectancy.

One area where the U.S. had an abysmal ranking was in its high level of income inequality, which helped drive it down to No. 37 of the 43 countries. The U.S. and Singapore share the dubious distinction of being the only countries in the top five for income per capita and in the bottom 10 for their large gaps in income equality. Those data points fall into the "material wellbeing" portion of the index, where the U.S. scores

59 per cent to sit at No. 25, below Estonia. That’s its lowest score among the report’s four sub-indexes, below its No. 16 rank for quality of life.