Benefits Canada

2023 BPS coverage: Preparing CAP members for retirement in a challenging economic environment

By: Cassandra Williamson-Hopp | July 5, 2023 | 07:59

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High inflation and interest rates are having a real impact on people's finances, according to *Benefits Canada*'s 2023 CAP Member Survey, which found 76 per cent of capital accumulation plan members say inflation is negatively impacting their financial situation, while 59 per cent say the same about interest rates.

For many people, the day-to-day cost of living is going up faster than their salaries and affecting household budgets, said Dean Newell (*pictured right*), vice-president of Actuarial Solutions Inc., speaking during a panel discussion about the survey results at *Benefits Canada*'s 2023 Benefits & Pension Summit in June.

Indeed, when CAP members were asked about their financial priorities, the survey found 72 per cent of respondents cited paying day-to-day expenses as one of their top three financial priorities compared to 65 per cent in 2022. As well, respondents who cited retirement savings as one of their top three priorities has declined, from 52 per cent last year to 45 per cent this year.

Read: 2022 CAP Member Survey: Perceptions of CAPs against a changing economic landscape

Financial priorities are shifting, said Kenrick Hopkinson (*pictured left*), iA Financial Group's director of plan wellness, education, group benefits and retirement solutions, during the panel discussion. Outside of increasing plan members' salaries, which often isn't a viable solution, he suggested plan sponsors look at what their plans currently offer and explore flexible matching solutions for a tax-free savings account instead of just for the traditional registered retirement savings plan.

Adding an auto-enrolment feature might also help, said Hopkinson, noting that, if plan sponsors incorporate automatic features, members will be forced to start contributing right away. "And in our industry, we know the best way for people to save money is through automatic means."

The survey found only about a quarter of CAP members said they have an excellent or very good understanding of how interest rate risk (24 per cent), inflationary risk (23 per cent) and longevity risk (21 per cent) can impact their retirement funds.

For Nathalie Henderson (*pictured centre*), senior director of pensions at Air Canada, the answer to this problem is education, education, education. There's a lot of information out there, but there has to be a way to peak plan members' interest, she added. "Whether this is upon hire, during their career, as they get closer to retirement or even after retirement, we can still be there to help them."

Read: Many CAP sponsors considering financial advice services for employees: survey

Another thing to highlight is financial advice, said Hopkinson, suggesting plan sponsors advocate and promote the financial services they offer, so they can better prepare their members for retirement — if they don't, it won't really matter what they do.

Indeed, the survey found CAP members aren't using the tools and resources available via their workplace plans. In the past year, about a quarter went to the website to review their balances or transactions (23 per cent) or to look at their plan information (21 per cent).

Plan sponsors must ensure these tools and resources are easily understood and accessible, said Hopkinson, suggesting they also provide a space where plan members can ask questions and be vulnerable. "And we can't be afraid to change what we're doing. If we put something out there that doesn't work, let it go and move on to the next thing."

Read: ACPM urging CAPSA to prioritize decumulation in draft 2023-2026 strategic plan

The survey also looked at plan members' knowledge about drawing down their retirement savings, finding just 26 per cent said they have an excellent or very good understand. For younger members, it's not necessarily an issue if they don't understand what decumulation options are available, said Newell. Henderson agreed, noting younger employees are affected differently than those who are closer to retirement because they'll have more time to recover before retirement.

Adequate knowledge about decumulation becomes an issue with the older generation — the group that's five or 10 years away from retirement, said Newell. "Do these individuals understand the options available to them?"

Read more coverage of the 2023 Benefits & Pension Summit.