

Don't retire from investing, invest for retirement.

Find out why retired Canadians
are feeling financially healthy.

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



Defining the new reality of retirement for Canadians.

Conventional wisdom holds that many of today's retiring baby boomers will face a difficult financial road ahead. The perceived threats include entering retirement with too little savings, experiencing higher-than-expected living expenses during retirement, being forced to make uncomfortable sacrifices, and ultimately running out of money too soon.

Recently, Russell Investments and Harris/Decima asked more than 2,000 Canadians to talk to us about retirement. Our goal was to test these perceptions by speaking with real Canadians about their actual experiences—both before and during retirement.

Our findings challenge the conventional wisdom and help to paint a clearer picture of the retirement reality.

In short, retirement is not as scary as many people suggest. We believe this research can help Canadians better prepare for retirement in two ways. First, by replacing the potentially paralyzing fear of retirement as a financial threat with a realistic, fact-based sense of optimism. And second, by showing that the large majority of us can take advantage of professional financial advice and a sensible investment strategy to achieve a retirement that is both personally fulfilling and financially healthy.



Irshaad Ahmad
President and
Managing Director
Russell Investments Canada

Quick fact

In short, retirement is not as scary as many people suggest. While it is true that some pre-retirees are anxious about their future well-being, the majority of Canadians at virtually every stage of retirement say they are happy, confident, and financially secure.

Key Findings

- Only 25% of pre-retirees expect to be in very good or excellent financial health during retirement, yet 55% of current retirees report being in very good or excellent financial health.
- 10 years before retirement, 40% of Canadians feel anxious about their retirement finances. But by their retirement date, this number falls to 27%, and within the first three to five years of retirement, it falls to only 10%.
- 10 years before retirement, 61% of Canadians worry about outliving their money, but after 10 years in retirement, only about one in five retirees remain worried.
- It has been suggested that pre-retirees will need 80% of their current income to retire comfortably, yet current retirees report needing only 60% of their pre-retirement income.
- Working with a financial advisor and having a strategic retirement plan is a significant contributor to feeling financially healthy in retirement.

How our 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.

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.

How do Canadians define financial health?

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 and transportation, as well as the lifestyle expenses that make retirement more enjoyable such as travel and entertainment.

Russell commentary

We believe retirement investing should be approached like any important project in life: with a sense of optimism, and with the help of professionals who can contribute valuable knowledge and experience. Indeed, roughly two-thirds of Canadians expect that having a tangible, realistic financial plan and access to reliable, trustworthy financial advice will be significant factors in helping them feel financially healthy in retirement.

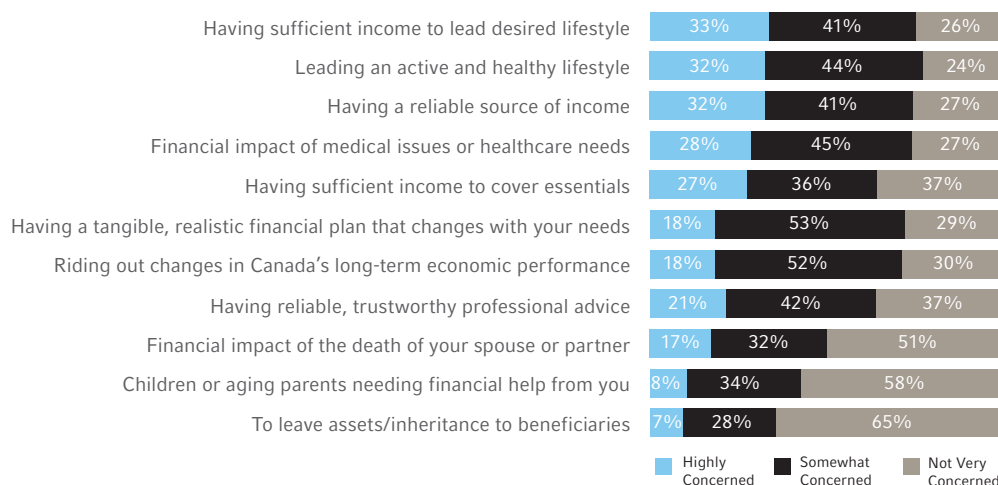
Quick fact

More than one-in-three Canadians believe that part of a financially healthy retirement is being able to leave an inheritance to beneficiaries such as their children or a charitable cause.

Data highlights

- › Income and physical health are the main issues that Canadians are concerned about when it comes to defining their financial health
- › 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
- › 71% of Canadians are concerned about having a tangible, realistic financial plan and 63% are concerned about receiving reliable, trustworthy professional advice

Potential concerns impacting financial health in retirement



Retirement is a happier and more financially healthy period than most expect

When it comes to financial health, there is a large gap in perception between pre-retirees and current retirees. In general, pre-retirees have a much more pessimistic view of their expected retirement finances than those who are retired. However, they tend to become steadily more optimistic as their retirement date approaches, and the perception of financial health continues to increase throughout retirement.

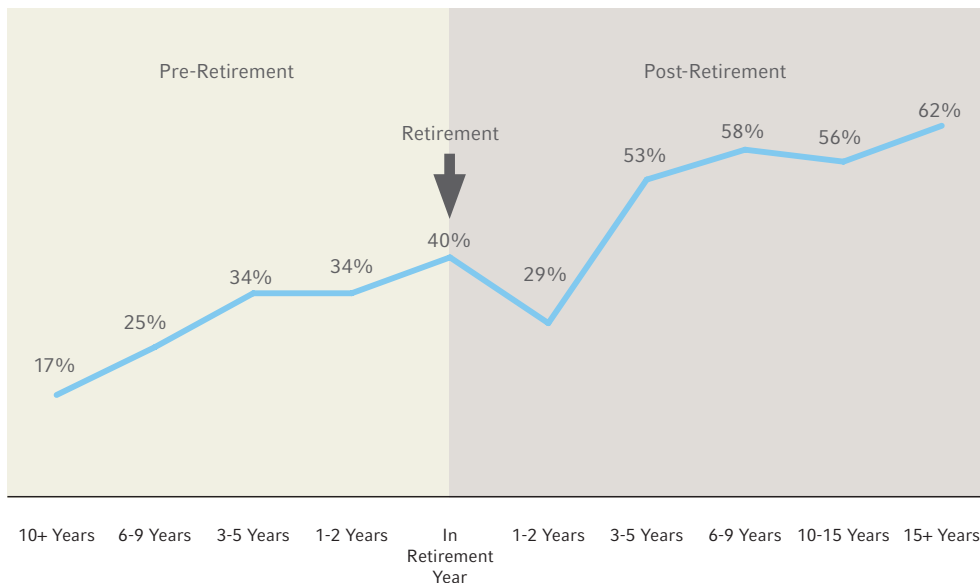
Russell commentary

Some national media, financial commentators, and advertising campaigns have helped foster a climate of fear and insecurity about retirement. Yet Russell's research into retirement investing and our cross-country survey of Canadians have confirmed that, by just about every measure, retirement can be a much happier and more financially healthy period of life than most pre-retirees expect it to be.

Overall financial health in retirement?

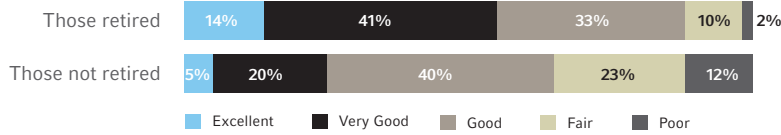
- › The perception of financial health is at its lowest at 10 or more years before retirement, and climbs until 15 or more years after retirement

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



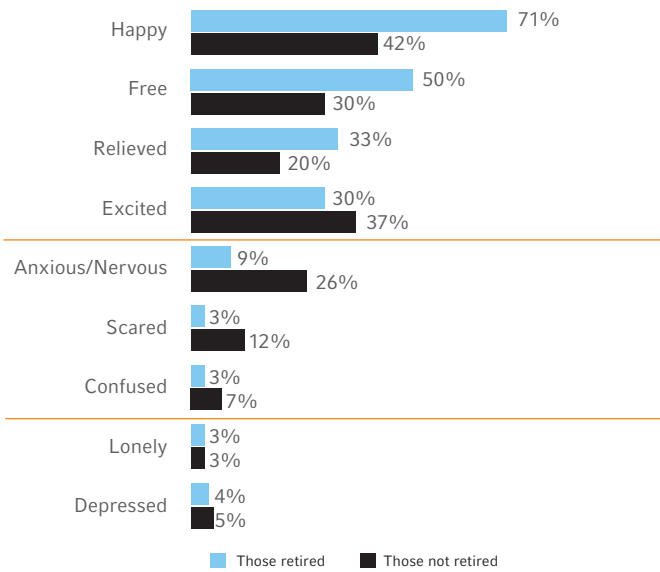
- › Only 25% of pre-retirees expect their financial health in retirement to be very good or excellent, whereas 55% of current retirees rate their financial health as very good or excellent

Perceptions of financial health



- › Retirees report feelings of happiness, freedom and relief to a significantly greater degree than most pre-retirees expect

Feelings about retirement



Quick fact

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

Relatively few retirees feel they are at risk of outliving their savings

Ten or more years before retirement, most Canadians feel concerned about outliving their retirement savings. These worries tend to subside as their retirement date approaches, briefly rise again during the first year or two of adjusting to retirement, then sharply drop off. Income sustainability does not seem to be a major problem for most current retirees.

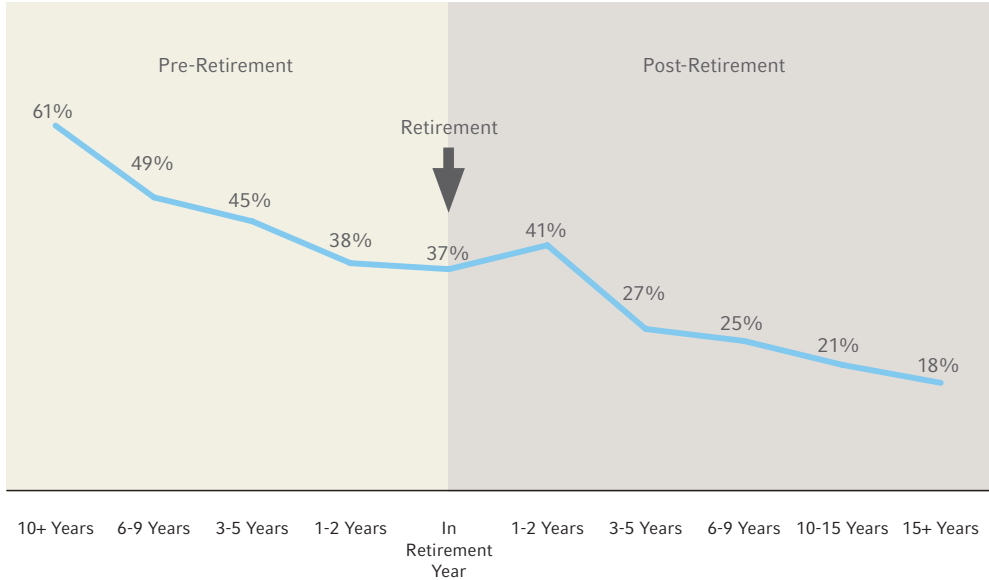
Russell commentary

Most current retirees are confident that their income will last a lifetime. However, as defined benefit pension plans become less common in Canada, younger workers and newer retirees are more likely to require life-long income generated from their own savings. Russell’s research shows that this can be achieved by complementing traditional income-oriented investments with growth-oriented investments that have the potential to continually replenish retirement savings and extend income for a longer period.

Data highlights

- › 10 years before retirement, 61% of Canadians are concerned about outliving their retirement savings
- › This level of concern declines as retirement approaches, then spikes slightly in the first two years of retirement
- › Once in retirement, confidence grows until only 18% of retirees remain worried about income sustainability by the 15th year of retirement

Perceptions of people who are concerned about outliving their money



Retirees need only 60% of pre-retirement income, but need it for longer

It is commonly believed that retirees will require 80% of their pre-retirement income to maintain a comfortable lifestyle. In fact, current retirees report needing only 60% of their pre-retirement income. This will be welcome news for many pre-retirees. However, contrary to the expectations of pre-retirees, it does not appear that retirement income requirements decline over time.

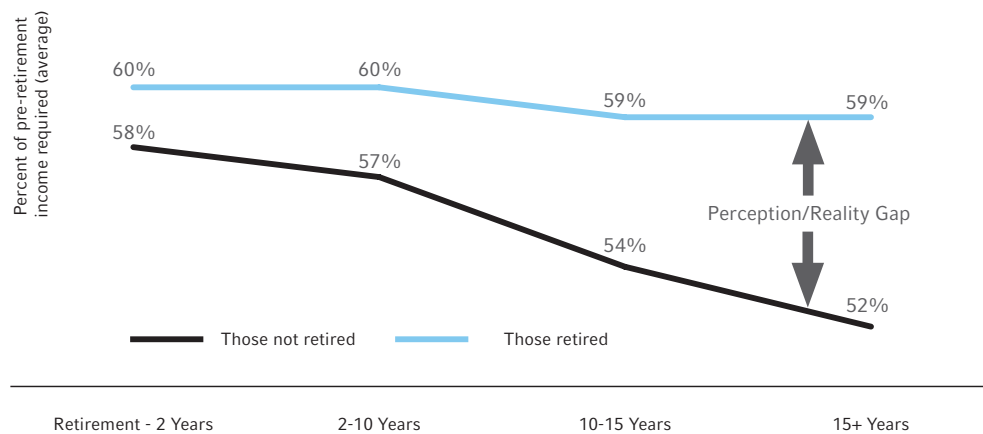
Russell commentary

Certain living expenses tend to drop significantly during retirement as most retirees are mortgage-free and no longer incur employment costs such as daily transportation. However, income requirements tend to remain constant throughout retirement for a number of reasons, including the fact that relatively few retirees downsize their homes, and the reality that healthier lifestyles allow many to incur expenses related to travel, hobbies, and entertainment for much longer than previous generations.

Data highlights

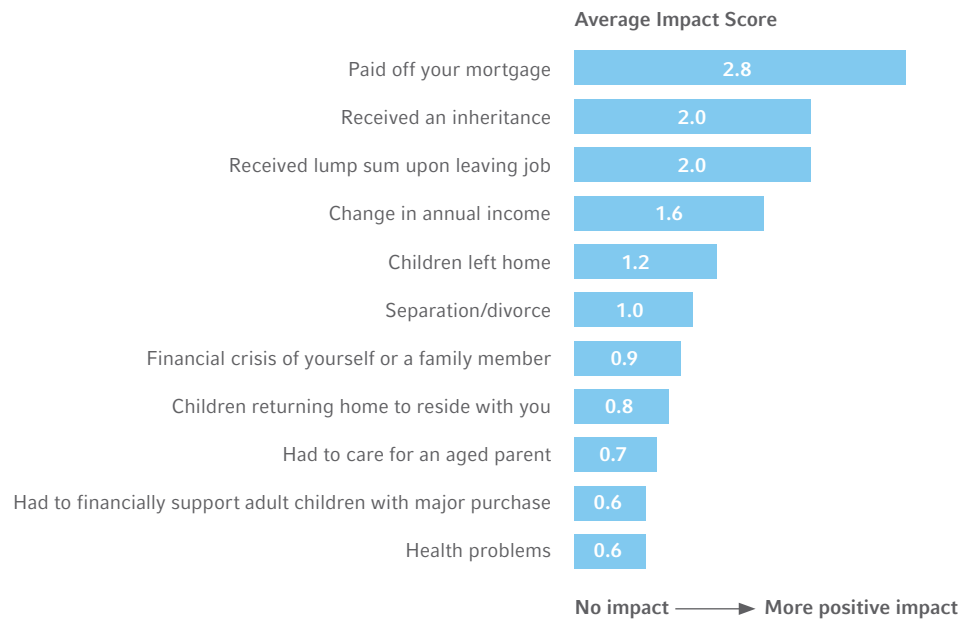
- › Retirees report needing only 60% of their pre-retirement income during retirement, and contrary to the expectations of pre-retirees, income requirements stay relatively constant through retirement

Perception/reality gap: income requirements in retirement



- › Paying off a mortgage is the most common and most positive single life event affecting the retirement finances of Canadians

Key life events impacting financial health in retirement



Quick fact

5-in-10 Canadians think they'll significantly reduce their spending during retirement, yet less than half actually do.

Retirees draw income from many sources, but part-time work is rarely one of them

Canadian pre-retirees are significantly less likely than current retirees to receive retirement income from a defined benefit pension plan, and more likely to be planning to supplement their retirement income with alternative sources such as home equity, the sale of a business, or an inheritance. These three income alternatives may be a reflection of today’s higher real estate values, more broad-based entrepreneurship, and larger inter-generational wealth transfers. Interestingly, working part-time during retirement is far less common in practice than pre-retirees expect it to be.

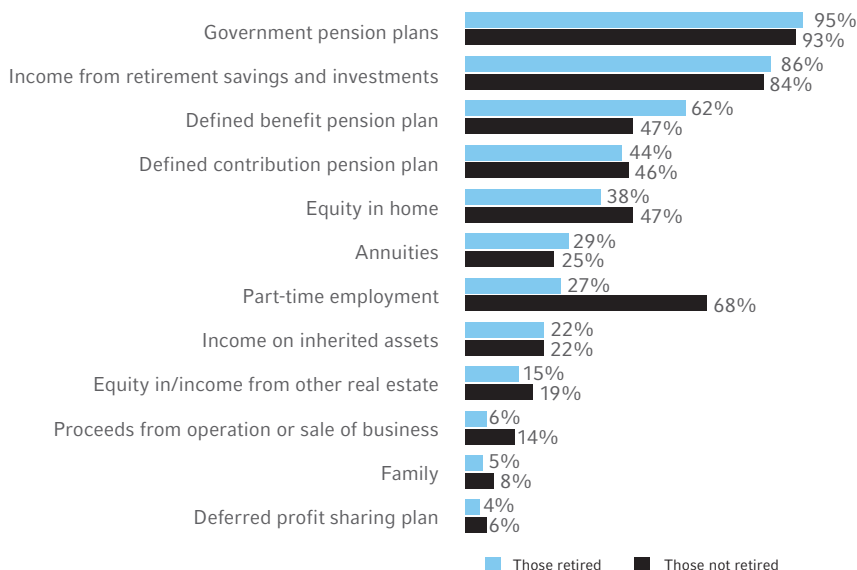
Russell commentary

When planning for retirement, it’s important to look at all sources of income, including personal savings, private pensions, and government sources such as the Canada Pension Plan and Old Age Security. In addition, it’s essential to match these income sources with a realistic picture of what future living expenses will be. We believe the best course of action is to work with a professional financial advisor who has tools to accurately forecast both sides of the retirement equation—income and expenses.

Data highlights

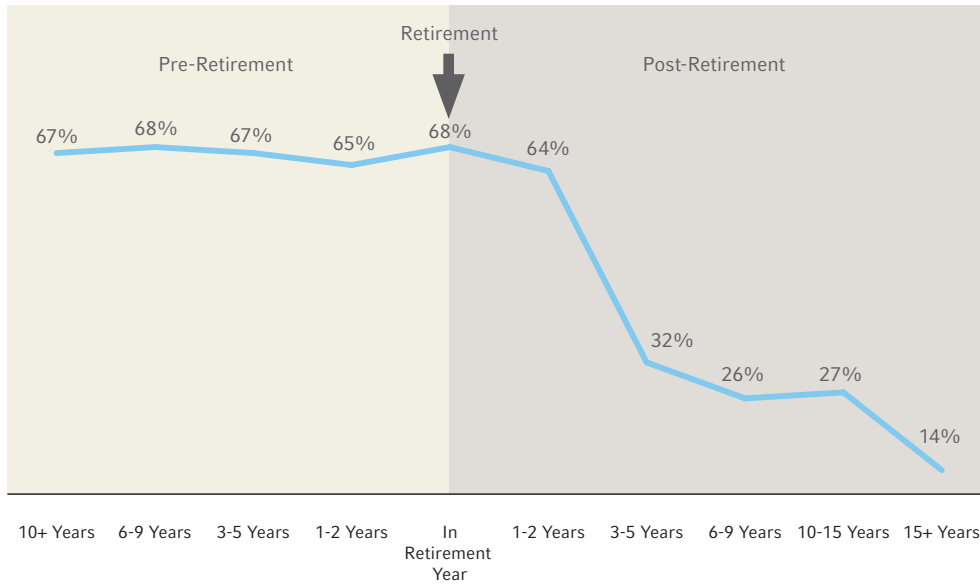
- › Although 64% of Canadians 70 and older received income from a defined benefit pension plan, only 44% of pre-retirees in the 42-49 age range expect to receive these benefits

Income source used in retirement



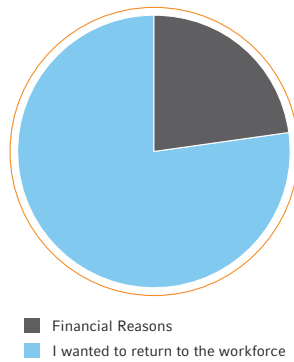
- › 68% of pre-retirees expect to work part-time during retirement, yet only 27% of current retirees actually do

Expectations of part-time employment as an income source in retirement



- › Among the minority who do continue to work during retirement, only 23% do so out of financial necessity

Primary reason for part-time employment in retirement



Quick fact

Half of Canadians think they'll downsize their home or relocate during retirement, yet only 2-in-10 retirees actually do.

Professional planning and advice has a significant impact on financial health

Starting a financial plan early in life and working with a professional advisor shows a strong correlation with feeling financially healthy during retirement. Among other benefits, having a plan and working with an advisor can help Canadians invest wisely both before and during retirement. Retirees with the greatest financial health are the ones that report maintaining a consistent investment strategy or becoming only somewhat more conservative during retirement.

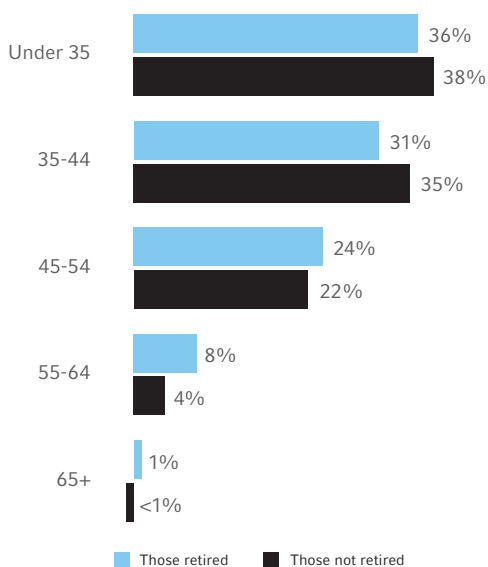
Russell commentary

Remaining an active investor during retirement is important to maintaining steady, long-term income. In fact, Russell’s research shows that a typical retirement portfolio can benefit from as much as 40% exposure to equities, and that up to 60% of retirement income can be derived from investment returns earned post-retirement. It’s almost never too late for retirees to benefit from professional investment advice and portfolio management.

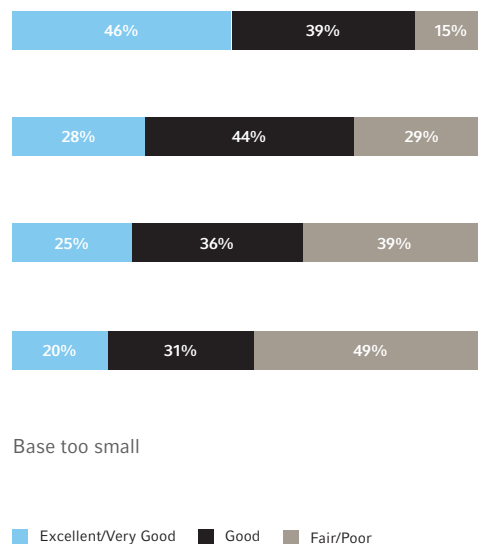
Data highlights

- › Among retirees, the two factors that have the most significant impact on financial health are starting a financial plan at an early age and working with a professional financial advisor

Age people began financial planning

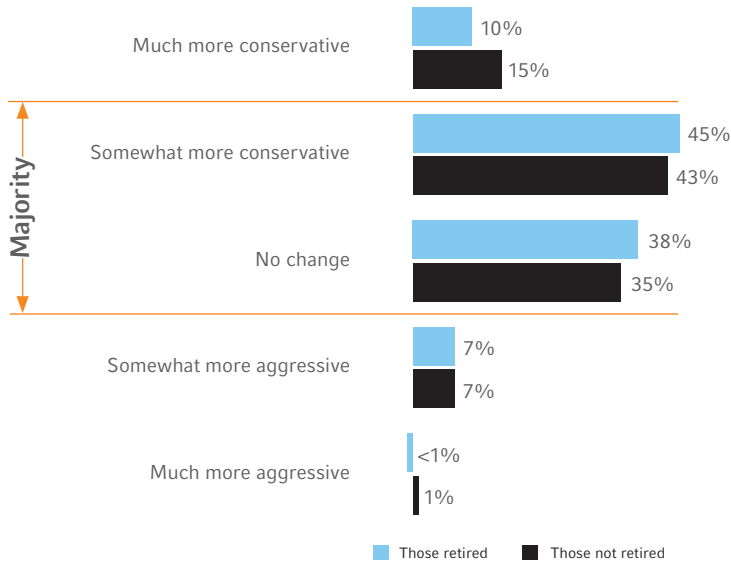


Relationship with financial health

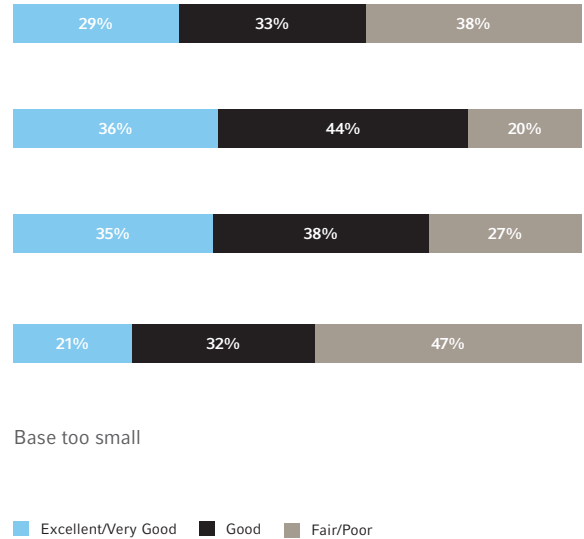


- › Retirees who make no change to their investment strategy or become only somewhat more conservative experience greater financial health than those who switch to much more conservative or aggressive investment strategies

Investment strategy in retirement

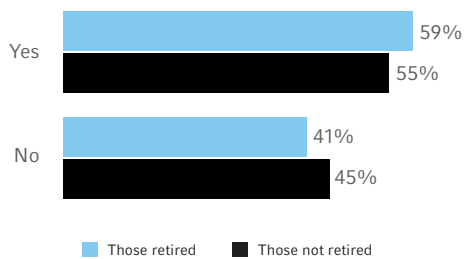


Relationship with financial health

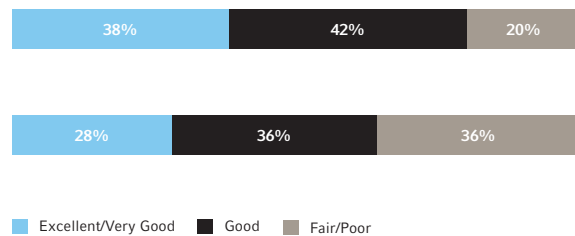


- › 80% of Canadians who work with a financial advisor rate their financial health in retirement as excellent or very good, compared to only 64% of those who do not

Do you work with a professional financial advisor?



Relationship with financial health



The message to Canadians is clear:

Retirement is a great time of life, especially if you have a financial plan

Our research confirms that Canadian pre-retirees have a variety of concerns about retirement, but that many of them are exaggerated. There is no doubt that today's retirees are experiencing a retirement reality that is both happier and financially healthier than many of us expect.

Some of the reasons for this are quantitative—such as the realization that it's possible to achieve a desirable quality of life on less income than previously thought. Other reasons are more qualitative in nature—such as adjusting to, and getting comfortable with, the financial and lifestyle changes that accompany retirement.

One thing is certain: working with a professional financial advisor offers the best opportunity to overcome the emotional hurdles of retirement planning so you can implement a sound strategy to cover all your essential retirement expenses, indulge in the lifestyle expenses that make retirement more enjoyable, and feel financially healthy the whole way.

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Russell by the numbers

- › Founded in 1936
- › Creator of the Russell Global Indexes, including the Russell 2000®
- › C\$215 billion in assets under management
- › More than 2,800 institutional clients and millions of individual shareholders in 44 countries
- › Rated #1 in Money Manager Research
- › 4,600 investment products scrutinized annually
- › Only 2% of researched money managers make it into Russell funds

A retirement solution from the experts

At Russell Investments, we're dedicated to providing Canadian investors and advisors with the tools and expertise they need to build financially healthy retirement strategies.

Our truly comprehensive retirement solution is built on extensive proprietary research, rigorous analysis of retirement planning techniques, and decades of outstanding portfolio management.

To learn more, please talk to your advisor or visit us at www.myfinanciallyhealthyretirement.ca