

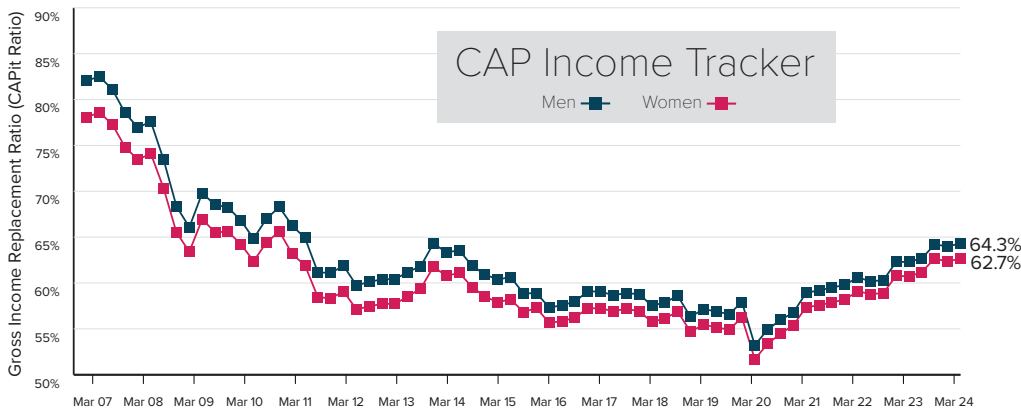
# CAPit

## Capital Accumulation Plan Income Tracker

April 2024

### Rising cost of living and financial vulnerability of Canadians aged 50+

In the first quarter of 2024, outcomes for Capital Accumulation Plan (CAP) members saw a slight uptick as annuity rates rebounded to levels comparable to those from two quarters prior and gross income replacement ratios remained at multi-year highs. A typical male member retiring at the end of March 2024 achieved a gross income replacement ratio of 64.3% and a female member achieved 62.7%.



In 2022, Canada witnessed its most significant surge in the Consumer Price Index since 1982. Although the surge has settled down, inflation remains high, increasing by 2.9% year over year as of March 2024. The compounding effect of inflation is felt by many Canadians and continues to be the number one concern for pre-retirees (age 50+) and retirees.

Ensuring that Canadians have enough assets to live their remaining years comfortably is strongly reliant on how adequately they have saved for their retirement. Given the challenges of the current economic environment, according to a recent survey published by the National Institute on Ageing in partnership with Environics Institute for Survey Research, close to 66% of Canadians aged 50+ say they are either not in a financial position to retire or are unsure about whether they can afford to retire when they want to.

The rising cost of living has had as significant impact on savings for many Canadians – including those who have already retired. In a recent survey by the Ontario Securities Commission in partnership with Ipsos, 33% of retirees say that their monthly expenses in retirement are higher than expected. Notably, individuals with lower incomes are disproportionately affected as higher expenses jeopardize their ability to maintain their pre-retirement standard of living as they age.

Navigating the current economic turbulence has been a formidable challenge for most Canadians and many are struggling under the burden. Many find themselves unable to retire at their desired age, while those already in retirement must adjust their monthly withdrawal rates to mitigate the risk of outliving their savings.

Financial wellness programs can go a long way to reducing the burden by giving Canadians a better understanding of financial planning concepts and the confidence to make better-informed financial decisions. Employers and plan sponsors can help by providing the tools and information as well as retirement plan designs and savings vehicles that are reflective of the current and emerging financial needs of employees and plan members.

### THE CAP INCOME TRACKER

The CAP Income Tracker assumes the member made annual contributions at a rate of 10% starting at age 40, will receive maximum Old Age Security and Canada/Quebec Pension Plan payments, and will use their CAP account balance at retirement to buy an annuity. The member's CAP account is invested based on a balanced strategy. Salary has been adjusted annually in line with changes in the average industrial wage, and is set at \$73,777 at March 31, 2024.

### ECKLER LTD.

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