

Russell Financial Health Index™

Special Report
Fall 2008

A summary of research conducted by
Russell Investments Canada and Harris/Decima.



Three-quarters of Canadians are concerned about their financial health as they approach retirement.

Yet most retirees report being in very good or excellent financial health.

New research by Russell Investments uncovers how Canadians define financial health during retirement, and steps you can take to improve yours.

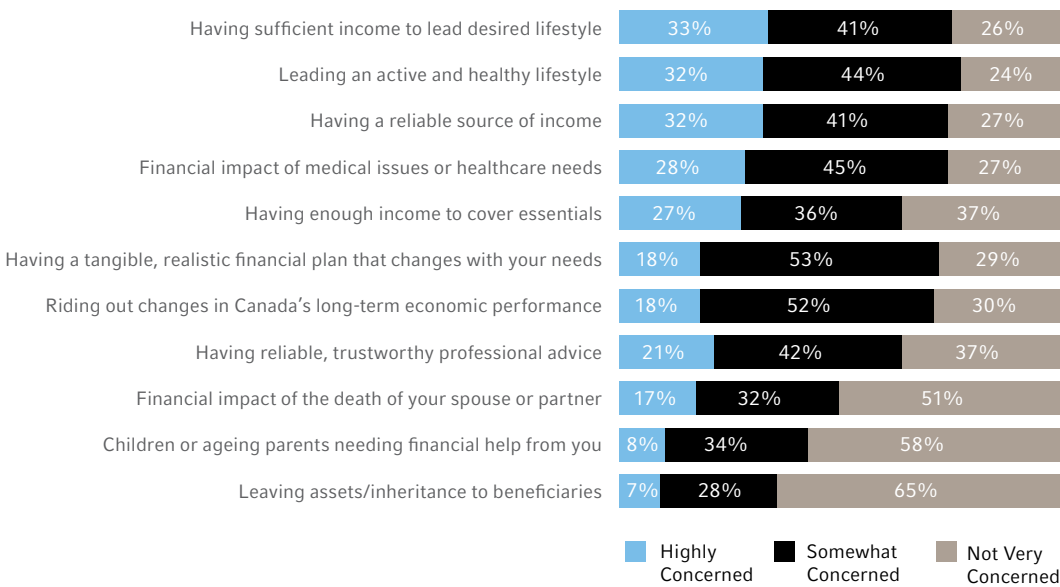
How do Canadians define financial health?

Russell Investments recently completed a cross-country survey to find out how Canadians are feeling about their financial health, and what we can do to feel more financially healthy.

There's no question Canadians want to be healthy during retirement—both physically and financially. While we were not able to study the factors that contribute to physical health, it seems clear that financial health is closely tied to proper planning and getting the right advice.

Most Canadians look to this planning and advice to help them cover both the essential expenses of retirement such as housing, food and transportation, as well as the lifestyle expenses that make retirement more enjoyable such as travel and entertainment.

Potential concerns impacting financial health in retirement



Russell insight

- > **63% of Canadians are concerned about being able to pay for the essentials of life, and 74% are concerned about having enough income to fund their desired lifestyle.**

As life expectancies increase and the cost of living climbs, our research shows that most retirees will need to continue investing in a conservative portfolio of equities in order to cover their essential living costs and additional lifestyle expenses over their entire lives.

- > **71% of Canadians are concerned about having a tangible, realistic financial plan, and 63% are concerned about receiving reliable, trustworthy professional advice.**

We believe that working with a qualified financial advisor is the best way to develop and implement a financial plan that is both tangible and realistic, and to experience the sense of clarity and confidence that comes from having such a plan.

How financially healthy do we feel?

In our research, we found a significant gap between perception and reality. While most people in the years before retirement express worry and doubt about their retirement finances, a significant majority of retirees said retirement is a time of freedom, happiness, and financial health.

To illustrate the gap, consider this fact: a person who is ten years away from retirement is almost three-and-a-half times more likely to expect poor financial health during retirement than someone who has been retired for six years or more.

Perceptions of people who rated their financial health as Excellent or Very Good



Russell insight

We believe there are two main reasons why many pre-retirees have unrealistically negative expectations:

- 1. Popular culture.** Certain media and advertising campaigns have contributed to a climate of fear about retirement finances.
- 2. Lack of real information.** People who are approaching retirement without the benefit of professional financial advice and a clearly-defined investment strategy often lack a clear understanding of their own financial health, which can lead to poor decision-making and a general sense of financial insecurity.

Quick fact

3-in-10 pre-retirees feel anxious, scared or confused about retirement versus only 1-in-10 of those currently retired. Feelings of happiness, freedom and relief peak 3 to 5 years into retirement and remain stable.

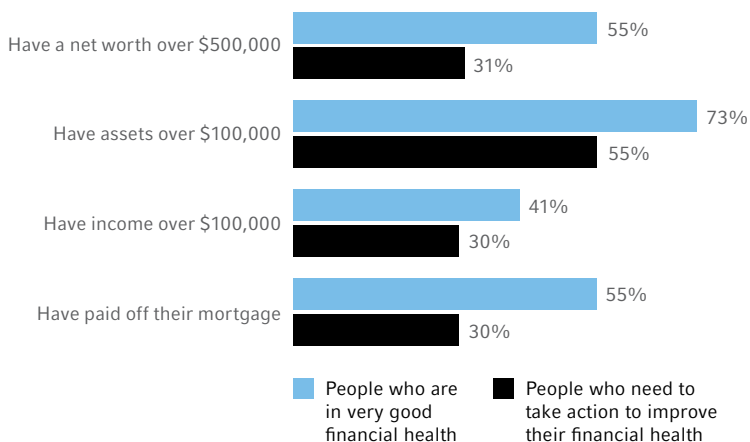
What do financially healthy people have in common?

Our research shows that Canadians who are in very good financial health:

- > Tend to have higher net worth, assets and income
- > Are much more likely to have a pension
- > Started planning for retirement at an earlier age

Financially healthy Canadians have also been fortunate in terms of life experiences—they are less likely to be separated or divorced, and more likely to have paid off their mortgages and to have received an inheritance.

However, these facts conceal a number of surprising statistics:



Quick fact

Our research shows that as much as 60% of retirement income can be derived from investment growth that takes place during retirement. So even if you enter retirement without a financial plan, it's not too late to start working with an advisor to implement an effective retirement strategy.

Russell insight

- > **Affluence does not guarantee financial health.** A significant portion of those in less-than-ideal financial health actually have a relatively high net worth, assets and income. We believe this reflects the fact that without professional help to objectively measure financial fitness and plan for the future, it's easy to feel financially unhealthy.
- > **Take action as soon as possible.** We believe that working with a financial advisor as early in life as possible is essential to identify financial shortfalls and take corrective action. For example, someone without the benefit of an inheritance or a pension plan can work with an advisor to create a plan and make up lost ground.
- > **Plan for the unexpected.** Many of the factors impacting financial health are difficult to control, such as unexpected health issues, changes in marital status, or a downturn in the overall economy. However, we believe that an effective financial plan can help Canadians overcome these challenges and still achieve financial health in retirement.

Find out where you stand

You may already be in excellent financial health. Or you may have serious gaps in your personal finances. The thing is, without an objective assessment, it's often hard to figure out exactly where you stand. We recommend that you start by visiting www.myfinanciallyhealthyretirement.com where you can calculate your personal Financial Health score, compare your score to the national average, and track your progress over time.

Russell is your retirement expert

At Russell Investments, we're dedicated to providing Canadian investors and advisors with the tools and expertise they need to retire in excellent financial health. Our comprehensive retirement solutions are built on extensive proprietary research, decades of outstanding portfolio management, and ground-breaking innovations such as the Russell Financial Health Index™.

Since 1936, our investment approach has been tested by millions of individual shareholders and thousands of institutional investors including Alcoa, AT&T Inc., BHP Billiton, Bill & Melinda Gates Foundation, Boeing, Caterpillar, Coca-Cola Bottling Co., State Teachers Retirement System of Ohio and Toyota Motor Pension Fund.*

These investors demand the highest level of strategic diversification and money management. So should you. Along with your advisor, we will help you replace hunches, hope and guesswork about retirement with solid financial solutions you can rely on.

Please visit www.myfinanciallyhealthyretirement.com to learn more.

How this research was conducted

Harris/Decima conducted 2,200 online surveys across Canada in early 2008. Survey data were weighted by region and retirement status in order to gain a representative cross-section of Canadian investors. Note that all information and statistics cited in this report are from this Harris/Decima research except where stated otherwise.

The survey respondents had a household income of \$50,000 or more and were 42 years of age or older. Of the group, 1,078 were presently employed, and 1,122 were retired from work. The retired group excludes those who were unemployed, students, or homemakers.

Note that for the purposes of the report, the term "Canadians" refers to the entire sample group including both pre-retirees and current retirees.

* Representative client list as of April 2008. Clients may contract for a variety of services from Russell Investments. The identification of the clients listed does not constitute an endorsement or recommendation of Russell's products or services by such client.

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