

Will Canadians outlive their money?

Statistics suggest safety net exists

[Tom Carney](#) / North Shore News

July 6, 2014 12:00 AM

It's been called the perfect financial storm.

Seniors are living longer and shrinking investment returns are taking a toll on their nest eggs.

According to the C.D. Howe Institute, our tax policy on seniors' savings puts them at risk of outliving their money. Seniors are required to withdraw approximately eight per cent a year from their RRIF after age 71, gradually increasing to 20 per cent a year after age 94. Given today's low interest rates, a 71-yearold senior's RRIF savings are likely to be half gone by age 80. By the age of 87 those savings will be eroded by 75 per cent and by age 94 by 90 per cent.

Who is going to live that long? More of us than you might think.

Using current statistics one senior man in seven and one woman in four is projected to live to the age of 94. There's an easy fix here. The government could lower the mandatory withdrawal rate, raise the age at which it kicks in or just do away with mandatory withdrawals altogether.

I'm reminded here of the discussion that took place a few years ago to justify the differences in the cost of prescription drugs in Canada and the United States. In response to the suggestion that the same branded medicine sold in Canada was inferior to that sold in America, Jessie Ventura, the governor of the State of Minnesota asked, "Where are all the dead Canadians?" That prompts me to ask the question: If our tax policy on RRIFs is so onerous, where are all the destitute seniors in Canada? They shouldn't be hard to find. Those "punishing" mandatory withdrawal rates on seniors' RRIFs have been around since 1992. It's estimated that between 150,000 and 200,000 seniors convert their RRSPs to RRIFs every year. And we don't have to wait for the era of aging demographics, longer life expectancies and low rates of return on fixed income investments to kick in - we're there now.

Seniors in dire financial straits in this country should be everywhere. But they're not. I think the C.D. Howe Institute underestimates how successful we've been in redistributing wealth in Canada. The federal government spends just \$12,000 on benefits and services for Canadians under the age of 45 compared to nearly \$45,000 for every retiree. And largely because of that, Canada has the lowest percentage of low-income seniors found anywhere in the western world.

Seniors with RRIFs in this country are the lucky ones. The poorest of the poor seniors in Canada, women who never entered the workforce and single or widowed working women who headed up families, don't have to worry about the drawdown on their RRIFs because, most likely, they don't have one. They're the ones we should be worried about.

I've noted previously that seniors control most of the wealth in Canada. Now, courtesy of a new European study, we learn that Canada has the wealthiest middle class, read boomers, in the world. We've bumped the Americans

out of first place thanks mostly to rising real estate prices here and falling prices south of the border.

Given the social safety net for seniors in this country, if we are prudent with our finances, most of us are unlikely to outlive our money. For reasons that I don't understand, we like to portray seniors in Canada as impoverished.

I don't buy that, but mine is certainly the minority view.

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