Lifestyle Trends of Canadian Seniors in 2017

RETIREMENT PLANNING

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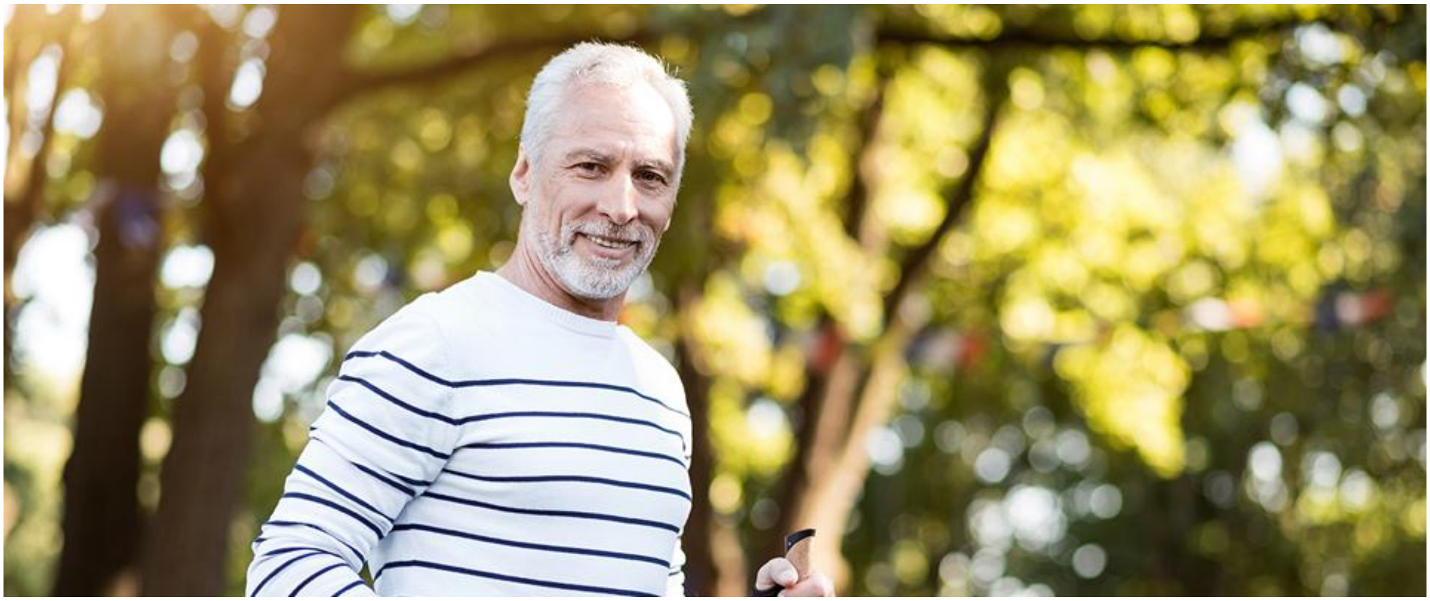

The Canadian senior demographic is seeing rapid growth. The number of people over the age of 65 has doubled since 1971 and now makes up 16 per cent of the population. In fact, by 2031, it is expected that one out of every four Canadians will be a senior. With this demographic growth, more eyes are focused on seniors and their lifestyle trends. Are seniors traveling more? Spending more and building debt? Or are they saving more for their extended retirement, due to increased life expectancy?
In a study about seniors' views on inheritance, conducted by HomEquity Bank and Ipsos Canada in August 2016, 86% of those studied showed an unwillingness to forgo their own lifestyle choices to provide a larger inheritance to their adult children. According to Canada's Office of Consumer Affairs, spending by senior couple households (couples without children at home) increased at an average annual rate of 4.7 per cent.

HomEquity Bank's latest research study (May 2017), The Home Stretch: A review of debt and home ownership among Canadian seniors includes data sourced from Equifax Canada. The study reveals that among Canadian seniors, 91% of Canadians aged 65+ value the importance of staying in their home, but only 78% of those Canadians have savings and investments, and among those, 40% have less than $100,000 saved. The study also showed that among Canadian seniors, 15% still carry a mortgage, 30% carry unsecured lines of credit (LOC) and 10% have a home equity line of credit (HELOC). Seniors seem to be getting more comfortable with their debt.

The study also further shows that Canadian seniors rely heavily on government and other retirement benefits during their retirement years. 77% say that the Canada Pension Plan (CPP) is their primary expected source of income, 73% will depend on Old Age Security vs. 57% that have RRSPs to draw on and 48% who will rely on their work pensions.

How does this trend affect Canadian seniors today?

More Canadian seniors are finding it difficult to keep up with daily expenses. In fact, maintaining their lifestyle and their standard of living is becoming more of a priority. And, as we have seen, many seniors are turning to debt to make ends meet. In addition, with the real estate market at an all-time high in cities such as Toronto and Vancouver, many seniors are helping their adult children with a down payment for a home or even helping with their adult children's finances in general.

How can a reverse mortgage serve as an option for supporting a retirement plan?

There has never been a better time to tap into home equity. Drawing on home equity instead of cashing out on retirement investments can help seniors save on taxes, preserve old-age benefits, maximize CPP benefits, and diversify and extend the life of their investment portfolio.

Save on Taxes:

The funds from a reverse mortgage are tax-free, whereas withdrawals from retirement investments are taxable.

Preserve Old-Age Benefits:

By drawing on your home equity with a reverse mortgage, you can increase your monthly cash flow and preserve your Old Age Security pension (OAS) for expenses other than your monthly bills.

Maximize CPP Benefits:

If you take out tax-free cash via a reverse mortgage, you can potentially defer your CPP until a later date, for example at age 70 instead of taking it out earlier at age 60 or 65. By deferring your CPP until age 70, you could increase your CPP benefit by 42%. Ultimately, Canadian seniors know the importance of their retirement years and, for those who are struggling financially, they are looking for solutions to supplement their retirement income so that they can more fully enjoy their best years.

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