Needs versus saving

TORONTO, February 12, 2024—A Maru Public Opinion survey conducted for CIBC finds that as the February 29th deadline to contribute to Registered Retirement Savings Plans (RRSPs) approaches, Canadians are favouring the Tax-Free Saving Account (TFSA) over other longer horizon investment vehicles, like RRSPs, with a majority of Canadians and investors more concerned with meeting their current needs versus saving for their future.

Most Canadians (67%) contributed to investments this past year—however, among investors that own both an RRSP and a TFSA, more chose to contribute more to their TFSA as it allows them to withdraw their money tax-free at anytime vs. a locked-in RRSP.

Amid higher living costs, recessionary fears and global uncertainty, Canadians are also continuing to focus their investment strategies on achieving predictable returns versus aggressive growth (42%). This is especially important given that Canadians expect to retire at age 60.50 on average – relatively unchanged over the last several years. Despite this, over half admit to either not being able to save, or not knowing whether they are saving enough for retirement.

Contributing to a 2024 RRSP

Four in 10 (38%) Canadians have a Registered Retirement Savings Plan (RRSP). Of that group, most (57%) have not yet contributed anything towards their 2024 RRSP – comprised of those who have no plans to make any RRSP contributions for the 2023 tax year (35%), those who are planning to do so before the deadline of March 1, 2024 (15%), and those who indicate that they are undecided at this time (7%). Those who say they have contributed (43%), are most likely to be middle-aged (35-54 61%) and a younger (aged 18-34 57%), compared to their older counterparts (55+21%), are male (44% versus female 41%), and those with the highest earnings ($100K+ 60% versus those who have less income $50K-$99K 41%/<$50K 21%).

For those who have contributed to date (43%), almost half (45%) cannot recall what they gave, but when averaged among all of those who have contributed, the amount is $5642.10. This varies by income (<$50K $3607.00/$50K-$99K $3812.50/$100K+ $7432.30), age (18-34 $4996.60/35-54 $6102.70/ 55+ $4866.80) and gender (men $6948.50 $4137.80).

TFSA versus RRSP

Significantly more Canadians hold a Tax-Free Savings Account (TFSA 44%) compared to a registered Retirement Savings Plan (RRSP 23%). Among all investors, almost half (48%) hold both a RRSP and a TFSA, and of this group almost half (45%) contributed more to a TFSA and an RRSP (32%) in 2023, while one in 10 (8%) contributed the exact same amount to both, and one in seven (15%) admitted that they didn't contribute/don't intend to contribute for 2023.

For those holding both a RRSP and a TFSF, the reasons given for contributing more to their TFSA (45%) than to their RRSP are:

- They can withdraw tax-free at any time (53%)
- They can contribute at any point in their life, even after retirement (26%)
- They do not need to earn an income to contribute to a TFSA (21%)
- It is better for reaching shorter term saving goals (23%)
- They are able to contribute more per year because they haven't yet hit the overall limit (18%)
- Contribution room lost from a withdrawal is reset the following year (14%)
- Their current tax bracket is lower than it will be at retirement (7%)
- They can share contribution room with their spouse (3%)
- They want a vehicle to hold their riskier investments and they are not comfortable doing so with their RRSP (5%)
- Their employer makes regular contributions on their behalf (1%)
- Other (23%)

For those holding both a RRSP and a TFSF, the reasons given for contributing more to their RRSP (32%) than to their TFSA are:

- Saving for retirement is important to them (42%)
- The annual tax refund gives them a small windfall of money each year (32%)
- The ability to defer taxes to a lower rate at retirement (27%)
- Their current tax bracket is higher than it will be at retirement (24%)
- Their employer makes automatic contributions on their behalf (21%)
- Their focus is on the longer term right now (19%)
- It's just something that they know they're supposed to do (15%)
- Tax-deferred growth on their investments (12%)
- The annual contribution limit is higher (12%)
- They can use their RRSP to help purchase their first home (5%)
- The limitations on early withdrawals make it forced savings for retirement (6%)
- They are obliged to contribute a minimum amount each year for their first-time home buyer withdrawal from when they buy a home (3%)
- They can use their RRSP to help fund their education (2%)
- Other (6%)

Those Canadians with investments

Most Canadians (67%) say they have some type of investment product, and among that group it splits between those who have investments that they either manage themselves (41% – and most likely to be the younger aged 18-34 67%/35-54 44%, men 47% and those with the lowest income <$50K 49%), are managed by another person/firm (42% – and most likely to be the oldest aged 55+ 53%, women 51%, and those with the highest income $100K+ 43%), or are managed both by themselves and/or by another person/firm (17% – and most likely to be the oldest aged 55+ 21%, men 20% and those with the highest income $100+ 22%).

Those Canadians who don't hold any investments (32%) are most likely to be those with the least amount of income (<$50K 50%), the youngest (aged 18-34 40%), and women (37% versus men 27%).

Within this group, there are different strategies being employed, as some are:

- more concerned about preserving their capital/invested funds and making predictable returns than trying to achieve higher rates of return (42%)
- comfortable with some fluctuations and at times some loss of their principal investment in order to achieve higher rates of return (33%)
- more concerned about the safety of their capital/invested funds, and feel investing in the markets is too much of a gamble (18%)
- comfortable with significant fluctuations in their capital/invested funds and that at times it may show substantive decreases in value in order to maximize their rates of return (7%)

Most are concerned about meeting current needs versus saving for the future

A majority of Canadians (57% and 50% of investors) are more concerned with meeting their current needs vs. saving for their future. This is most likely to be the case for those who are the youngest and middle-aged (aged 18-34 68%/35-54 63% versus those who are older 55+ 45%), those with the lowest amount of income (<$50K 67% versus those with higher earnings $50K-$99K 57%/$100K+ 49%) women (59% versus men), and those living in Atlantic Canada (67%), Alberta (61%), Manitoba/Saskatchewan (60%), Ontario (59%).

Retirement planning

When it comes to retirement planning, Canadians self categorize into six groups—those who:

- have a formal and detailed plan that describes the lifestyle they want in retirement, the income they will need, and they save regularly to achieve that goal (23% – primarily the oldest aged 55+ 36%, those with investments 31%, and those with the highest income $100K+ 29%)
- have a good idea of what their retirement income needs will be and make regular contributions to dedicated retirement savings, but they don't know if they're saving enough (21% – most likely to be the those with the highest income $100K+ 30%, those with investments 27%, the youngest aged 18-34 26%, and men 24%)
- make regular deposits to their retirement savings account(s), but don't know what their income needs will be and don't know if they're saving enough (13% – most likely to be middle-aged 35-54 19%, those earning $50K+ 18%, and those with investments 16%).
- don't know what their income needs will be, but they try to put some money aside towards retirement savings when they can (14% – most likely to be earning less than $99K 16%, and those with investments 14%)
- know they need to save for retirement but are not able to save (16% – most likely to be those earning the least <$50K 22%, middle-aged 35-54 19%, women 18%, and those with investments 8%)
- have not thought about retirement, and have no savings dedicated towards it (13% – most likely to be those with the lowest income <$50K 24%, middle-aged 35-54 18%, and those with investments 5%)

By combining the last two categories, a group of three in 10 (29%) Canadians emerges that doesn't have the ability to contribute to their own future retirement.

Retirement timing, delay, and worry

Twenty-nine and one half (29.50) years old is the mean age that Canadians begin saving for retirement and, on average, they expect to retire at age 60.50 on average (relatively unchanged from their view over the last several years) – including four in 10 (41%) who say they don't know what age their retirement will be, if any. The retirement age average is consistent across all socioeconomic/demographic groups with the exception of the youngest (aged 18-34) who are the most enthusiastic in having a comparatively early retirement (56.20).

Three in 10 (31%) Canadians reveal that they have delayed their retirement plans as a result of the current economic environment, those most likely to be part of this group those who are the youngest (aged 18-34 45% compared to those who are older 35-54 37%/55+ 17%), those with middle income ($50K-$99K 34% versus those with <$50K 31%/$100K+ 31%), men (33% versus women 29%), and investors (30%).

Six in 10 (57%) Canadians admit they worry about running out of money in retirement (with 26% worrying the most about this prospect). Those most likely to express this view are those who are middle-aged (35-54 69%) and the youngest (aged 18-34 64%) compared to those who are the oldest (55+ 43%), have the lowest income (<$50K 63%) but are in the same neighbourhood of those who earn more ($50K-$99K 56%/$100K+ 50%), investors (55%), and women (59% versus men 55%). Those who are most acutely concerned (26%) are most likely to be middle-aged (35-54 33%), those with the least amount of income (<$50K 33%), non-investors (33% versus investors 23%), and women (30% versus men 22%).

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Methodology

These are the findings from Maru Public Opinion online panel survey undertaken by its sample and data collection experts at Maru/Blue from January 31-February 1, 2024, among a random selection of 1,536 Canadian adults (including 1,139 Canadian adults who hold or have managed personal investments) who are Maru Voice Canada panelists. The results were weighted by education, age, gender, and region (and in Quebec, language) to match the population, according to Census data. For comparison purposes, a probability sample of this size for all Canadian adults has an estimated margin of error (which measures sampling variability) of +/- 2.5%, and +/- 2.9% for those with investments, 19 times out of 20. Respondents could respond in either English or French.

Panel and data services provider Maru Blue is deeply rooted in the Maru/HUB technology platform and offers on-demand, high-quality, highly scalable online community samples of deeply engaged, known respondents. Maru Public Opinion is a professional services firm dedicated to improving its clients' business outcomes. It delivers its services through teams of sector-specific research consultants specializing in the use of Insight Community and Voice of Market technology.

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