FINANCIAL POST

Nearly half of Canadians are living paycheque to paycheque — and that has big consequences for retirement security

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Postmedia NewsThe survey found 39 per cent of workers surveyed feel “overwhelmed” by their level of debt, which is up from the three-year average of 36 per cent.

A new survey highlighting the fact almost half of working Canadians are living paycheque to paycheque reveals the inevitable corollary of failing to save enough: For most of us, retiring before age 60 will be a pipedream if we don't get our saving act together.

Far from being confident about a comfortable retirement, 48 per cent of the 5,600 working Canadians surveyed by the Canadian Payroll Association say it would be hard to make ends meet if their paycheque were delayed even a single week, according to the Canadian Payroll Association (CPA)'s eighth annual Research Survey of Employed Canadians, which is being released Wednesday.

Almost one in four (24%) don't think they could come up with $2,000 if an emergency arose in the next month.

The eighth annual instalment of the CPA's national Research Survey of Employed Canadians (conducted by Framework Partners between June 27 and Aug. 5) found 40 per cent of respondents spend all or more than their net pay, while 47 per cent are able to save only five per cent or less of earnings. That's less than half the 10 per cent of net pay that the association says financial planning experts normally recommend earmarking for savings.

Worse, far from building a nest egg, many are still in the hole: the survey found 39 per cent of workers surveyed feel "overwhelmed" by their level of debt, which is up from the three-year average of 36 per cent. Over the last year, debt levels have risen for 31per cent of those surveyed, while 11 per cent do not believe they will ever be totally debt-free. A whopping 93 per cent carry some form of debt, split almost evenly between mortgages (26 per cent), credit cards (18 per cent), car loans (17 per cent) and lines of credit (16 per cent). Of these, credit cards - which usually charge the most interest - were reported to be the hardest to pay down (cited by 22 per cent of respondents).

Little wonder then that the majority (75 per cent) of respondents had only saved a quarter - or less - of their retirement goal. Even among those aged 50 or older, a "disturbing" 47 per cent are still less than a quarter of the way to their retirement savings goal.

Half feel they will need at least $1 million in order to retire, which I'd argue is realistic for the majority (especially in the private sector) who lack an employer-sponsored defined-benefit pension plan. Most are targeting 62 as a retirement, compared to the age-60 target cited in the survey five years ago. The CPA advocated for the "modest" CPP expansion that Ottawa and the provinces announced this summer.

While the enhanced CPP should help, CPA president and CEO Patrick Culhane says employees still need to "pay themselves first" by setting up automatic savings programs with their employers to save at least 10 per cent of net (after-tax) pay. The survey kicks off National Payroll Week starting on September 12.

In an interview, Culhane said the 5,600 responses were 2,000 more than last year and is now statistically significant in most provinces. But, he added, "we didn't look for this data. It found us." Despite a myriad of voluntary savings programs (like RRSPs, TFSAs, RESPs etc.), the data shows people don't save enough voluntarily. That's why "forced" savings programs like CPP and pre-authorized savings programs are more likely to work, he said.

Financial adviser Adrian Mastracci says Canadians need to make themselves a priority, "regardless of what else is going on. Don't dwell on what you can't control. Start simply by salting away $50 to $100 every two to four weeks into a savings account. You want to latch onto the saving habit slowly but surely."

The survey has a margin of error of plus or minus 1.3 per cent 19 times out of 20 but they added that because a non-probabistic methodology was used, a definitive margin of error can't be expressed.