

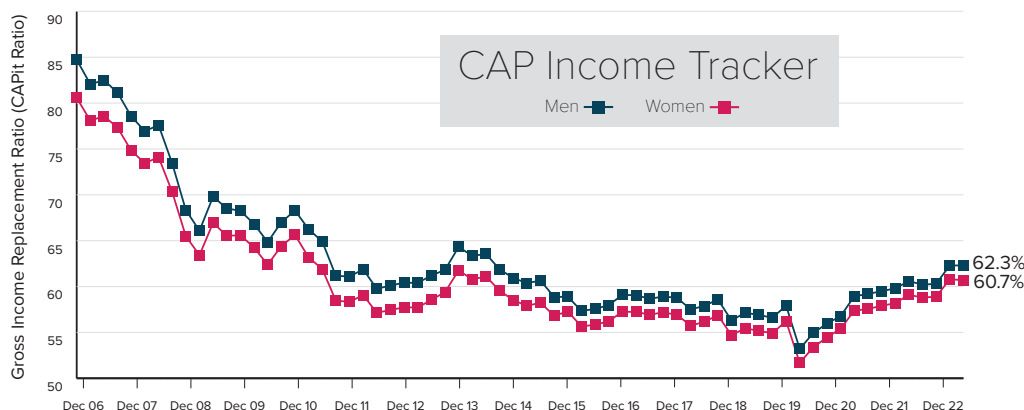
# CAPit

## Capital Accumulation Plan Income Tracker

May 2023

### Retirement concerns weigh heavy in current economic environment

In the first quarter of 2023, Capital Accumulation Plan (CAP) member outcomes remained relatively unchanged as positive market returns were offset by declining annuity rates. A typical male member retiring at the end of March 2023 achieved a gross income replacement ratio of 62.3% and a female member achieved 60.7%.



The past year has been challenging for the financial wellness of many Canadians. From an investment standpoint, there was no place to hide in 2022. Both equities and bonds declined to levels not seen in years which left Canadians both near and far on the retirement spectrum in similar financial straits. According to a recent survey<sup>1</sup>, 64% of Canadians say they are not on track to save enough for retirement. More than one-third now say they have no idea what their retirement plan will be, and one-third claim they will never stop working (through part-time/occasional work), despite wanting to retire.

The challenges extended beyond investment returns, however, as rising inflation and interest rates have resulted in higher cost of living and reduced purchasing power for many. In fact, a \$50,000 salary in March 2020 would be worth approximately \$44,603 at the end of December 2022. From the grocery store to the gas pump and everywhere in between, Canadians are cash-strapped and financially stressed at levels not seen since the 2008 recession.

This financial stress is also carrying over to the workplace. In a recent survey, 82% of Canadians admit to spending time at work worrying about personal finances.<sup>2</sup> The cost of that workplace distraction? An estimated \$40B in 2022.<sup>3</sup>

While a sound investment strategy is a key component of a good retirement plan, as we have seen over the past year, that may not be enough. Financial wellness education and tools in the workplace can play a significant role in helping employees manage their financial stress - and retire on time - while also mitigating the impact on the organizational bottom line.

<sup>1</sup> BDO 2022 Affordability Index

<sup>2</sup> Survey conducted by Ceridian, in partnership with the Financial Wellness Lab of Canada

<sup>3</sup> 14th Annual National Payroll Association Survey of Working Canadians, 2022

### 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 \$71,209 at March 31, 2023.

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