

Re-thinking retirement age

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Financial expert weighs in on things to consider around retiring before 65 or as late as 70. Photo: Metro Creative Connection

The timing of Joseph Nunes' latest research paper is both great and terrible.

Nunes and the CD Howe Institute recently released *The Power of Postponed Retirement*. In the paper, Nunes argues why the Canadian retirement system – a large portion of which was developed in the 1960s – needs a facelift.

Nunes is co-founder and executive chairman of Actuarial Solutions Inc. and has worked in the Canadian retirement industry for more than 30 years. Canadians are thinking of and discussing their personal finances now more than ever, and while COVID-19 has left little room for other discussions, investors are particularly stressed because of a North American stock market that has been hit hard by the pandemic. Nunes' paper largely focuses on the traditional idea of a Canadian retirement at age 65.

“If you want to retire between ages 55 and 65, there are support mechanisms and, if you want to stick around as long as age 70, we’re happy to encourage that,” said Nunes. “The system was designed 50 years ago and we’re now dealing with longer lifespans. We really should start thinking about early retirement at age 60 and postponed retirement at age 75, shifting the whole system by five years,” said Nunes.

In March, the federal government relaxed rules around Registered Retirement Income Funds, lowering the amount that seniors had to withdraw from their RRIFs by 25 per cent. That was done “in recognition of volatile market conditions and their impact on many seniors’ retirement savings”. Although Nunes applauds the move, he argues in *The Power of Postponed Retirement* that the age at which seniors need to start withdrawing money from their RRIFs should increase to 75. Currently, Canadians must convert their Registered Retirement Savings Plan (RRSP) to either a RRIF or registered annuity before the end of the year they turn 71.

Nunes also argues that Canada’s government should amend Old Age Security and the Canada Pension Plan to allow deferral of income from the two programs to age 75.

The Power of Postponed Retirement isn’t just a call to action for government, however. Nunes also looks at hypothetical employees and their salaries. Some people have consistent raises throughout their careers and can save and invest more money as they make more. However, a portion of Canadians have static incomes that don’t necessarily allow for increased investments. Working longer, maybe a few more years, could give them the retirement that they envisioned. Some people will want to or be able to work well into their 70s, while others simply can’t due to physically-demanding jobs such as construction.

“I’ve been in the retirement benefit business for 35 years and I think people just push off the thinking,” said Nunes, who hopes his research, and that of others, will get more people discussing retirement. “I’m not trying to tell people when to retire, I’m just trying to educate people. Trying to tell people to think about how much you need to save to retire. What worries me more than anything are the people who think they’re retiring at 60 but are saving to retire at 70, and having a decade that they’ll have to work that they didn’t plan to work. Will they be disgruntled? Will they be effective? Or the people who think they’ll work to 70 but their health or their physical wellbeing won’t allow them to work.”

The Power of Postponed Retirement is available in full here:

https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/E-brief%20301.pdf