



Impacts on Economic Security Programs of Rapidly Shifting Demographics

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Unavoidable Pension Overhaul Warning

Post and Dow Jones
Canada's unemployment
and pension plans
because the
be able to afford
Finance Minister
yesterday.
part-

income is sure to increase. They will work for
something to do, to augment decreasing government
assistance and because they will be needed in the
remaining four per cent
and other
extra respo
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Re

to collect their pension
prohibit former MP
a pension which
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view of
NA (CP) — Treasury Board
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such as

PENSIONS
Sitting on retirement bubble
Canada are too dependent on their government pensions
The average Canadian couple aged 65 to 69 would appear to be spending about \$33,000 per year.
As a retirement planner, stating an estimate like this is fraught with danger. It may not represent an average and therefore skew with very high retirees or even the
doesn't look very sustainable.
For example, without any change to the Canada Pension Plan, workers 65 years from now won't see a rate of 14

Health care plans 'not supportable'
The Canadian
Ta.
bel.
illeason-
private
The Canadian
Statistics Canada warned
earlier this year.
government has a
Paul the

Canada pension fund won't fail, official says
CALGARY (CP) — The Canada Pension Plan is far from broken

Life Expectancy in Canada

Year	At Birth		At Age 65	
	Male	Female	Male	Female
1921	58.8	60.6	13.0	13.6
1961	68.4	74.2	13.5	16.1
1991	74.6	80.9	15.7	19.9

Life Expectancy in the United States

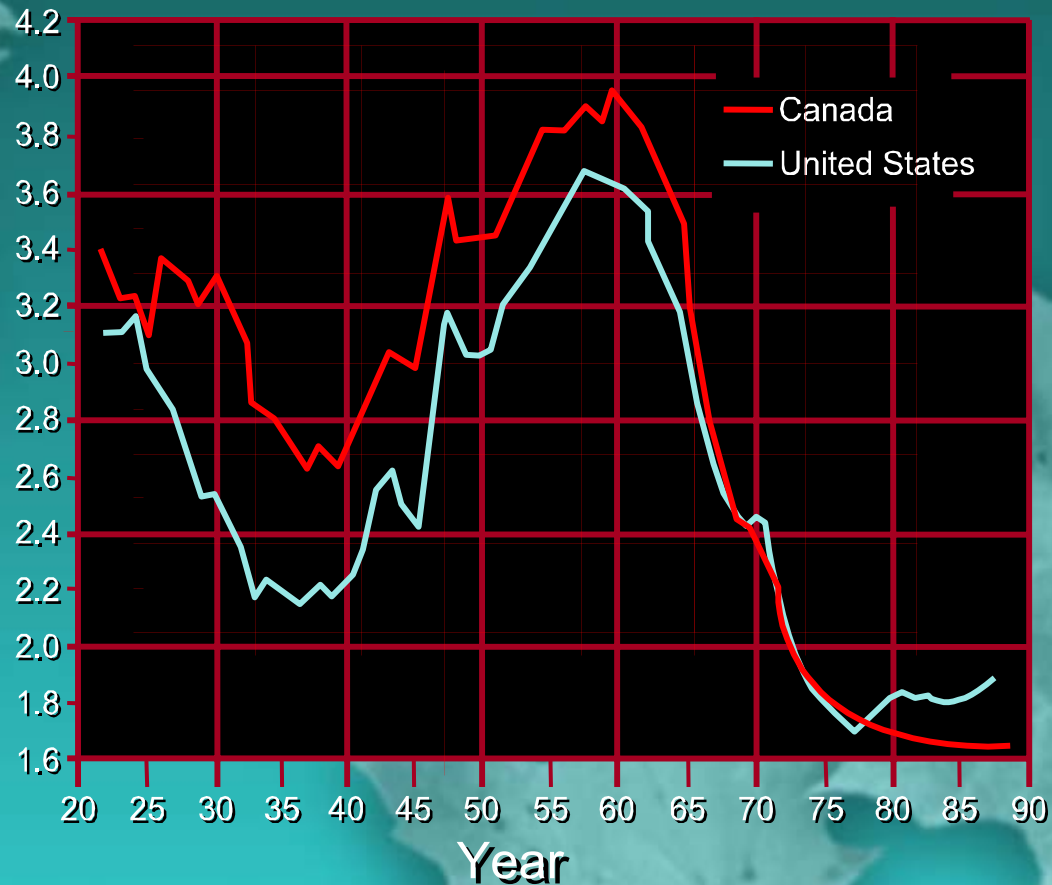
Year	At Birth		At Age 65	
	Male	Female	Male	Female
1920	55.6	57.6	12.2	12.7
1960	66.8	73.2	12.9	15.8
1990	71.8	78.8	15.1	19.0
1998	73.4	79.4	15.7	19.2

Life Expectancy in Mexico

Year	At Birth		At Age 65	
	Male	Female	Male	Female
1960	56.2	59.4	13.8	14.4
1980	64.0	69.9	15.2	16.4
1990	68.7	73.8	16.3	17.5

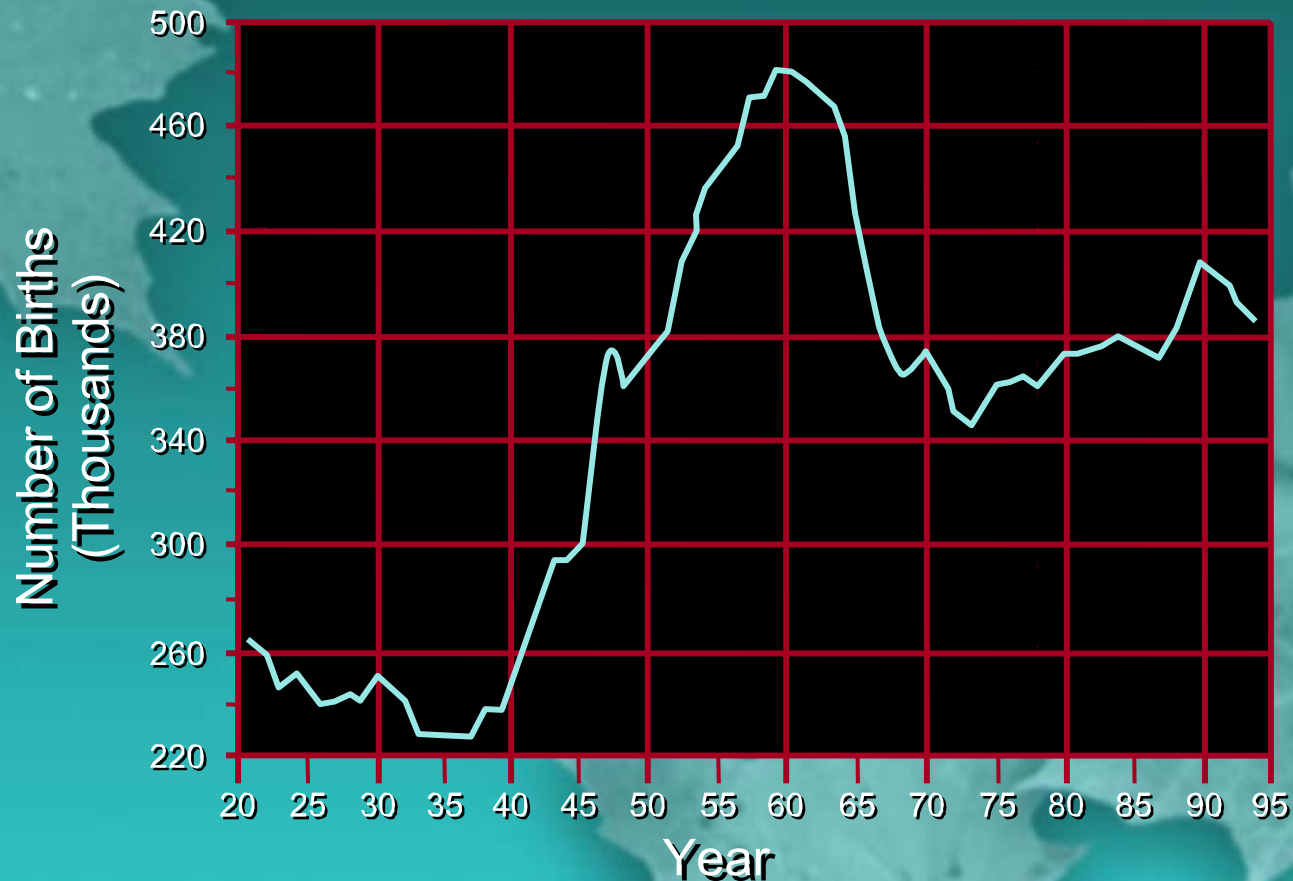
Total Fertility Rates

1922 to 1988

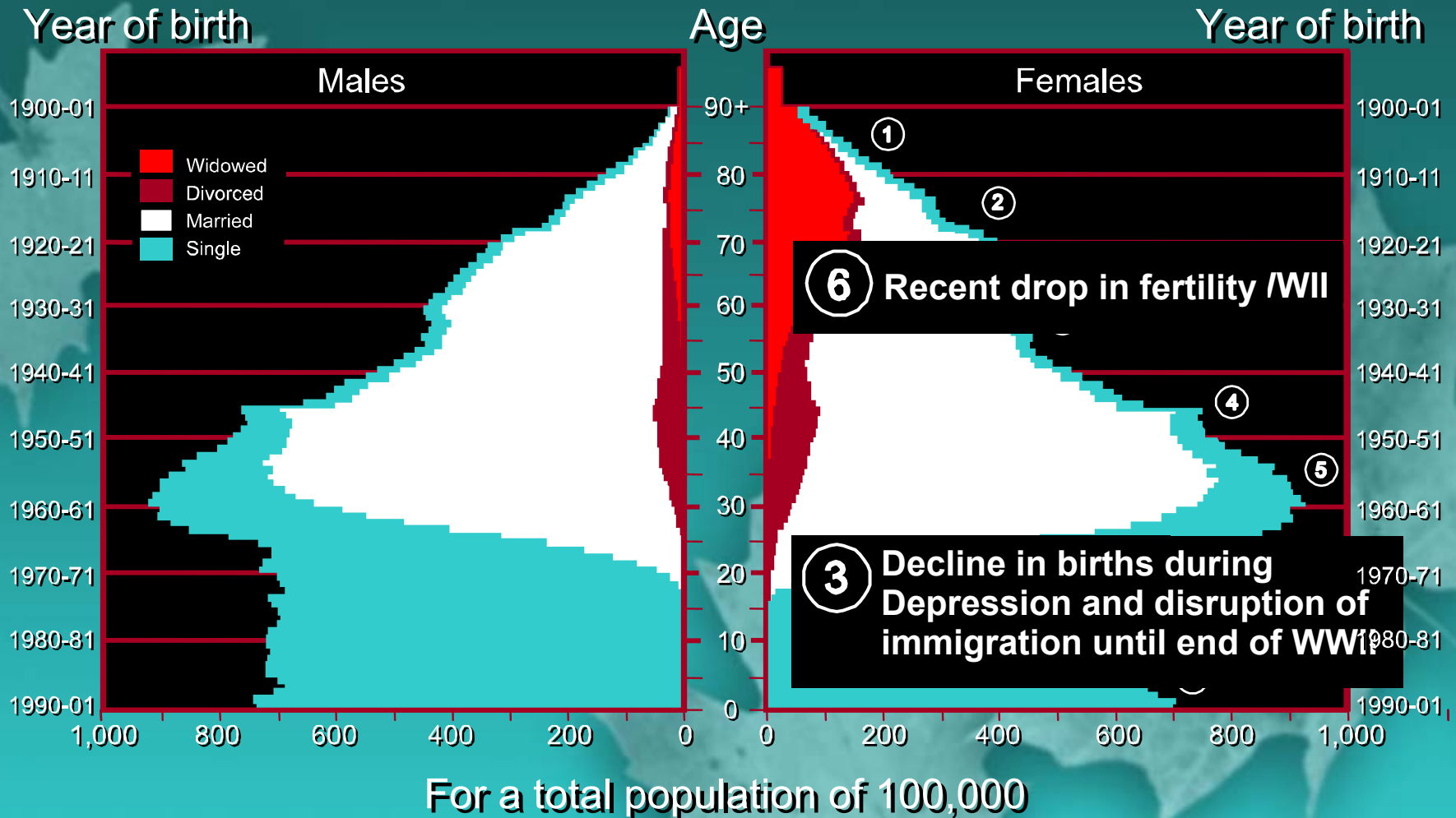


Number of Live Births

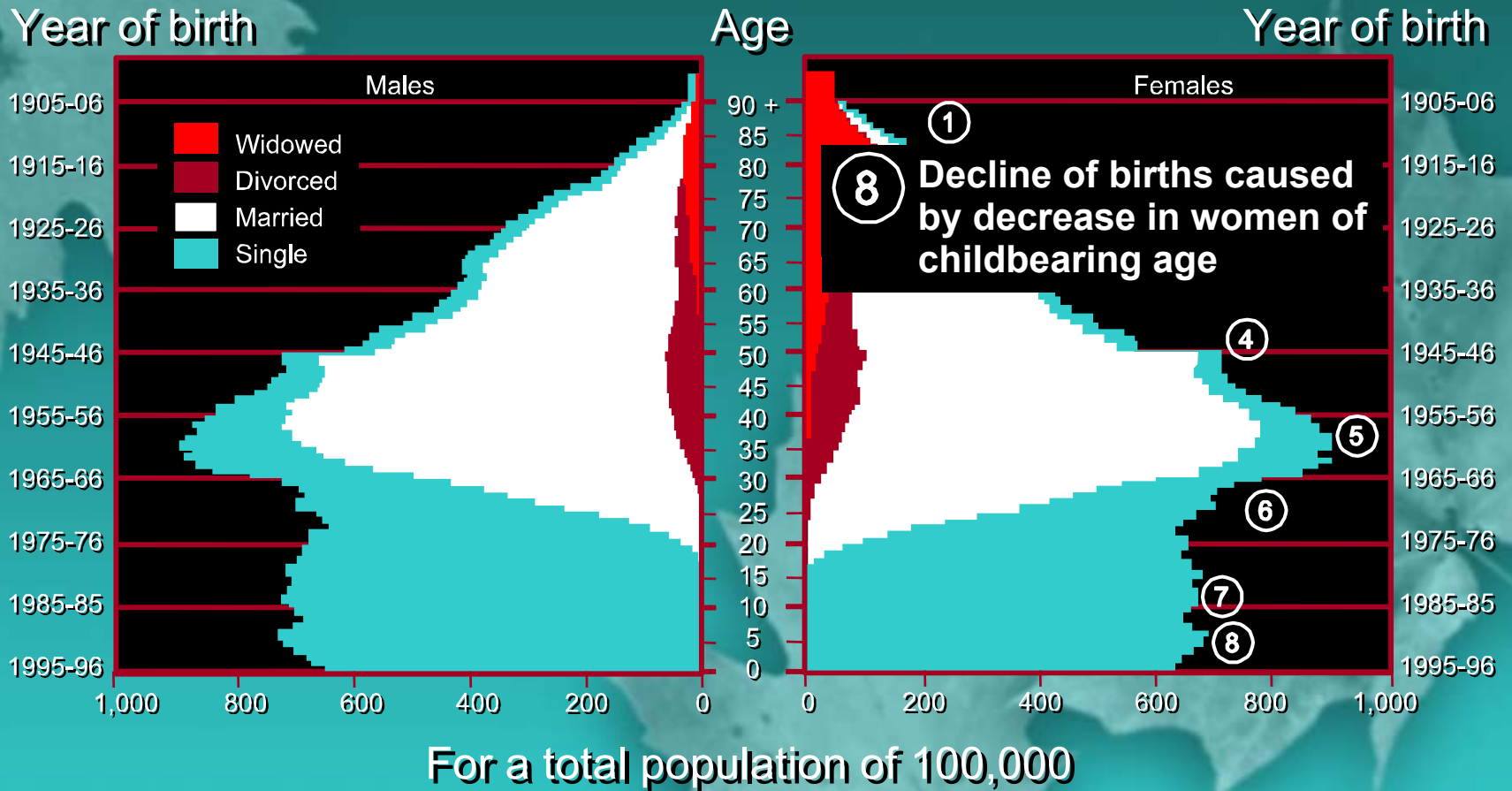
Canada, 1920 to 1994



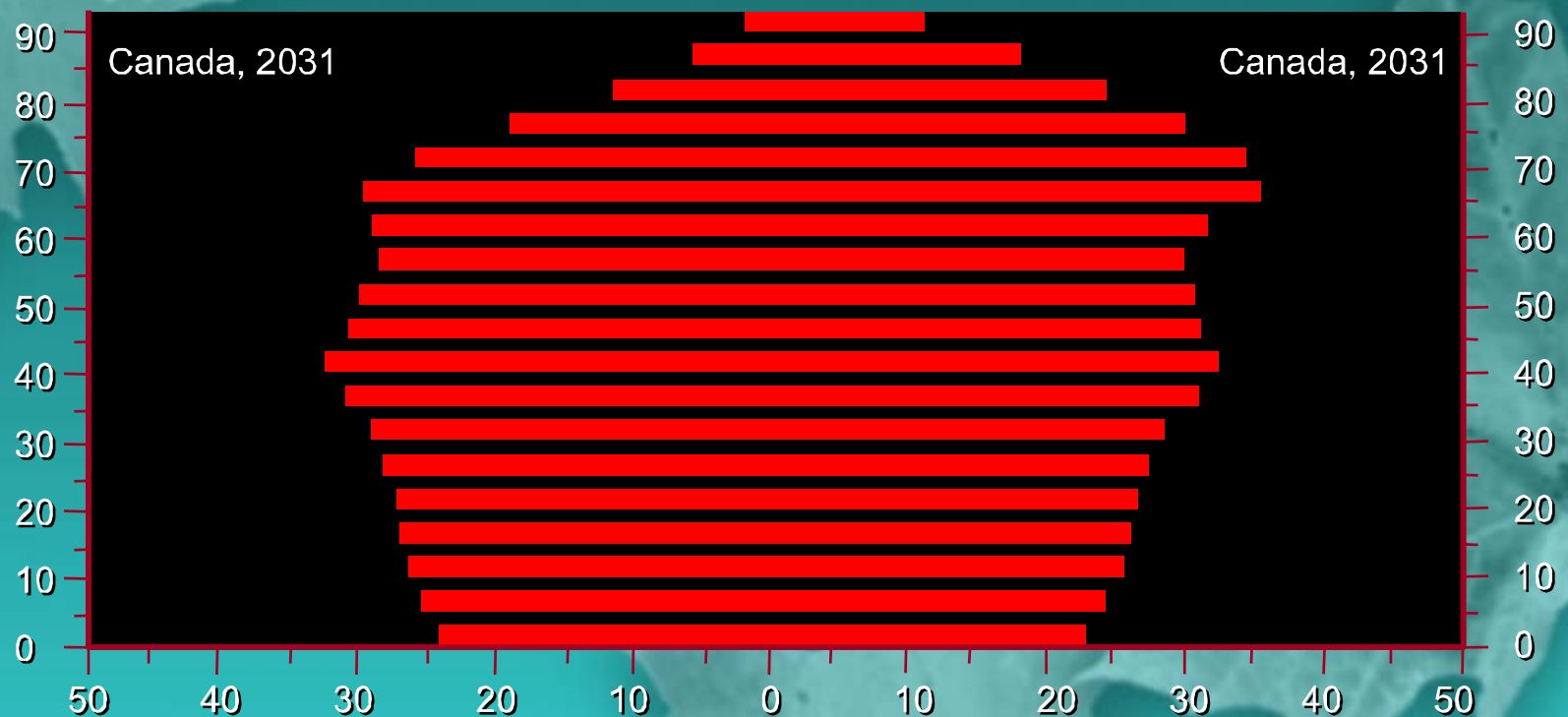
Age Pyramid, 1991



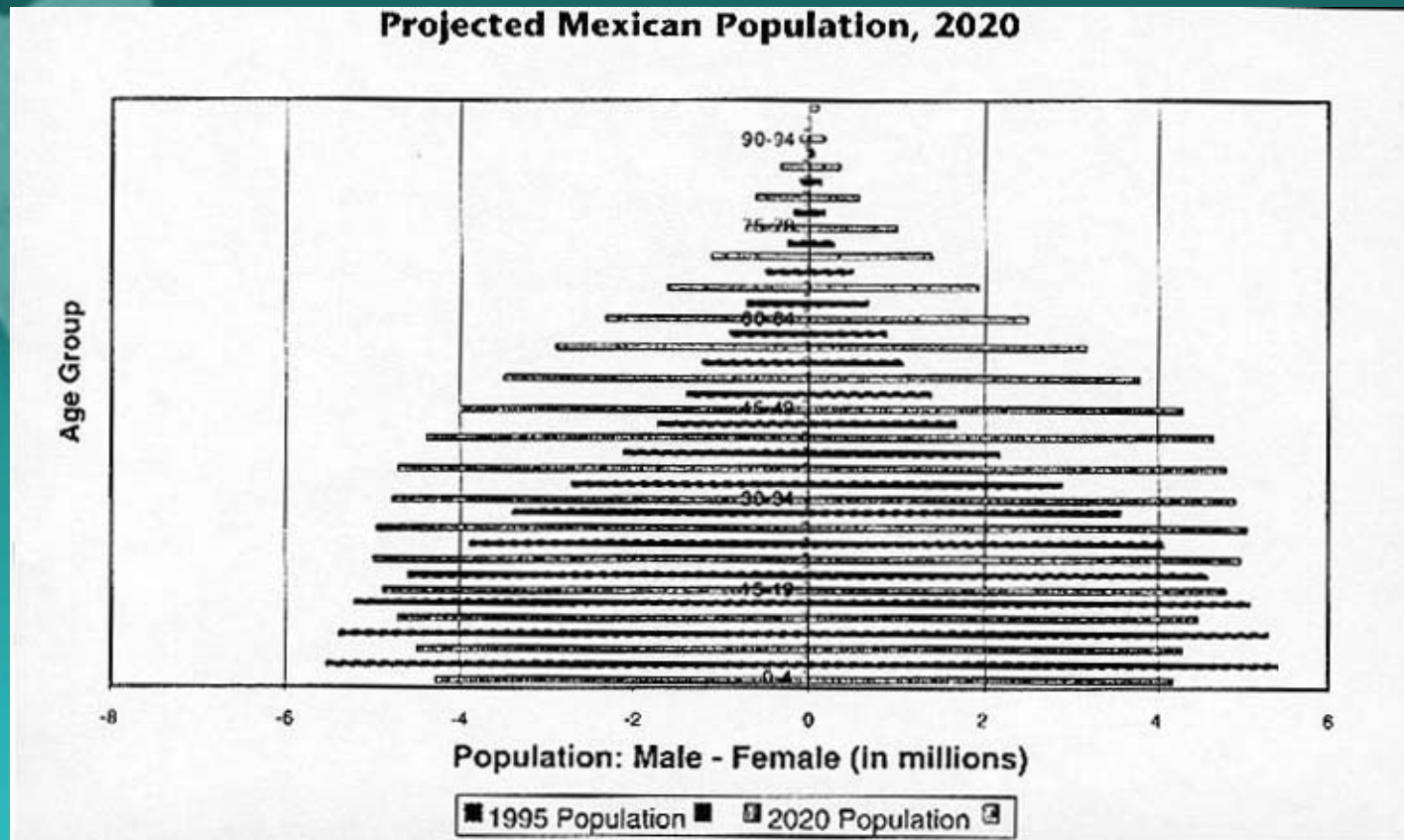
Age Pyramid, 1996



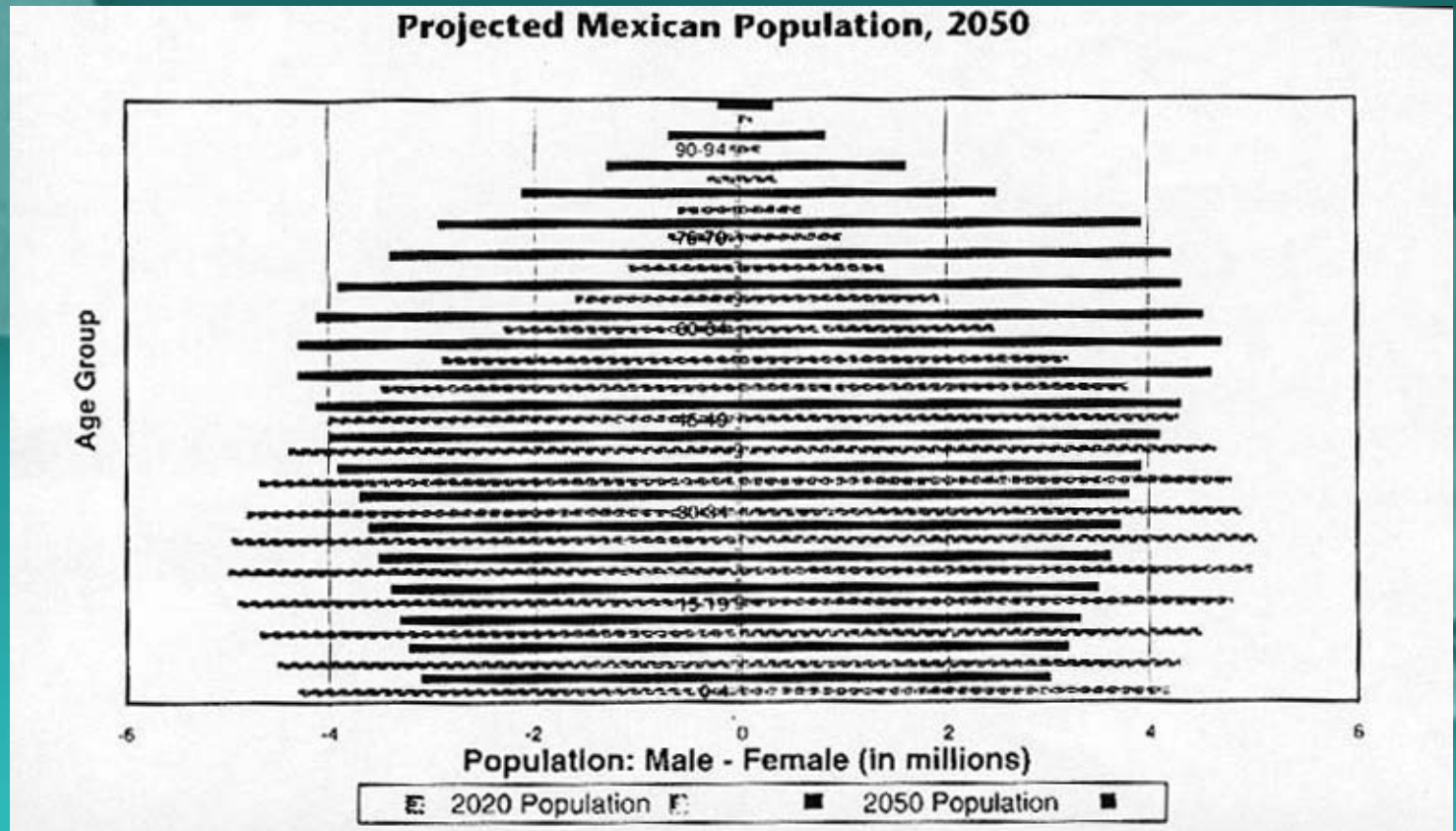
Changes in the Canadian Age Structure



Changes in the Mexican Age Structure



Changes in the Mexican Age Structure



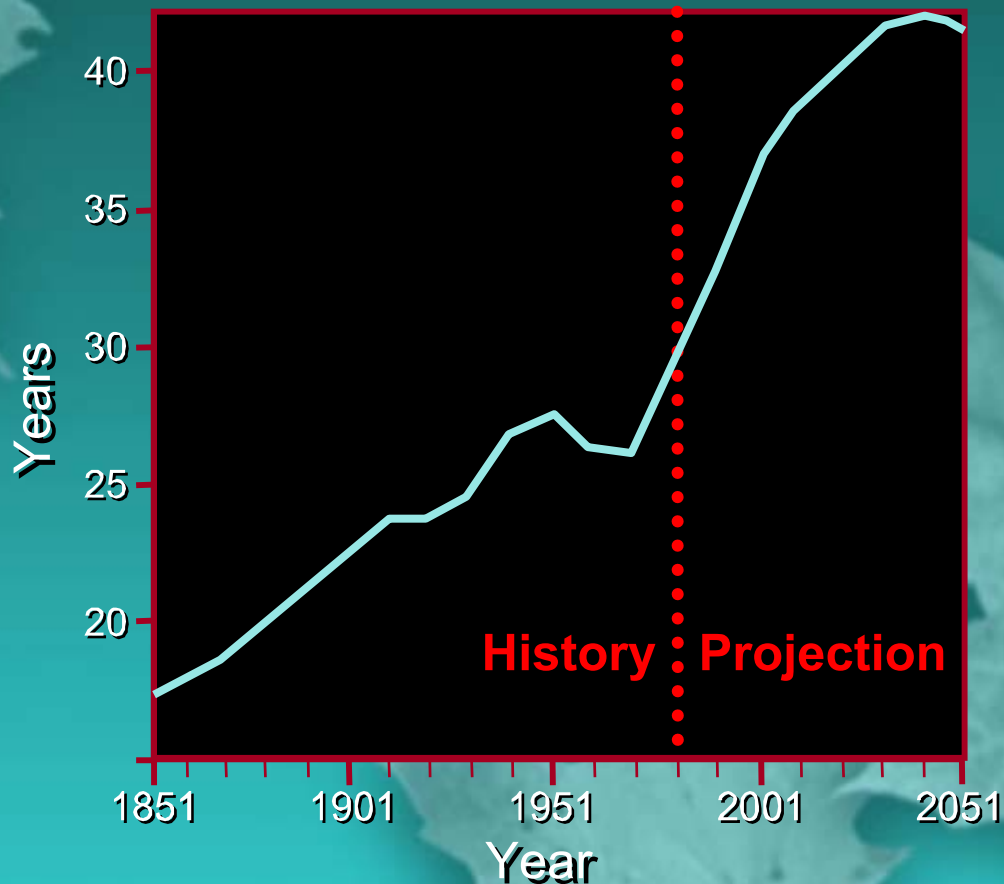
Distribution of Canadian Population by Age-Group

1956 to 2036

Age	1956	1976	1996	2016	2036
Under 20	39.4	35.6	26.7	22.0	20.2
20-64	52.9	55.8	61.1	61.4	55.0
65+	7.7	8.6	12.2	16.6	24.8
75+	2.5	3.2	5.1	7.1	12.8
85+	0.4	0.7	1.2	2.2	3.8

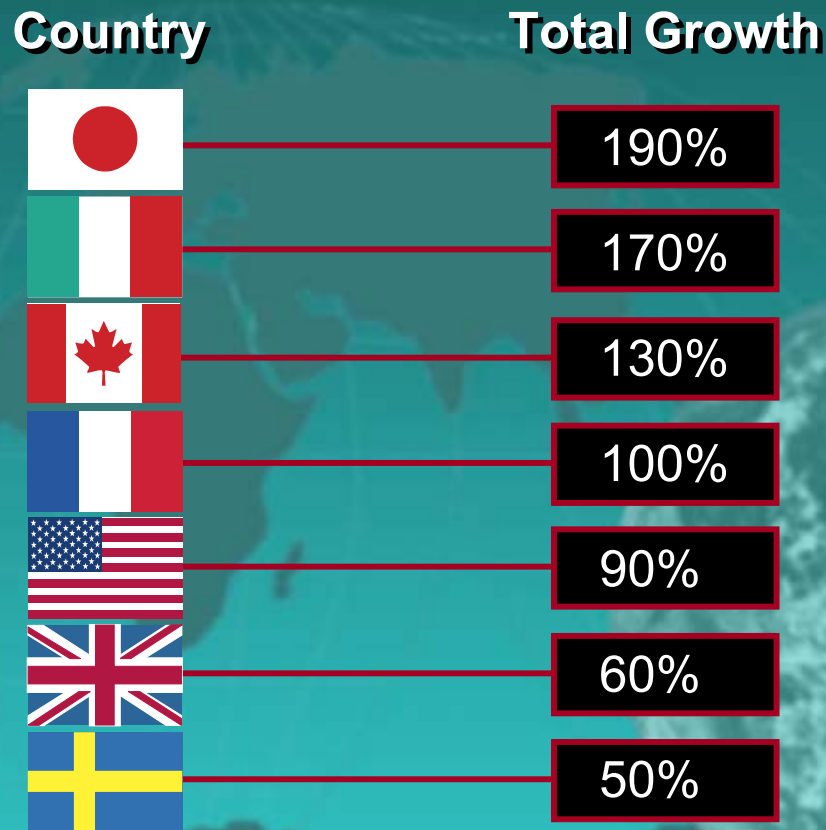
Historical and Future Median Age

Canada, 1851 to 2051



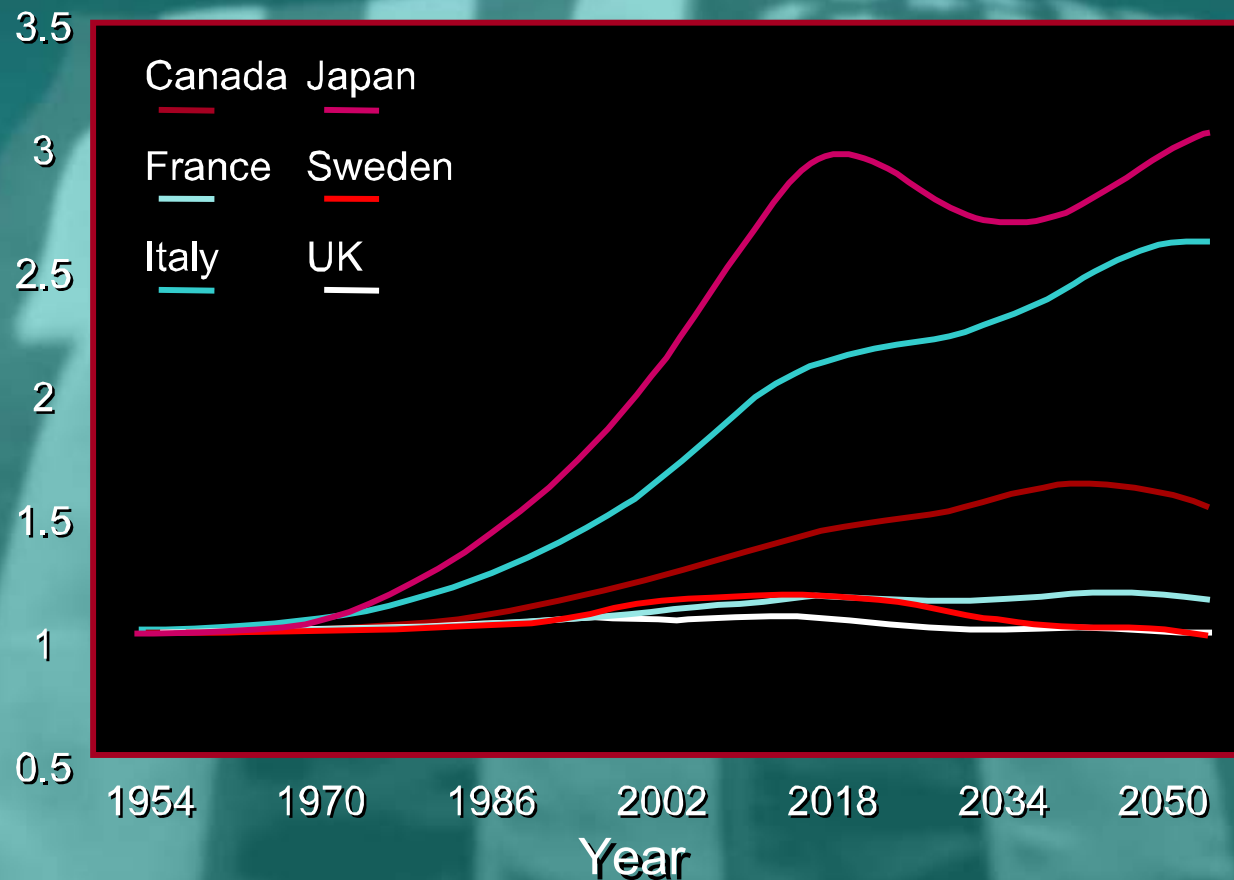
Growth in the Dependency Ratio

Age 65+/Labour Force 2050/1996



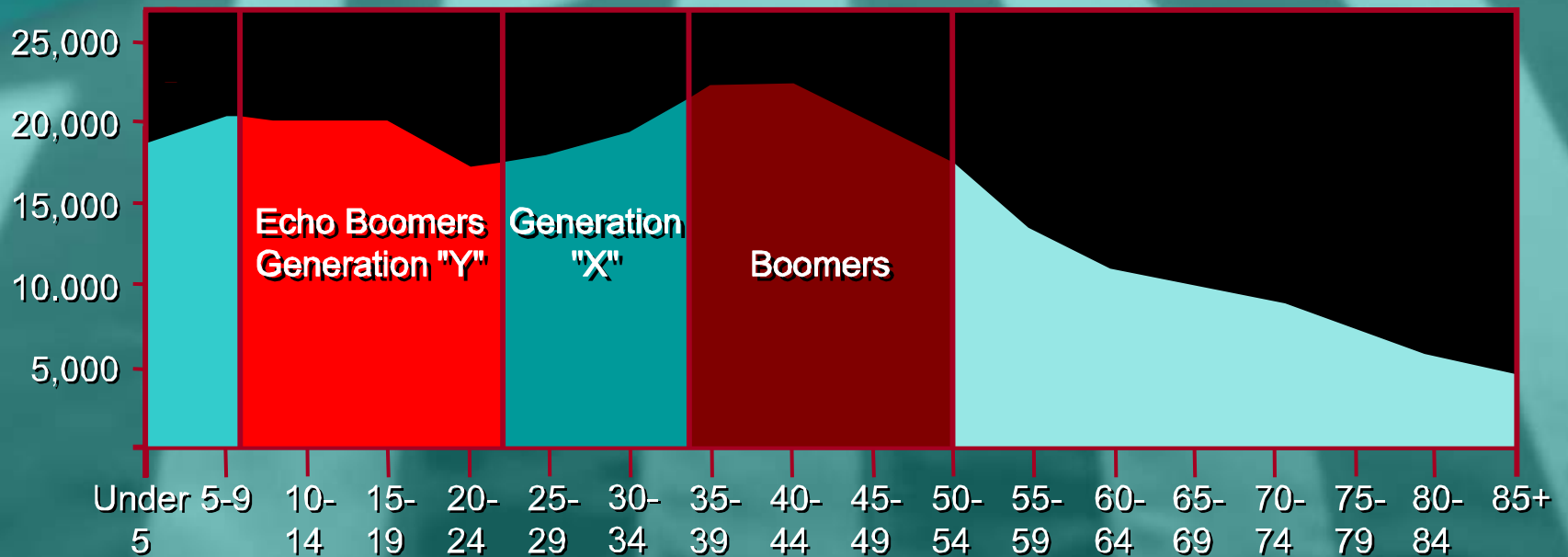
Dependency Ratios Relative to the United States

1954=1



U.S. Population in 2000

Millions



Wave Surfers and Junior Boomers

Wave Surfers

By age 30, earned

$\frac{1}{3}$ ↑

more than their fathers

1945

1955

Junior Boomers

By age 30, earned

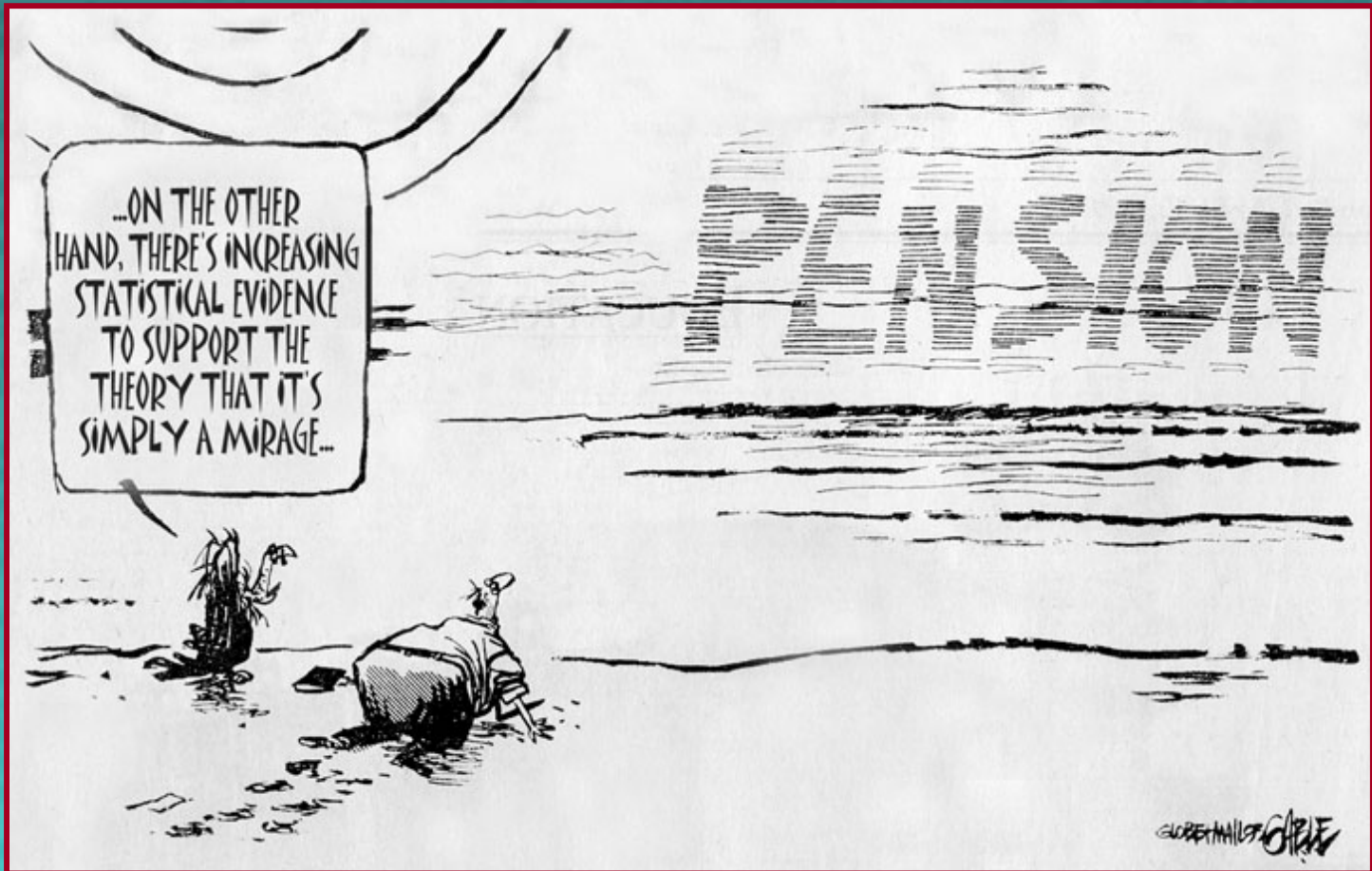
10% ↓

less than their fathers

1956

1965



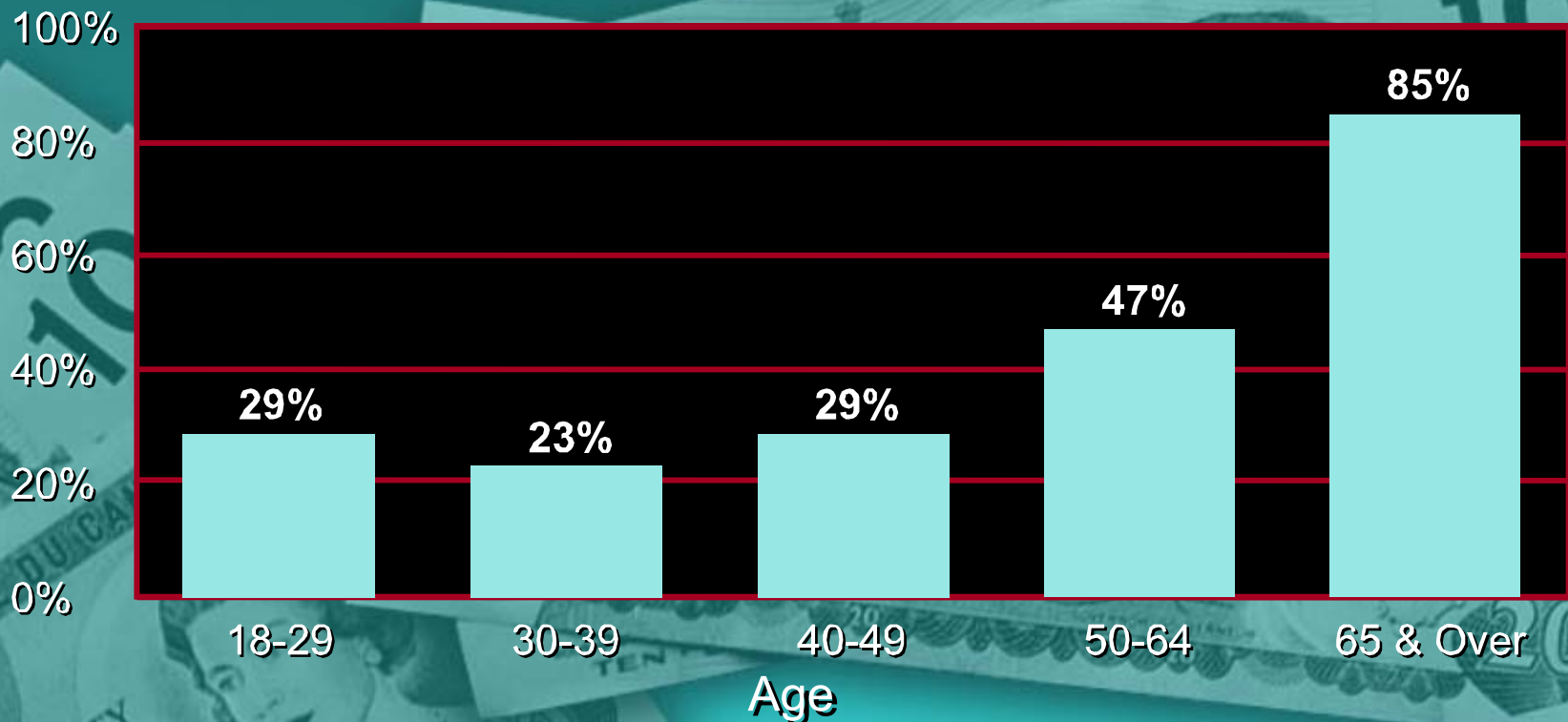






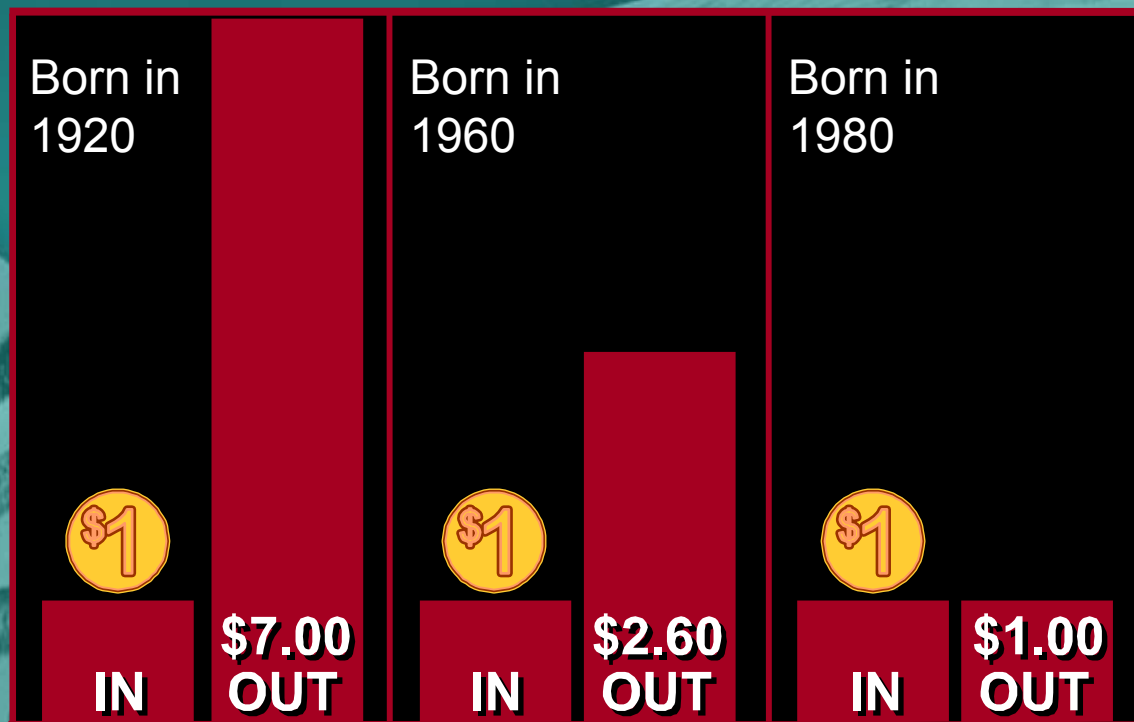
Public Pension Plans

% of people who are confident they will receive Old Age Security and CPP/QPP benefits



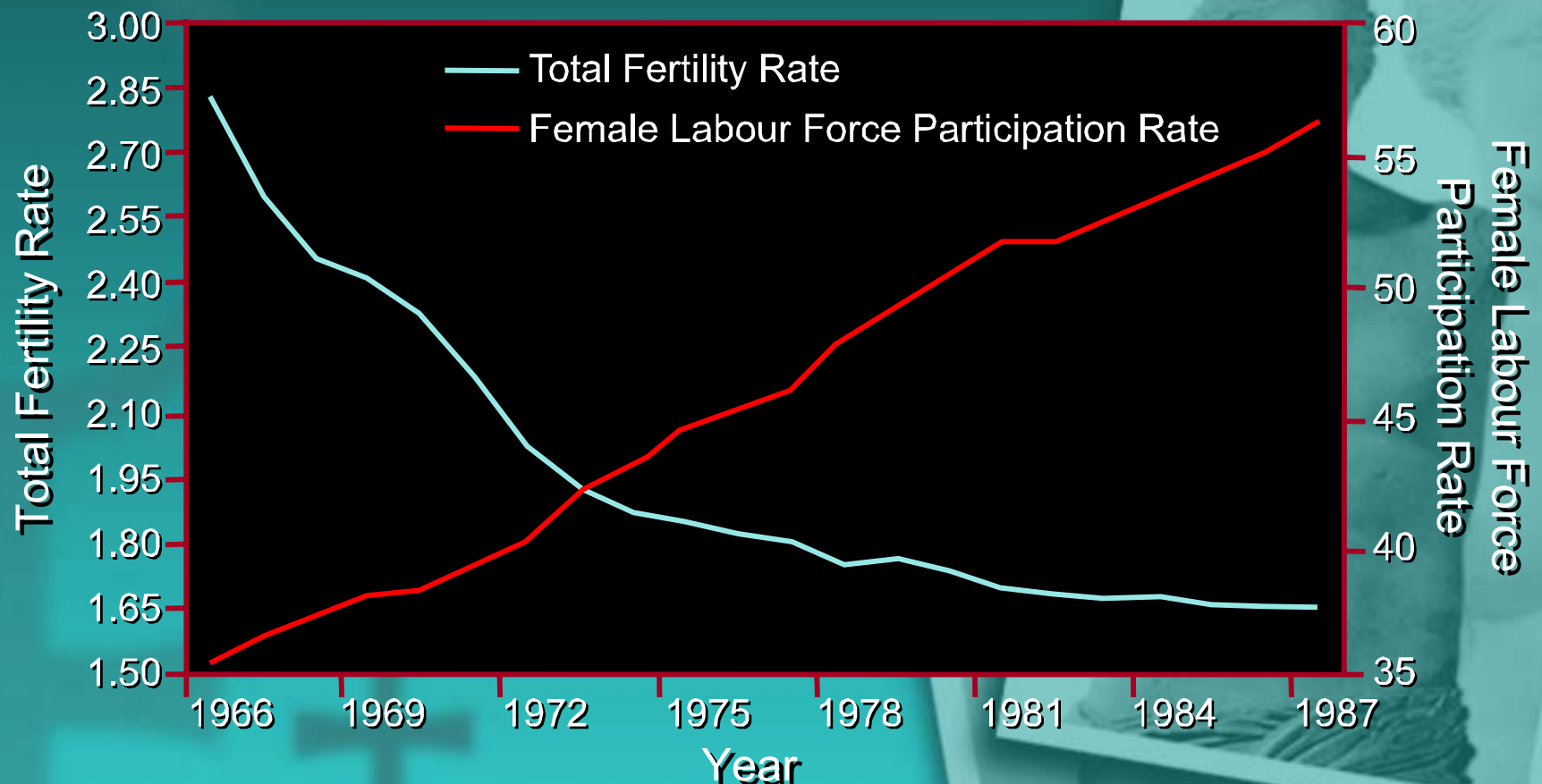
Falling Pension Returns

What each dollar paid into CPP
brings in benefits at age 65

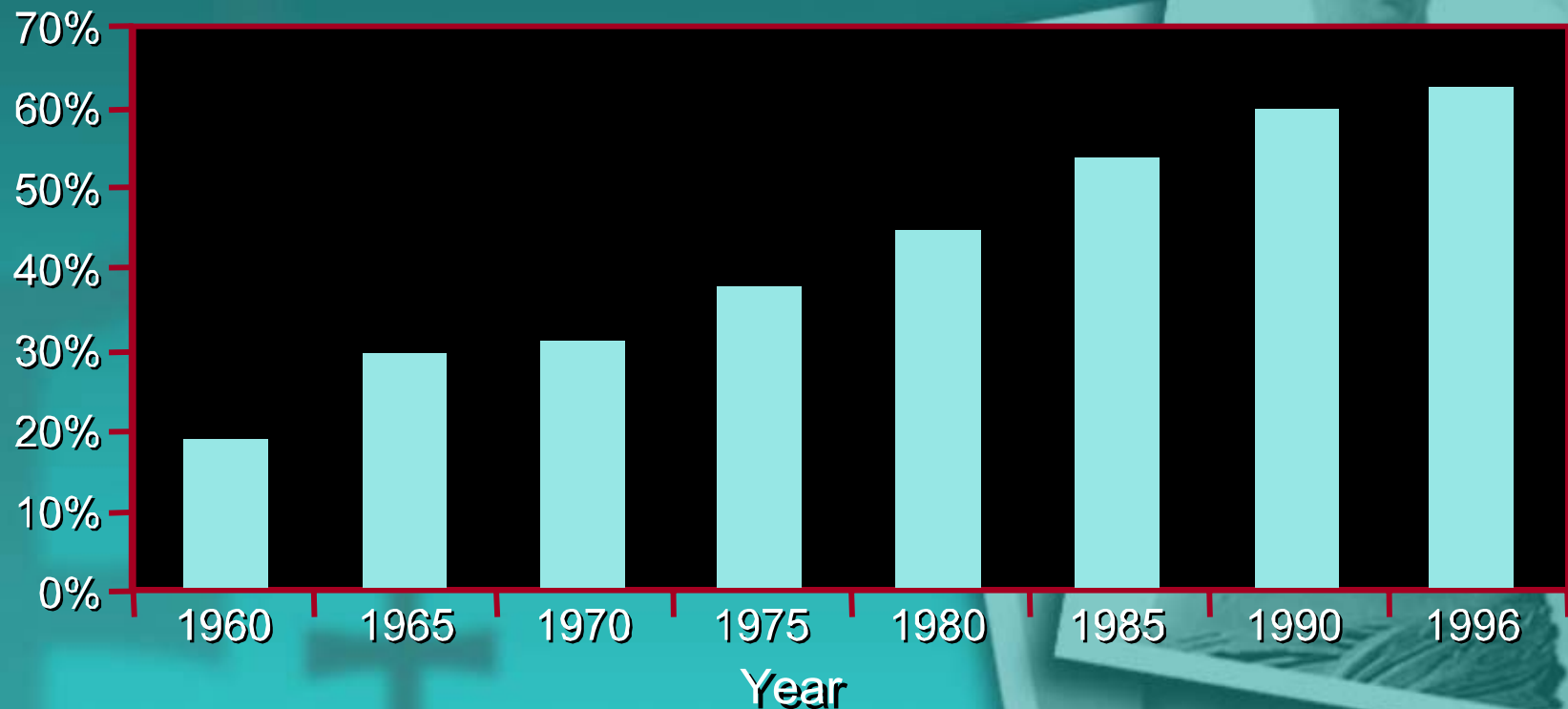


Fertility Rates vs. Female Labour Force Participation Rates

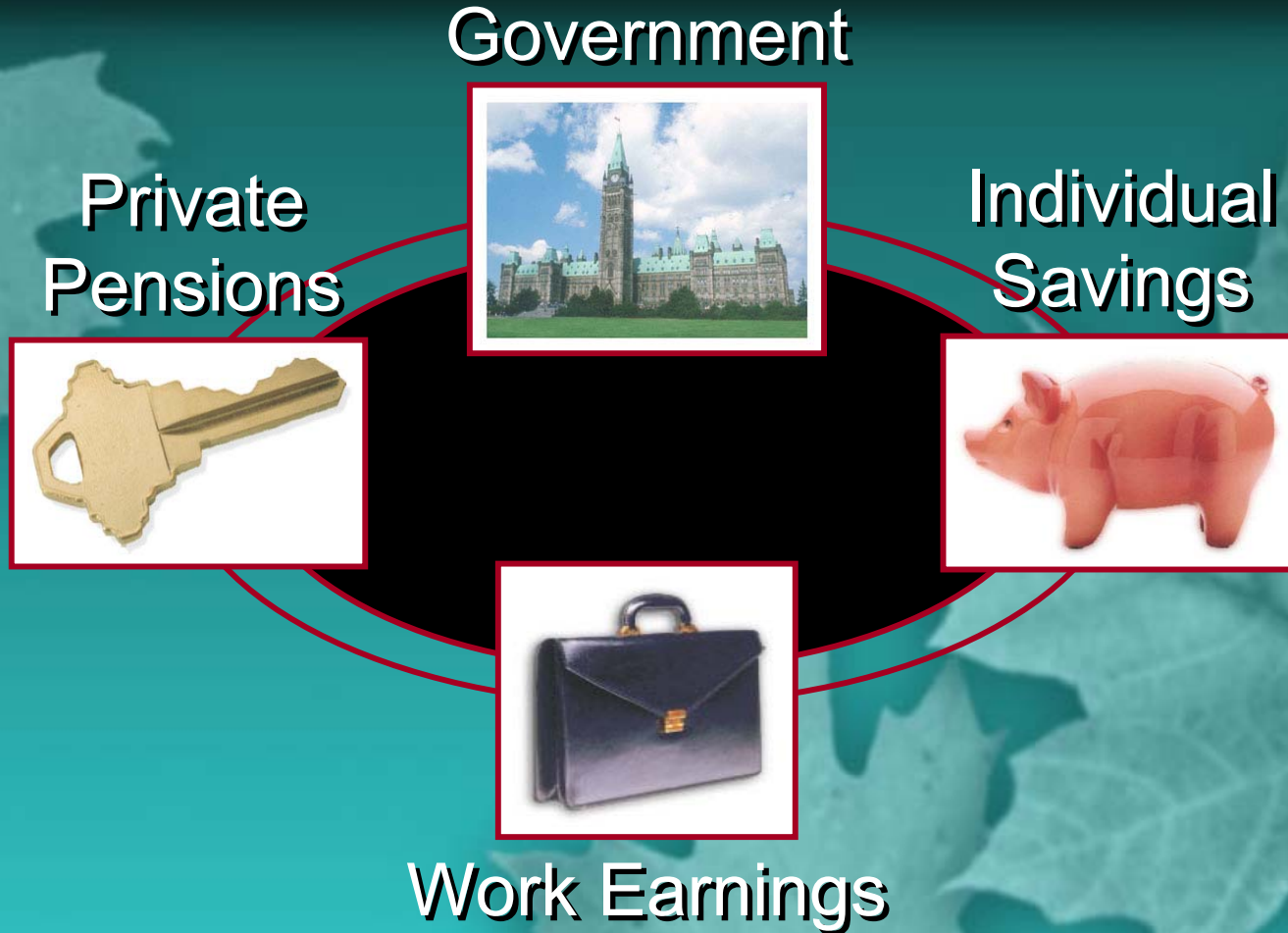
1966 to 1987



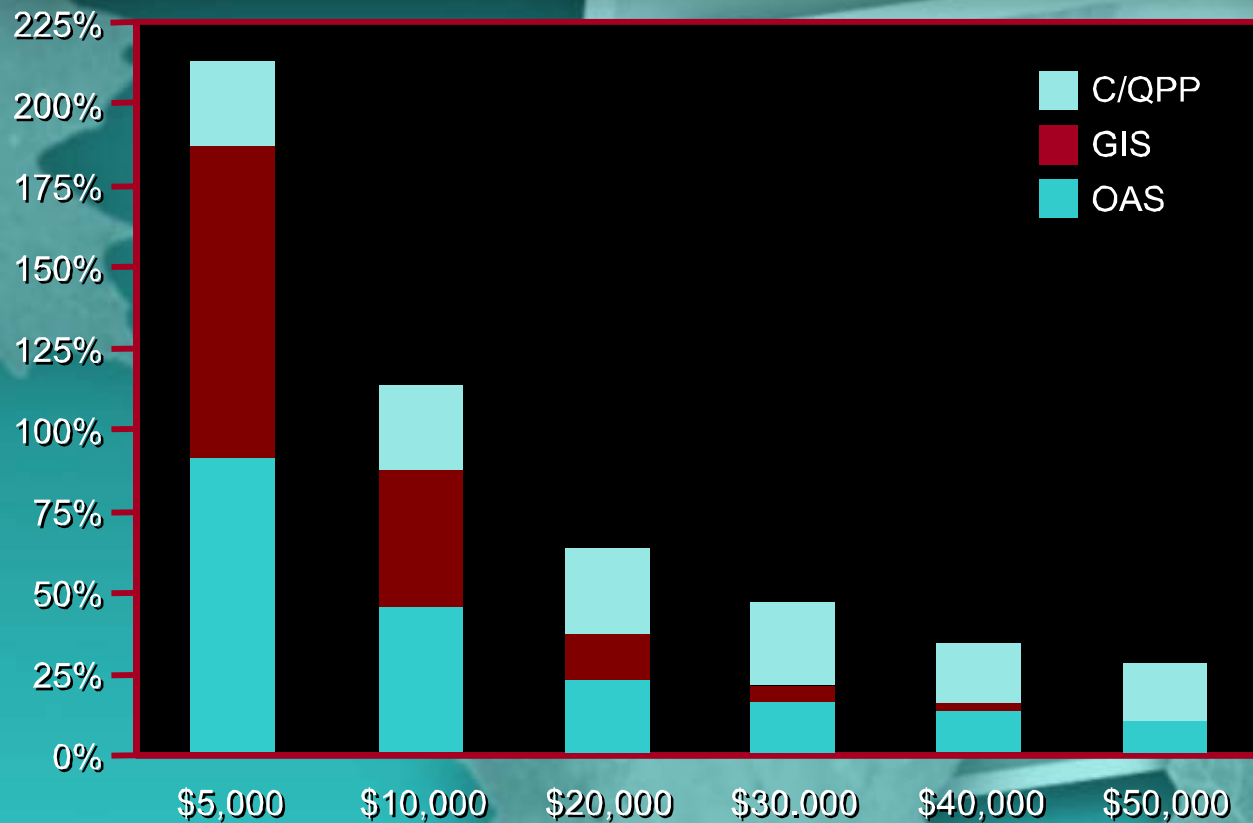
% of Married Mothers With Children Under Six Working Outside the Home



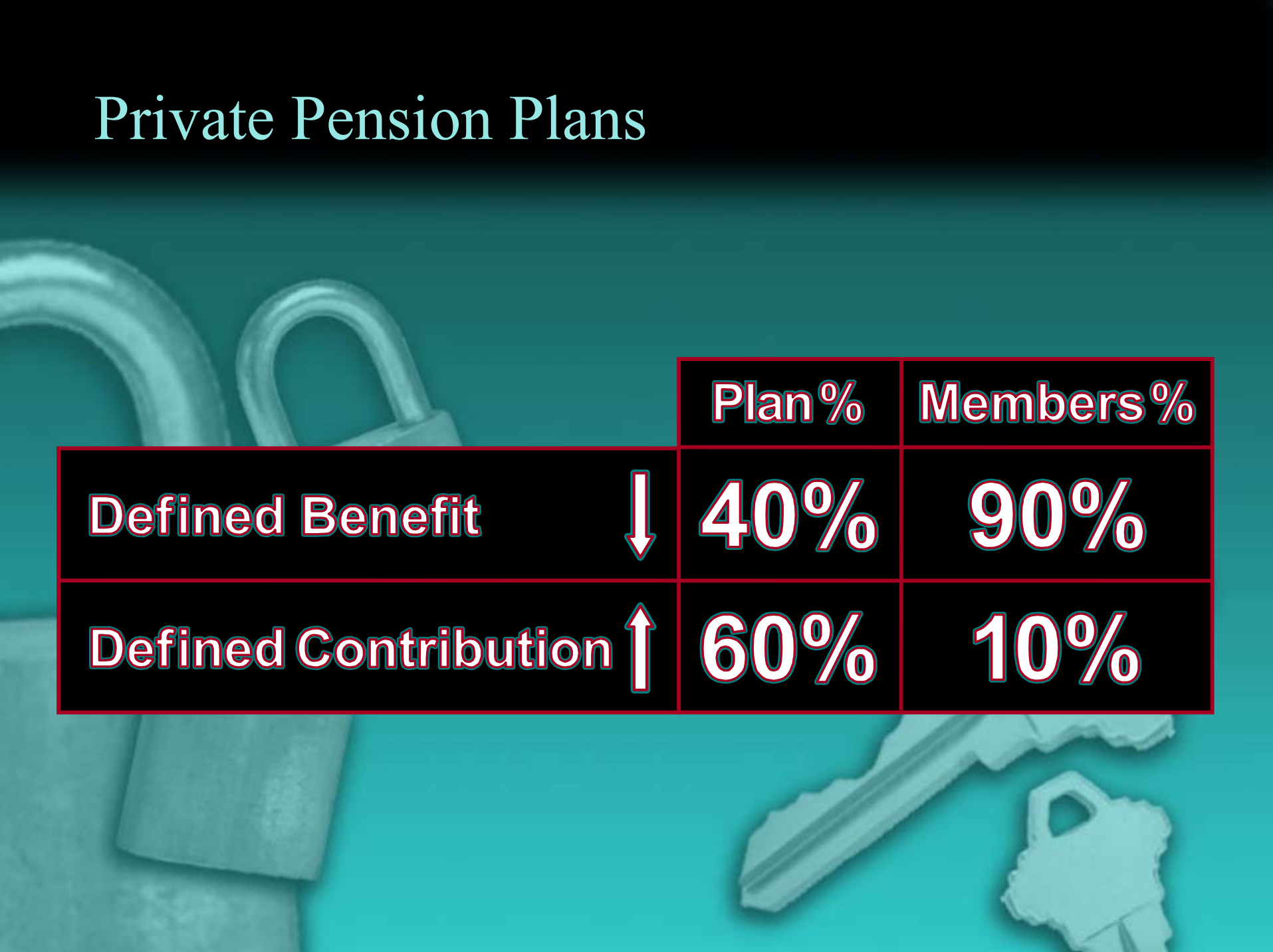
Sources of Retirement Income



Income from Government-Administered Plans, 1993



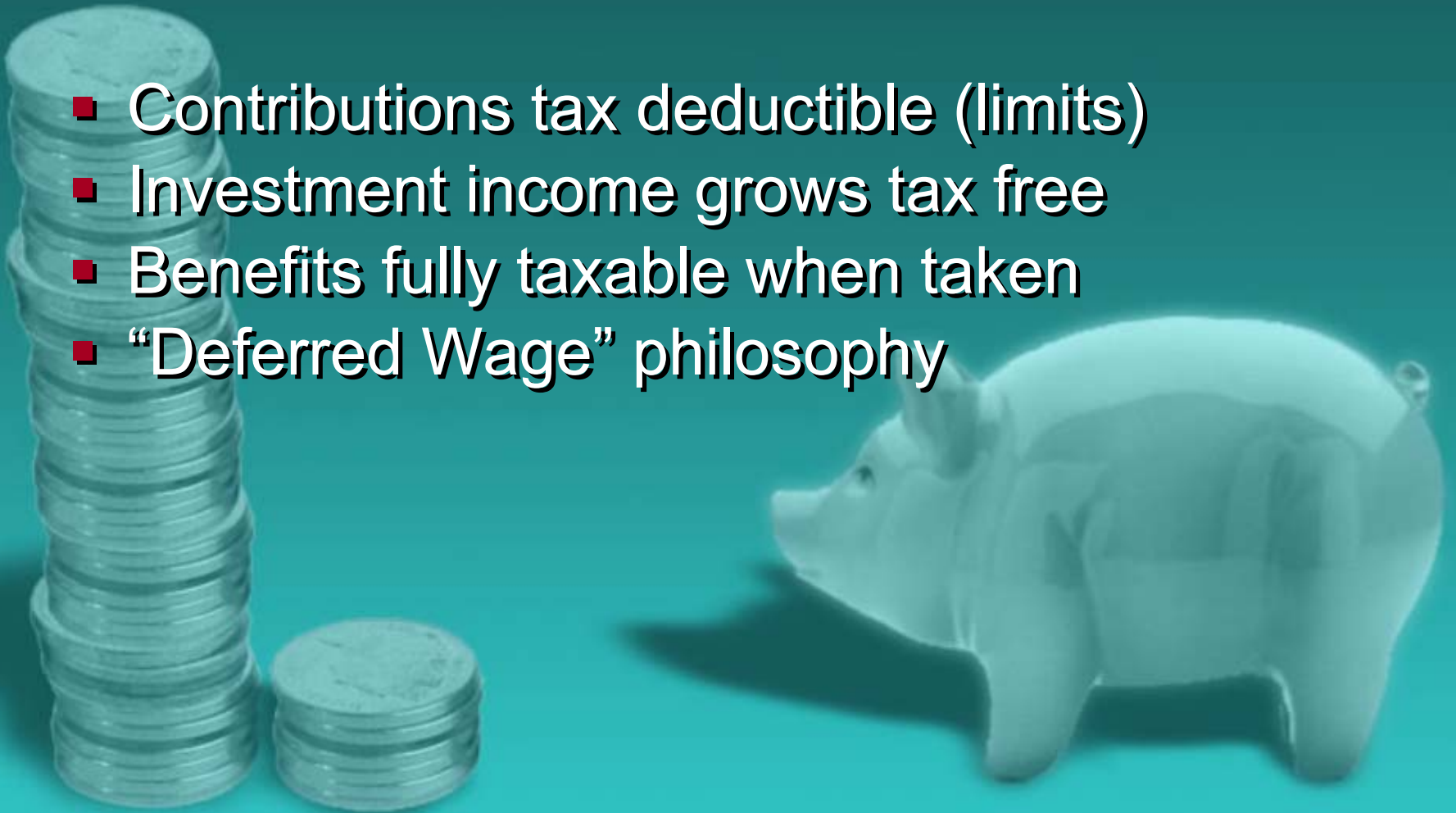
Private Pension Plans



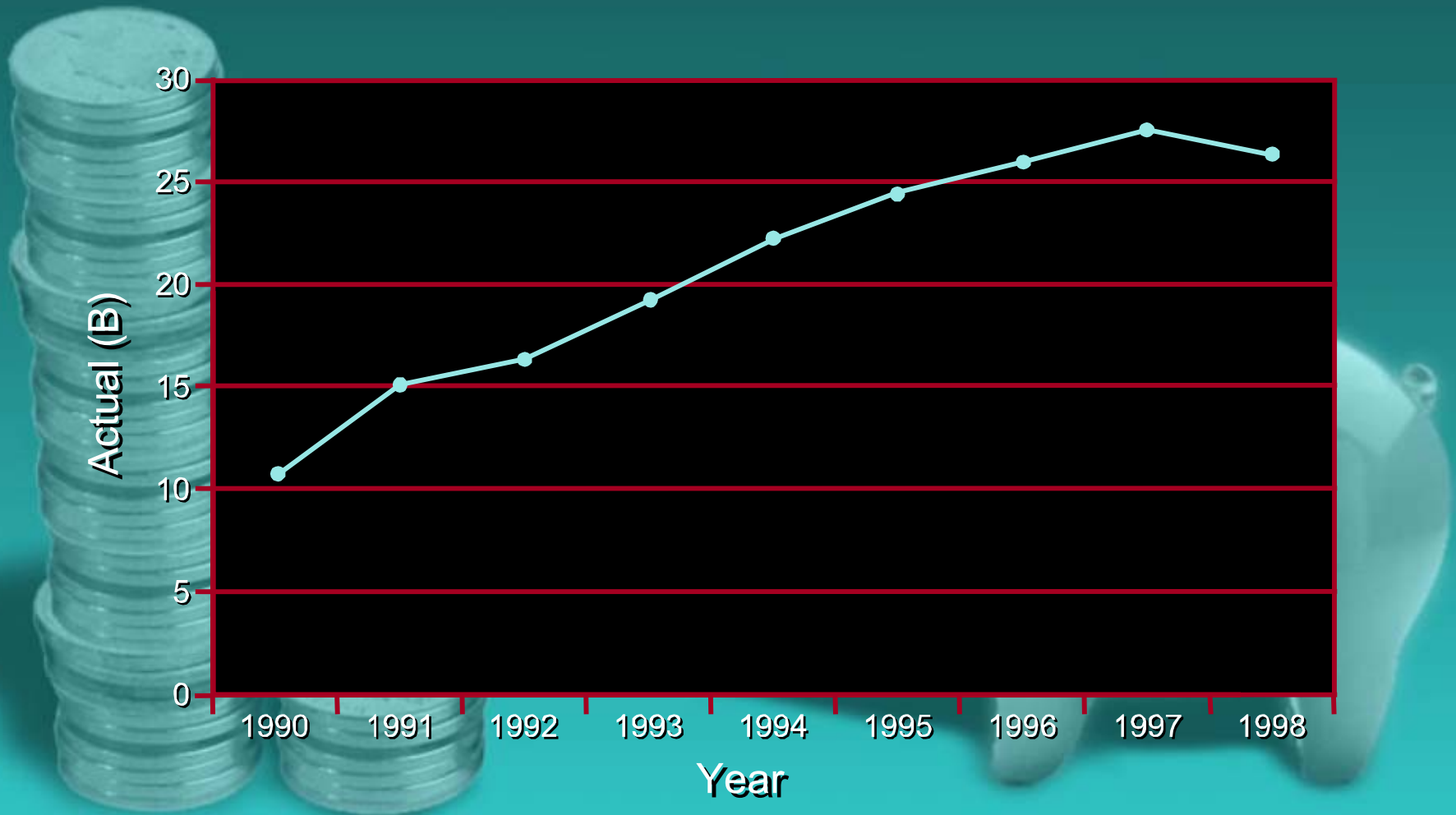
		Plan%	Members%
Defined Benefit	↓	40%	90%
Defined Contribution	↑	60%	10%

Registered Savings Plans

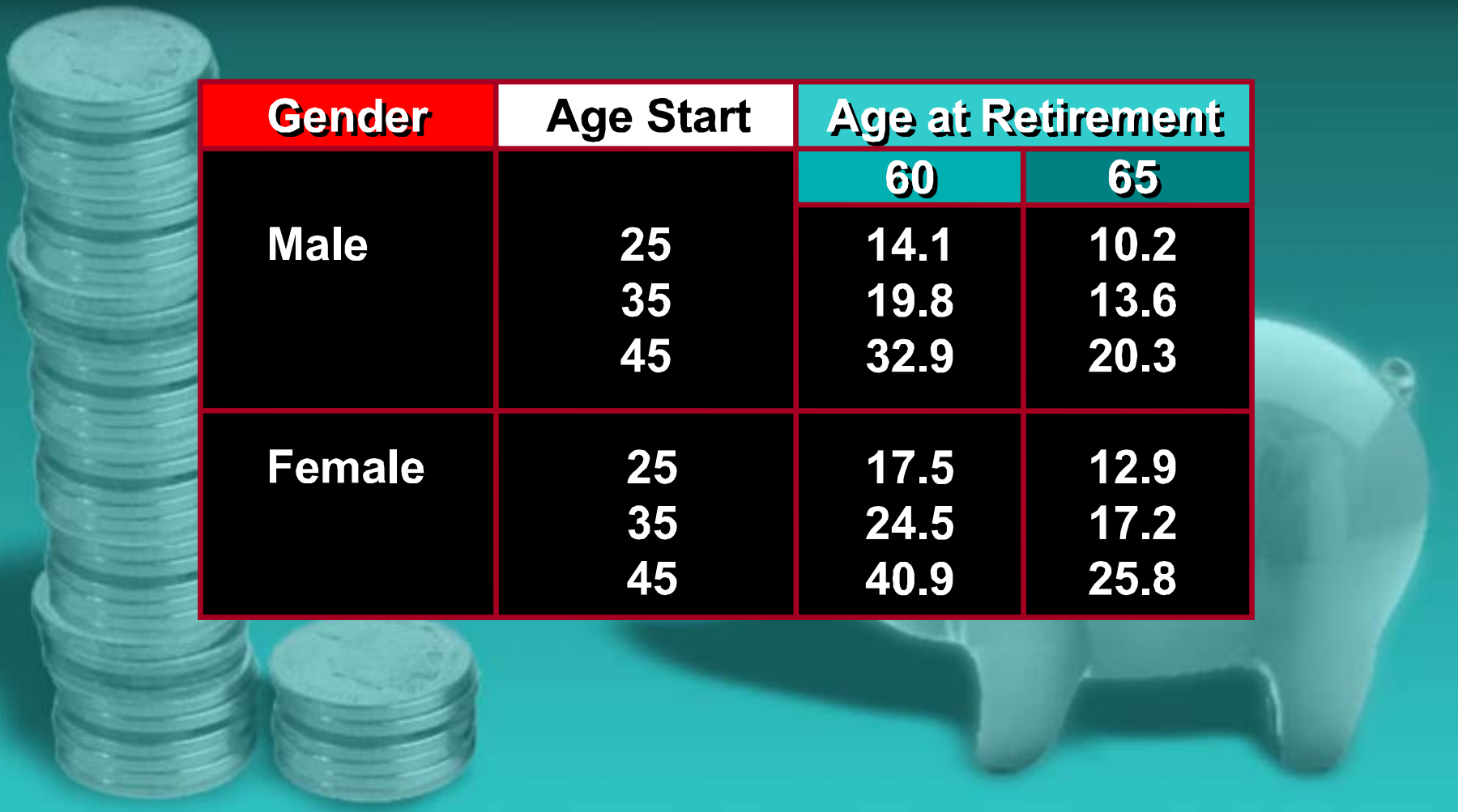
- Contributions tax deductible (limits)
- Investment income grows tax free
- Benefits fully taxable when taken
- “Deferred Wage” philosophy



RRSP Deposits



Non-Registered Annual Savings For 70% Replacement



Gender	Age Start	Age at Retirement	
		60	65
Male	25	14.1	10.2
	35	19.8	13.6
	45	32.9	20.3
Female	25	17.5	12.9
	35	24.5	17.2
	45	40.9	25.8

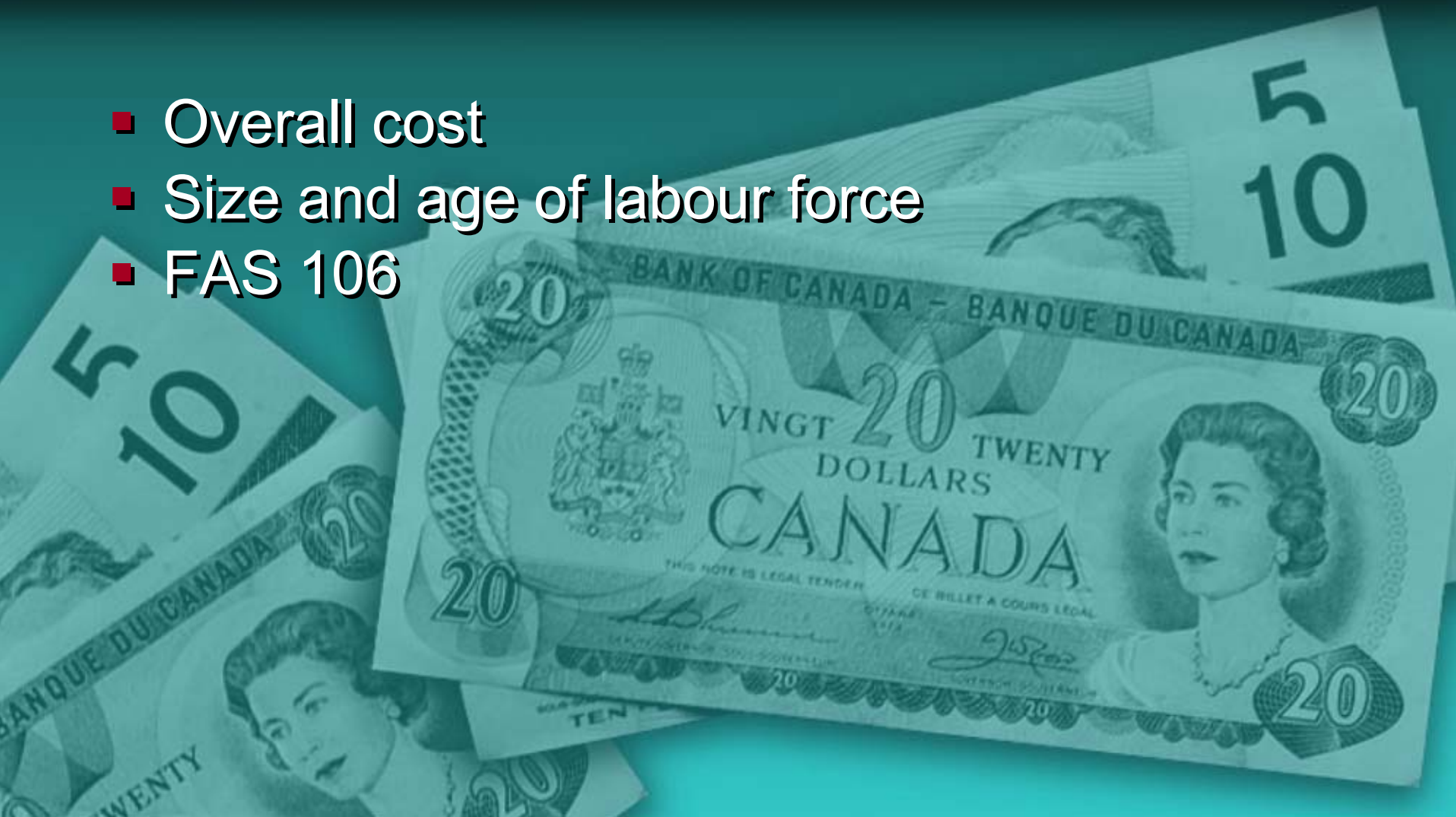
Registered Annual Savings For 70% Replacement

A stack of coins and a piggy bank are visible in the background of the slide. The stack of coins is on the left, and the piggy bank is on the right.

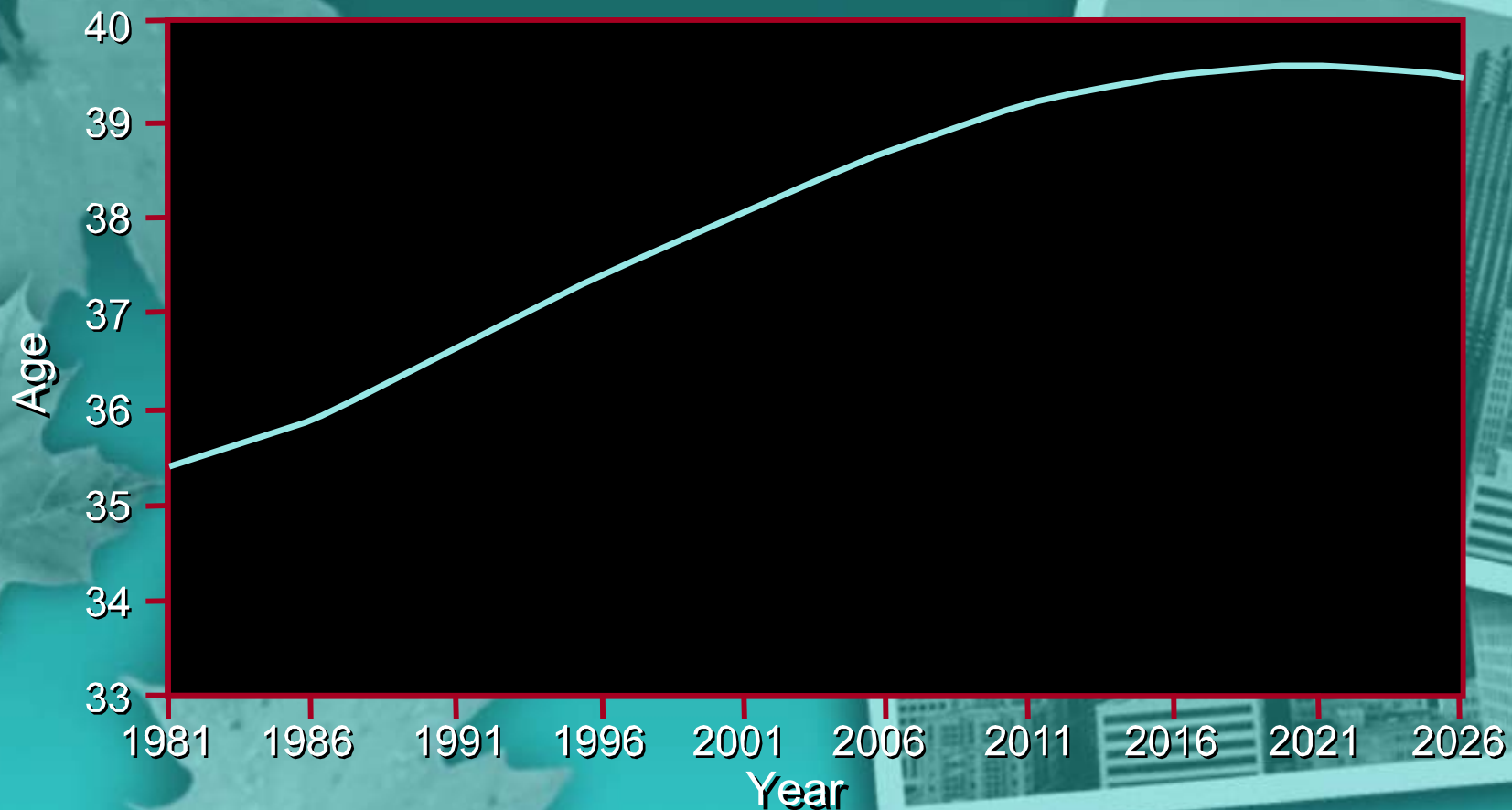
Gender	Age Start	Age at Retirement	
		60	65
Male	25	6.0	4.1
	35	10.0	6.6
	45	19.9	11.8
Female	25	7.0	4.9
	35	11.7	7.9
	45	23.2	14.1

Problems With Fringe Benefits

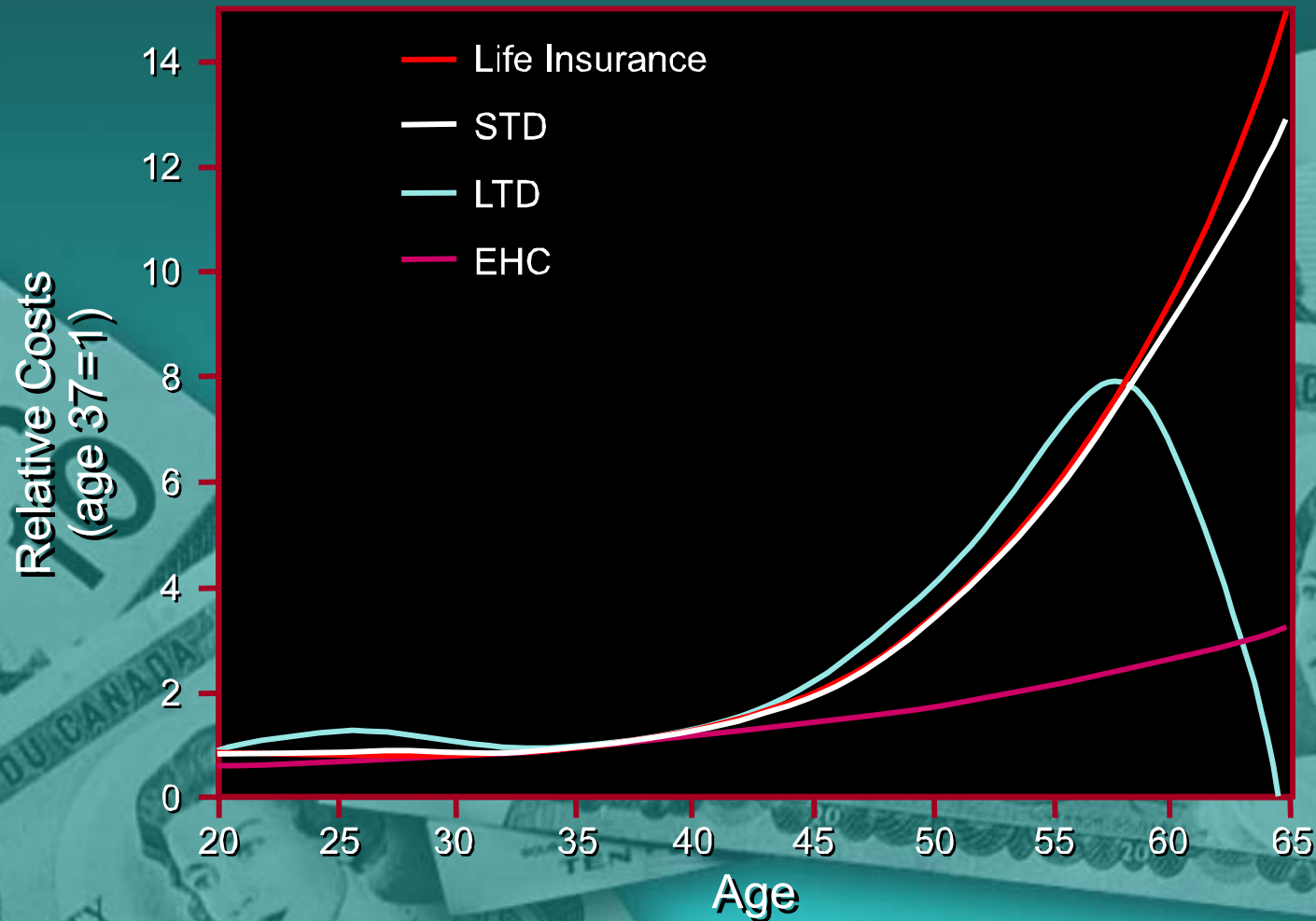
- Overall cost
- Size and age of labour force
- FAS 106



Average Age of Workforce

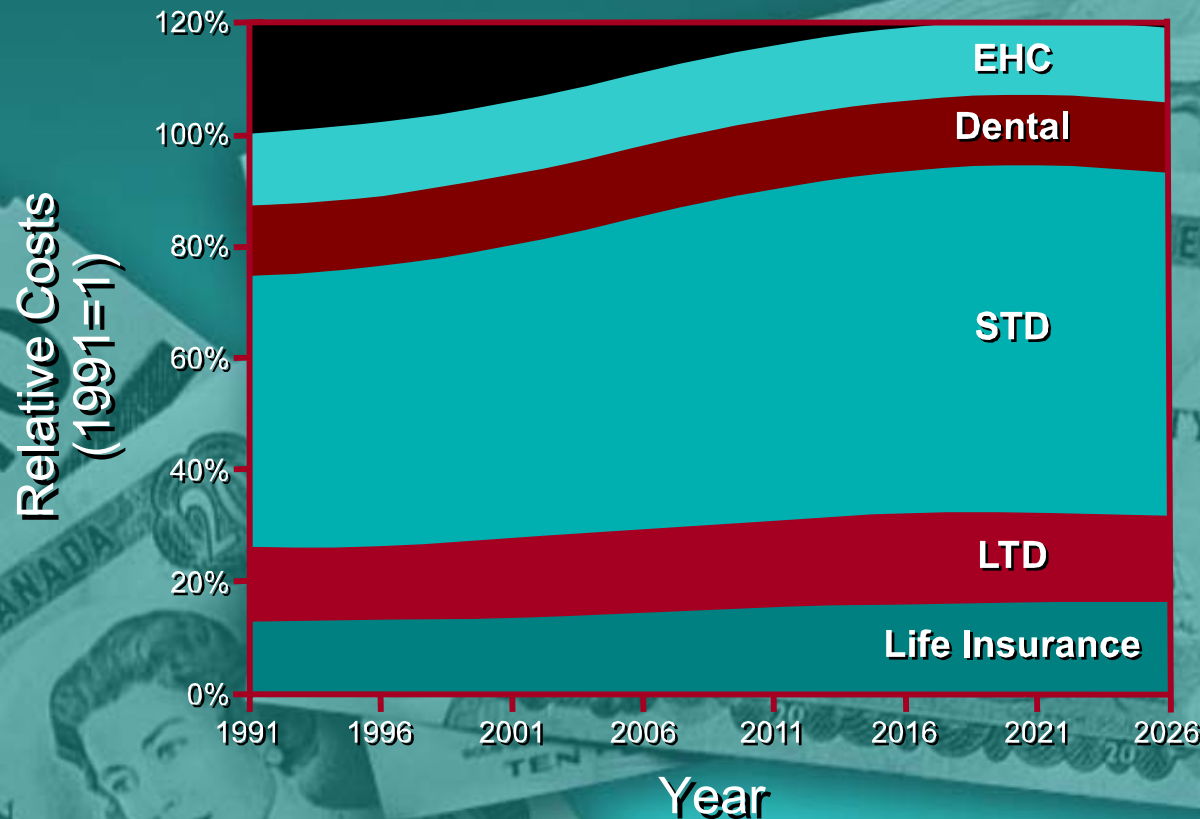


Insurance Costs



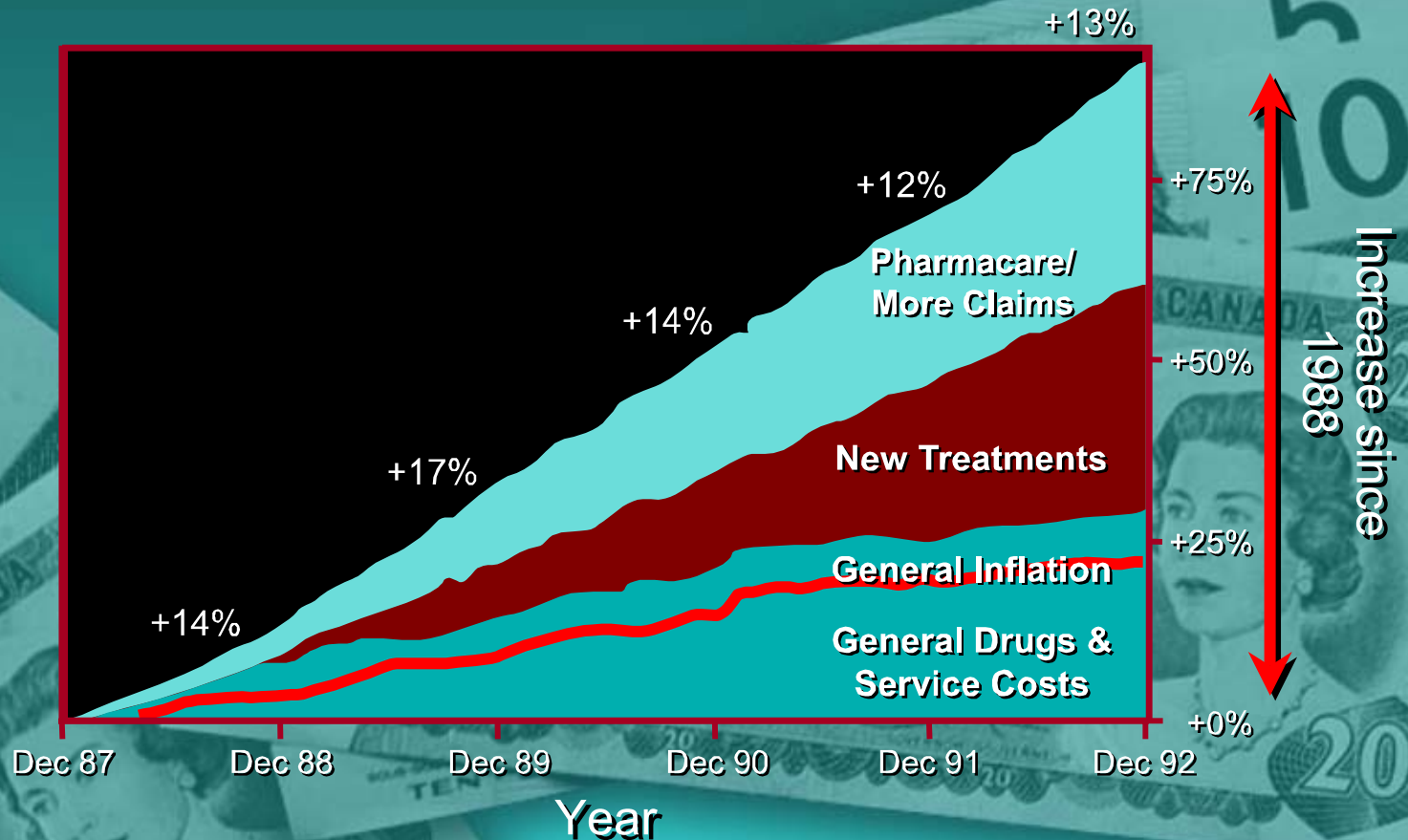
Projected Group Benefit Costs

No inflation in cost of extended health care as percentage of payroll



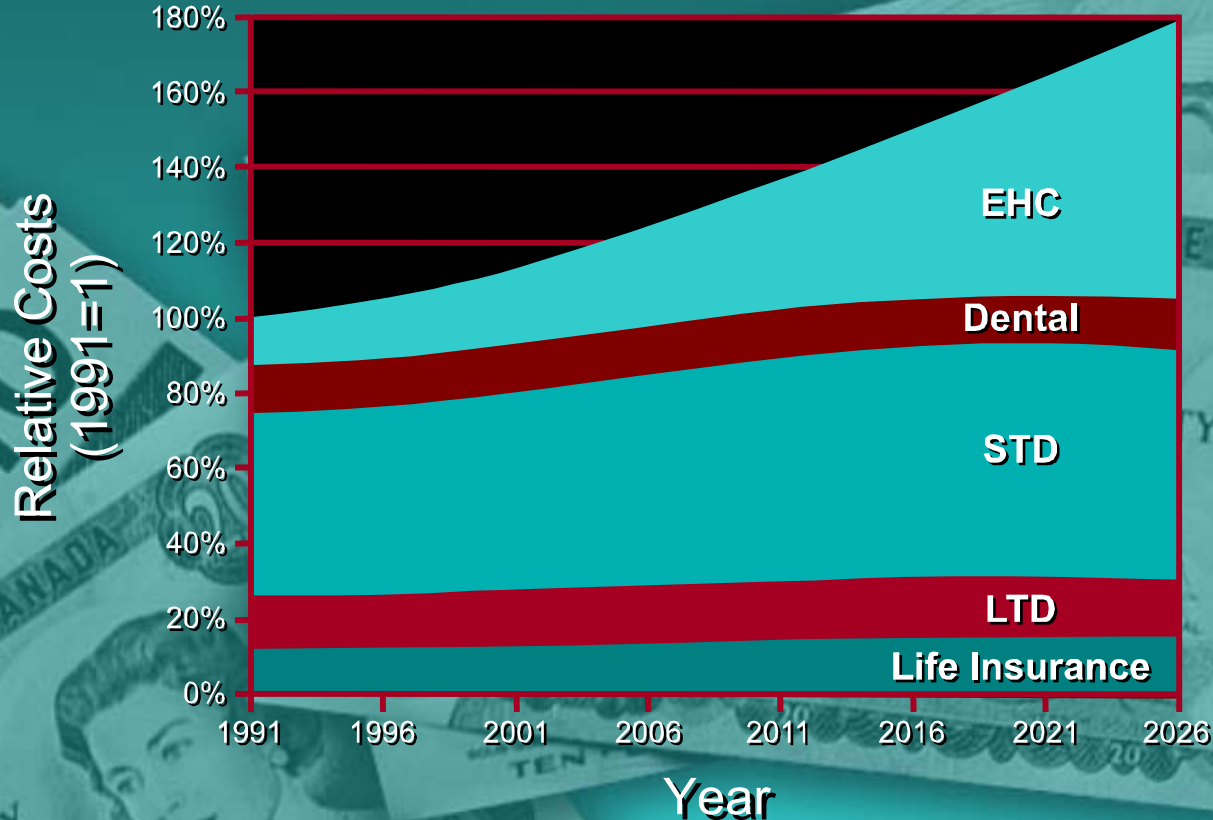
Cost of Claims

Extended Health Care



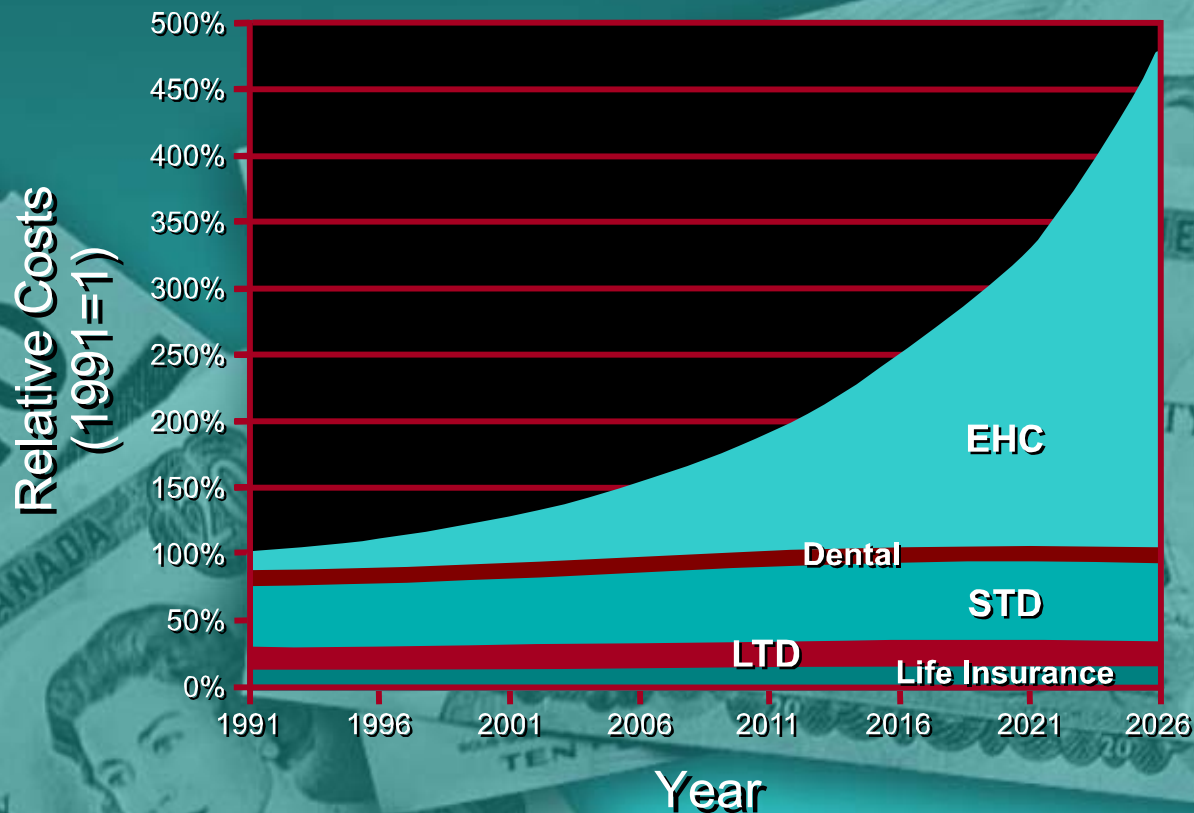
Projected Group Benefit Costs

5% annual inflation in cost of extended health care as percentage of payroll



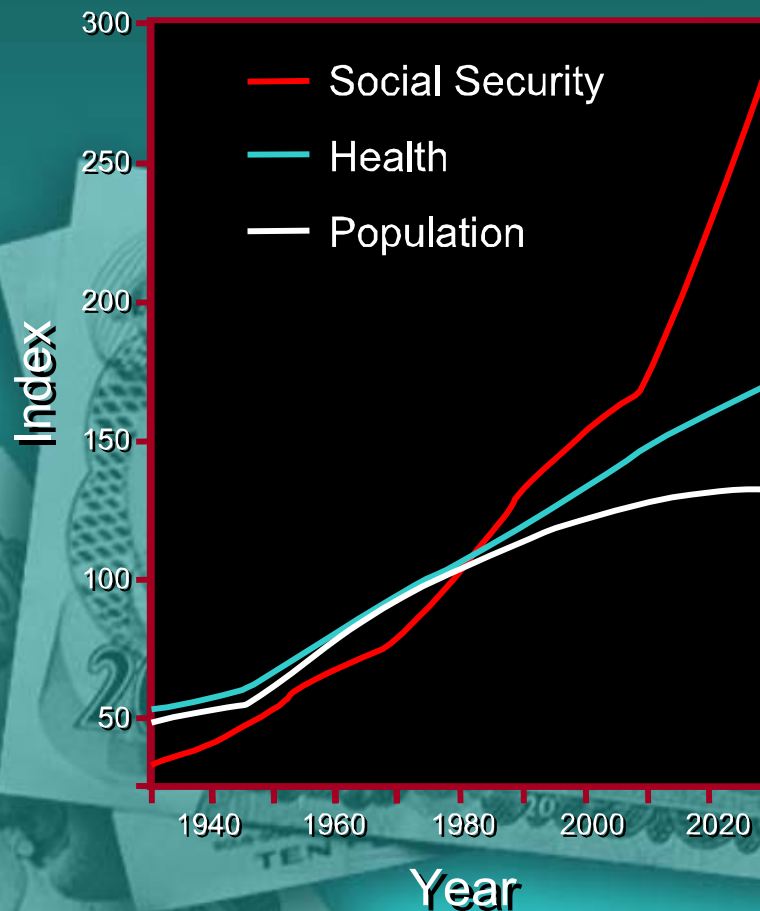
Projected Group Benefit Costs

10% annual inflation in cost of extended health care as percentage of payroll



Indexes of Social Security Costs

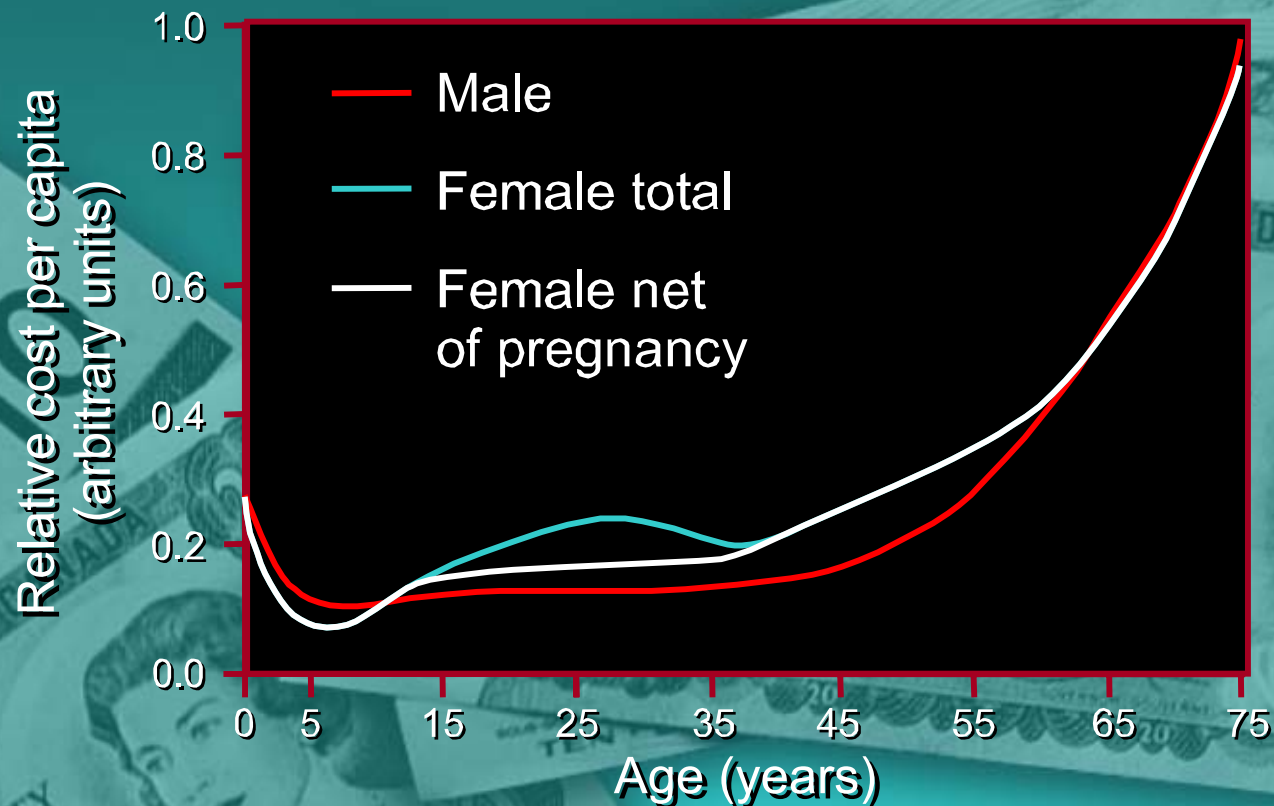
1981=100



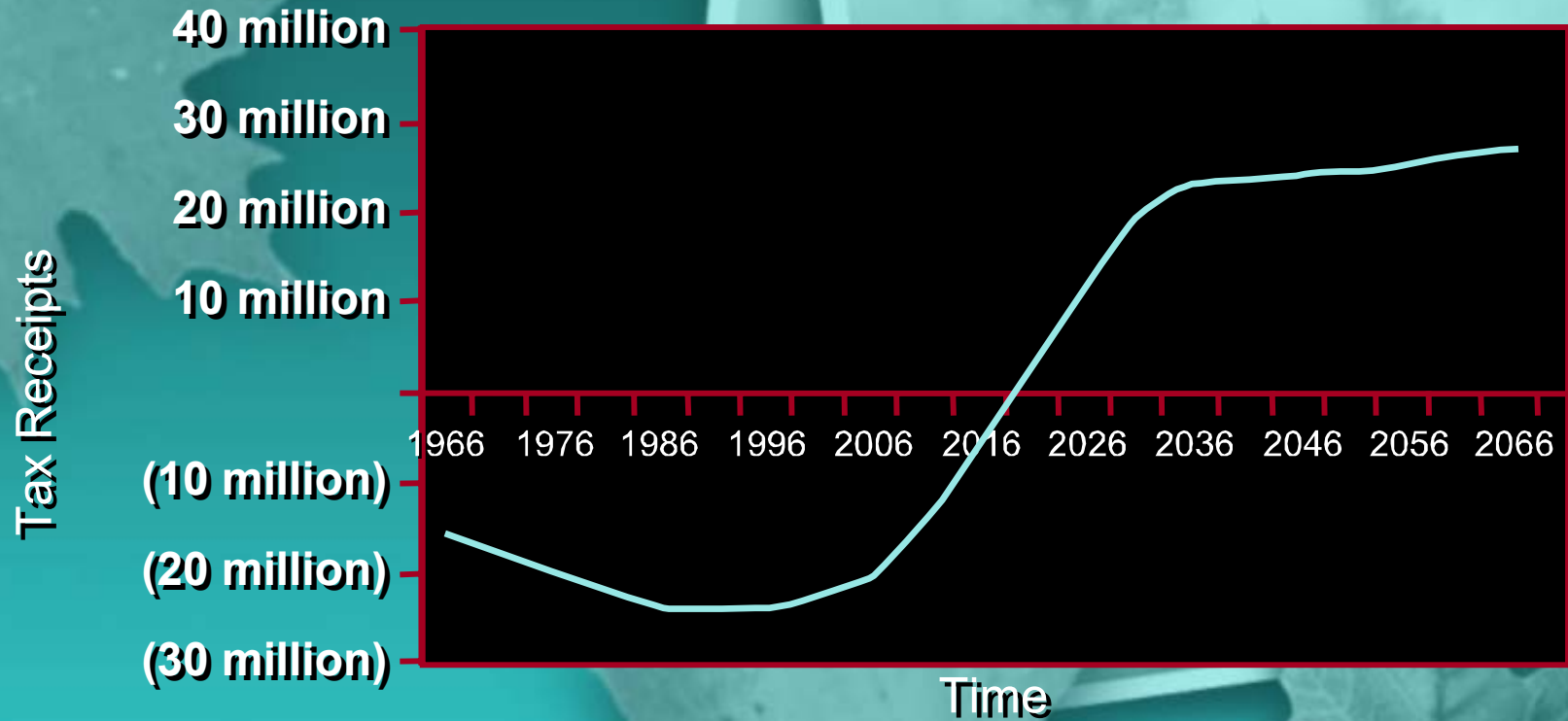
Aging Population

It's Effect On Health Care Costs

Relative per capita costs of health care for males and females by age



Government Gain

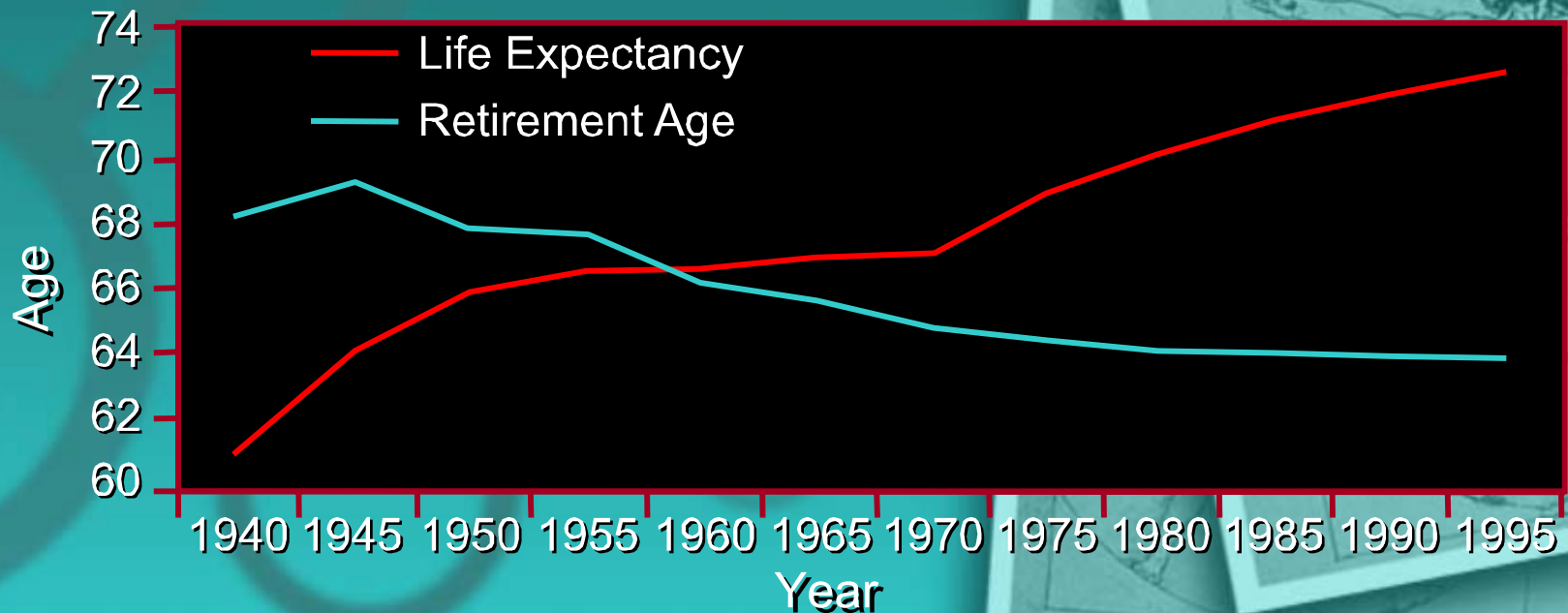


Net Cost of RPP/RRSPs and Health Care

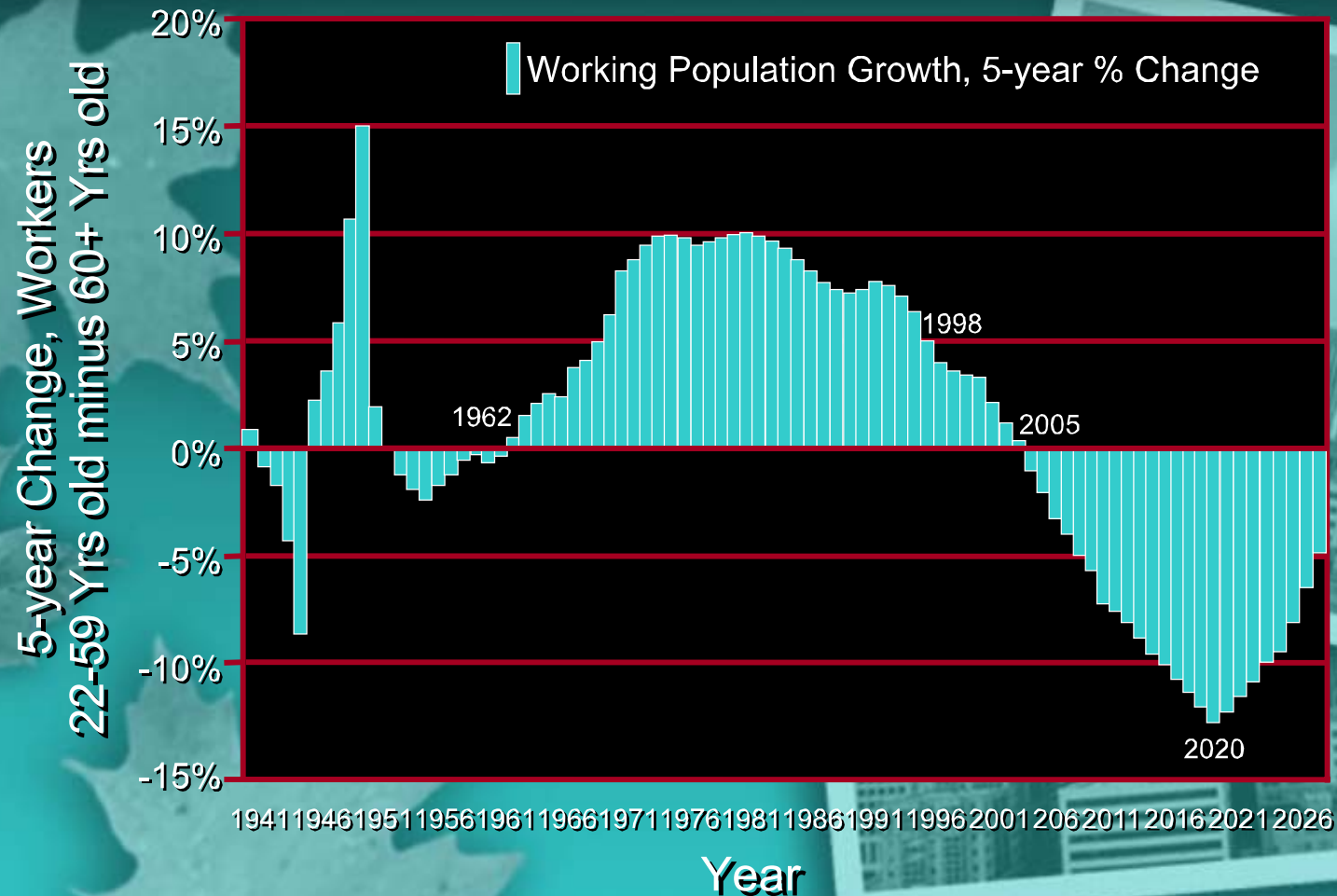
1991 to 2041 (\$Billions)

Year	Net RPP/RRSPs	Health Care	Total
1991	(14.9)	41.6	56.5
1996	(15.1)	45.9	61.0
2001	(14.6)	49.6	64.2
2006	(13.4)	53.2	66.6
2011	(10.5)	56.8	67.3
2016	(5.7)	61.3	67.0
2021	(0.2)	66.4	66.6
2026	5.4	71.3	65.9
2031	10.8	75.9	65.1
2036	14.3	79.2	64.9
2041	15.5	81.1	65.6

Life Expectancy of Men in the United States

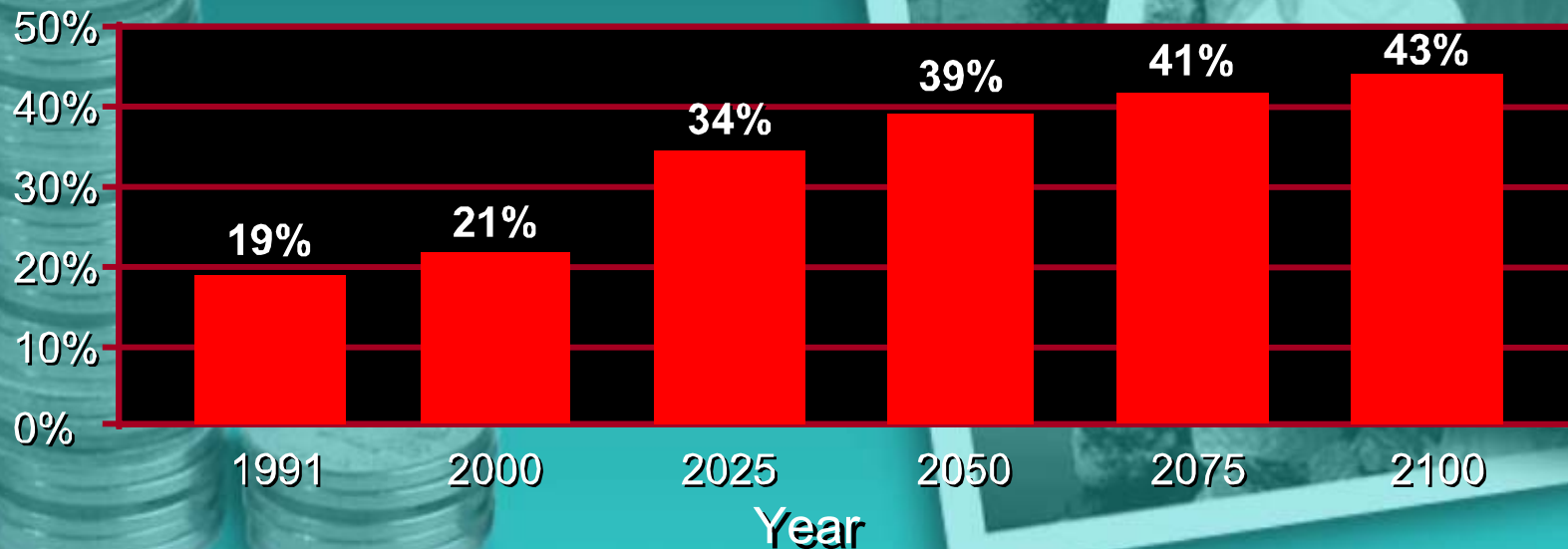


U.S. Male Labour Force



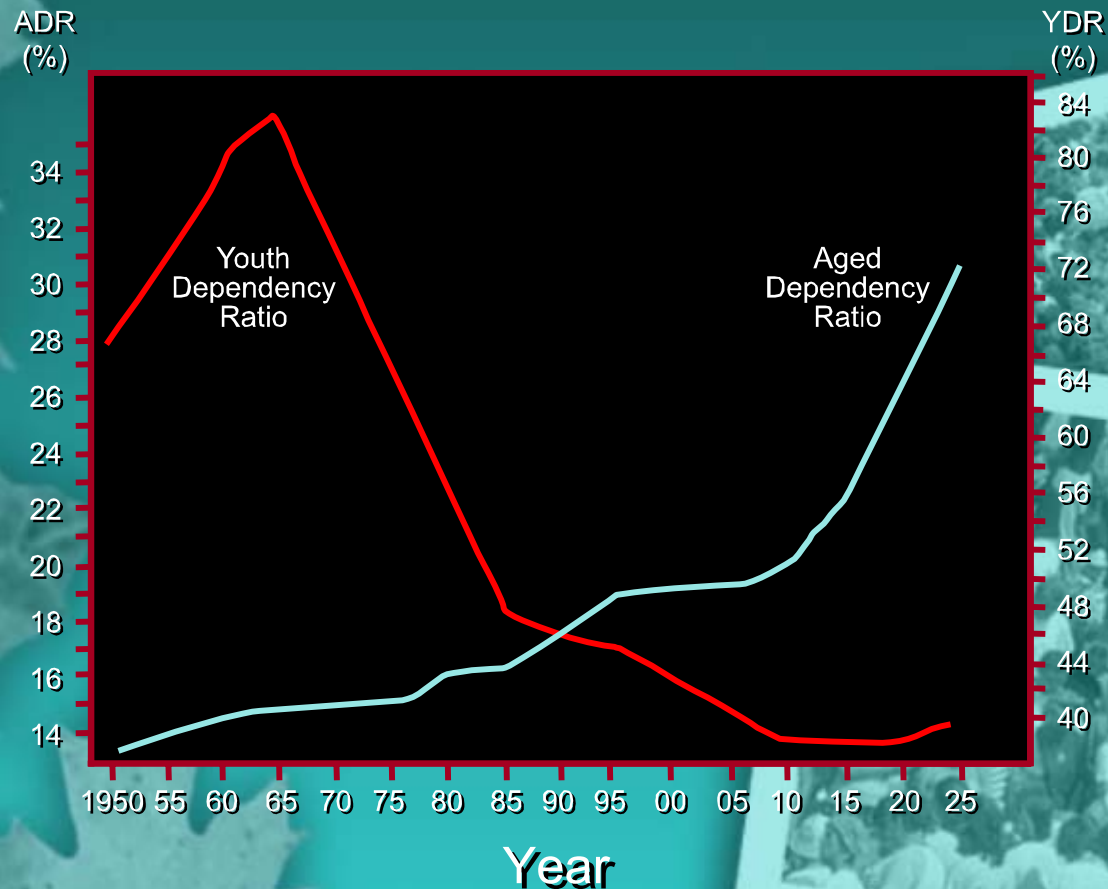
Getting Older

Population aged 65+ as a percentage of population 20-64



Impact of Demographic Shifts

1950 to 2025



Wealth Transfer Index

$$WTI = [(1.866 \times Y) + (1 \times U) + (4.636 \times A)] / LF$$

Y = Youth, 0-19

U = those Unemployed

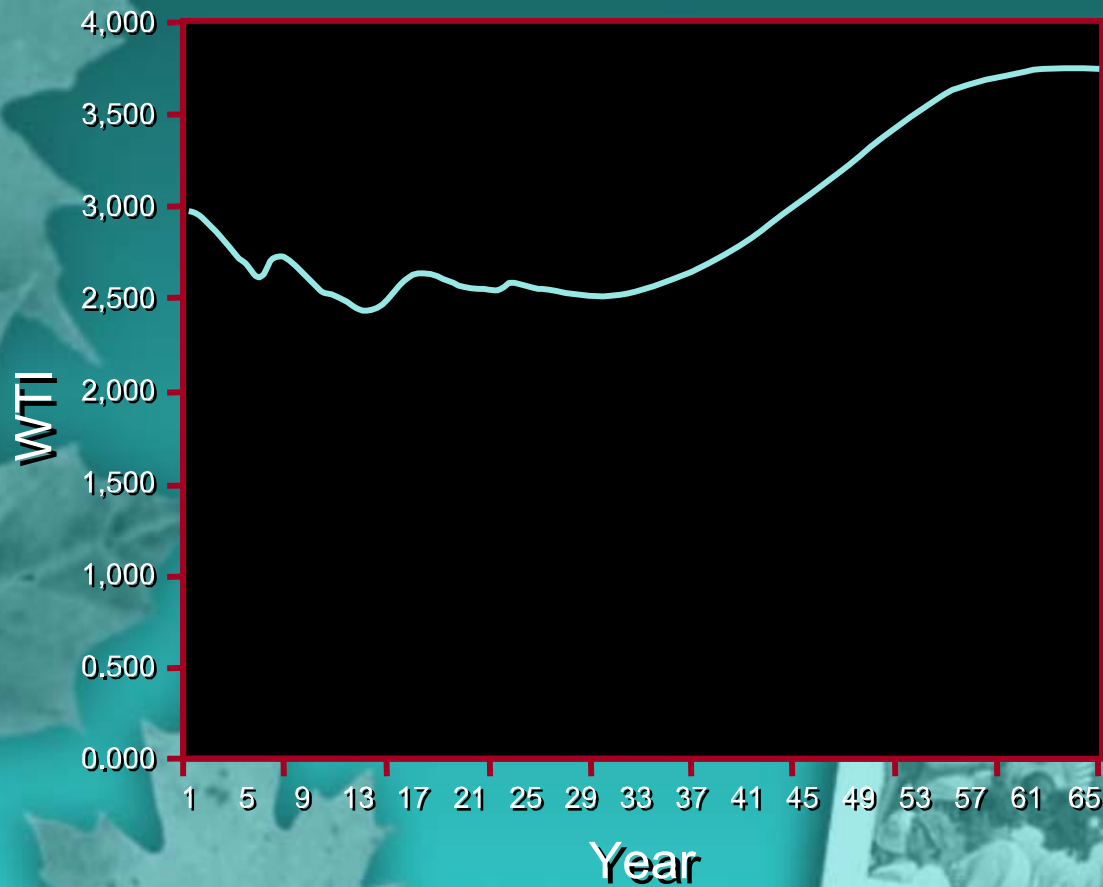
A = Aged, 65 and over

LF = the projected employed Labour Force



Wealth Transfer Index

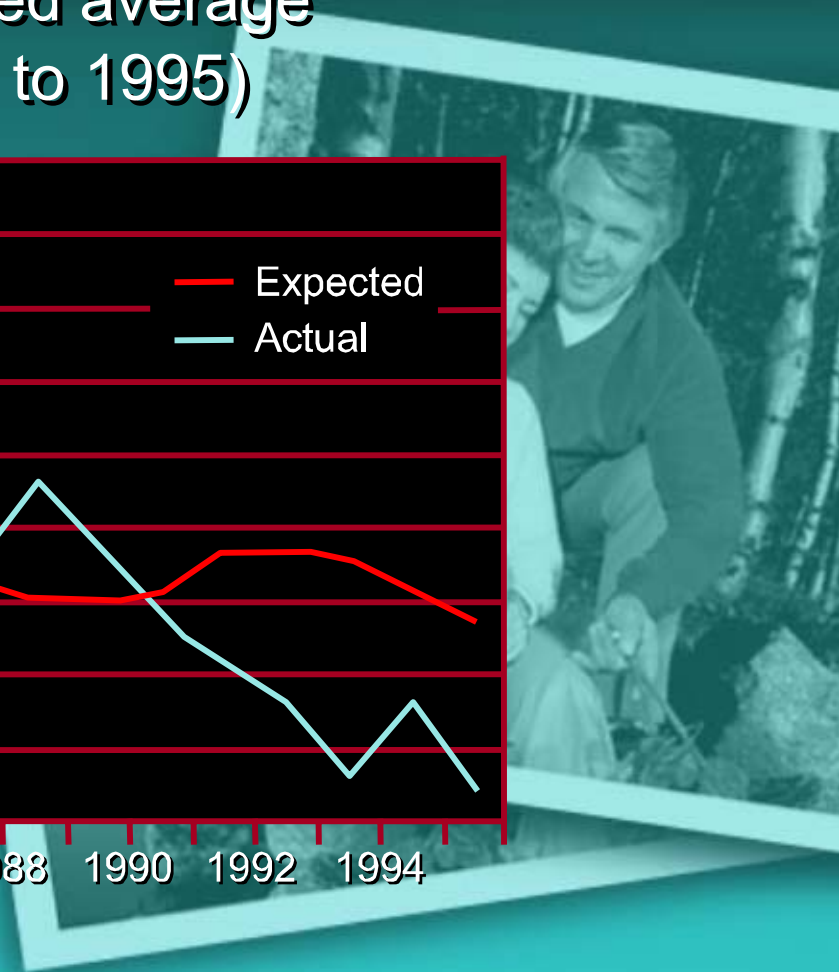
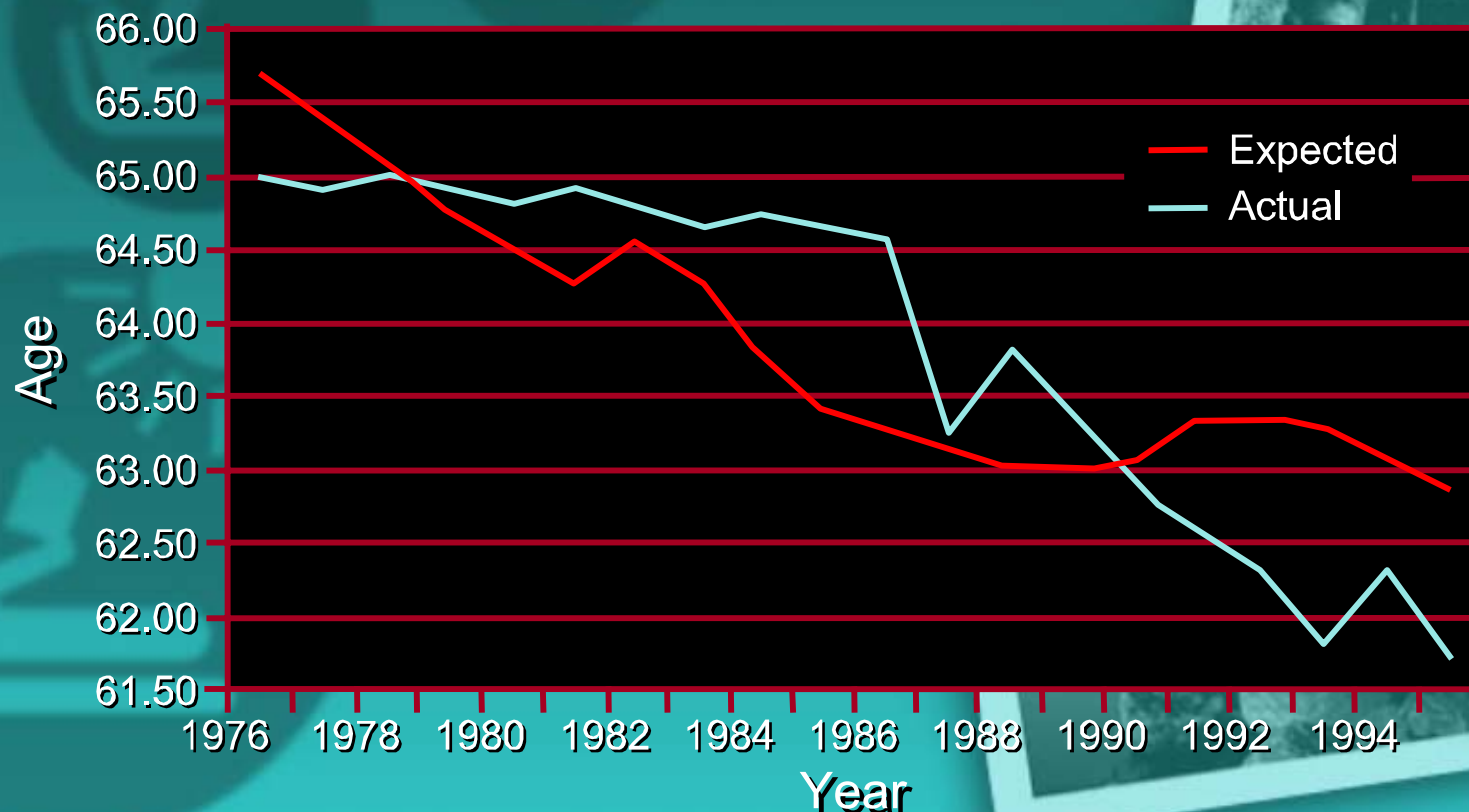
1976 to 2041



Retirement Age

Actual and Expected

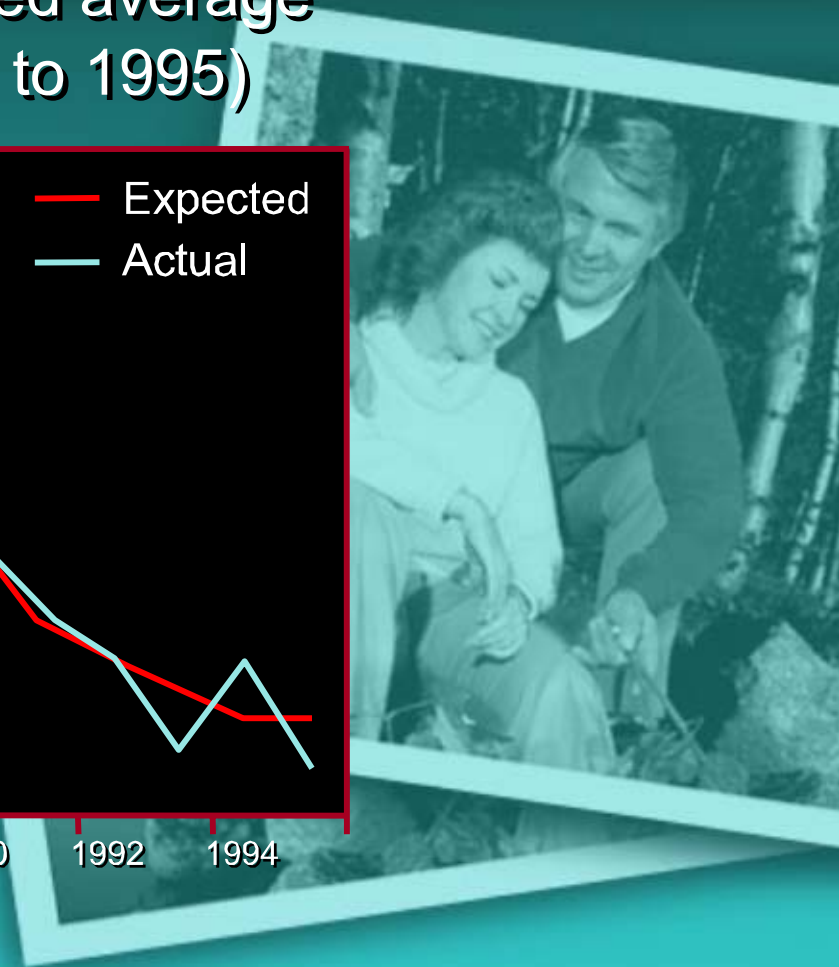
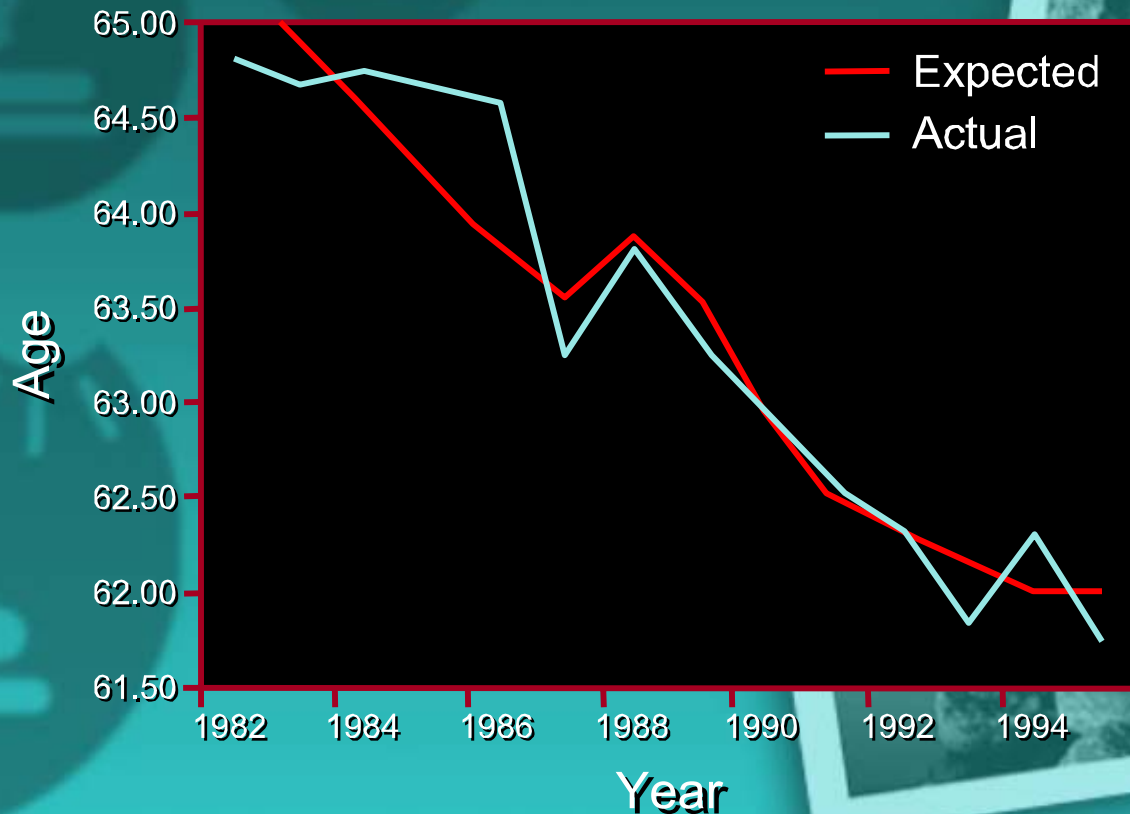
Overlay plots of actual vs predicted average retirement age for Canada (1976 to 1995)



Retirement Age

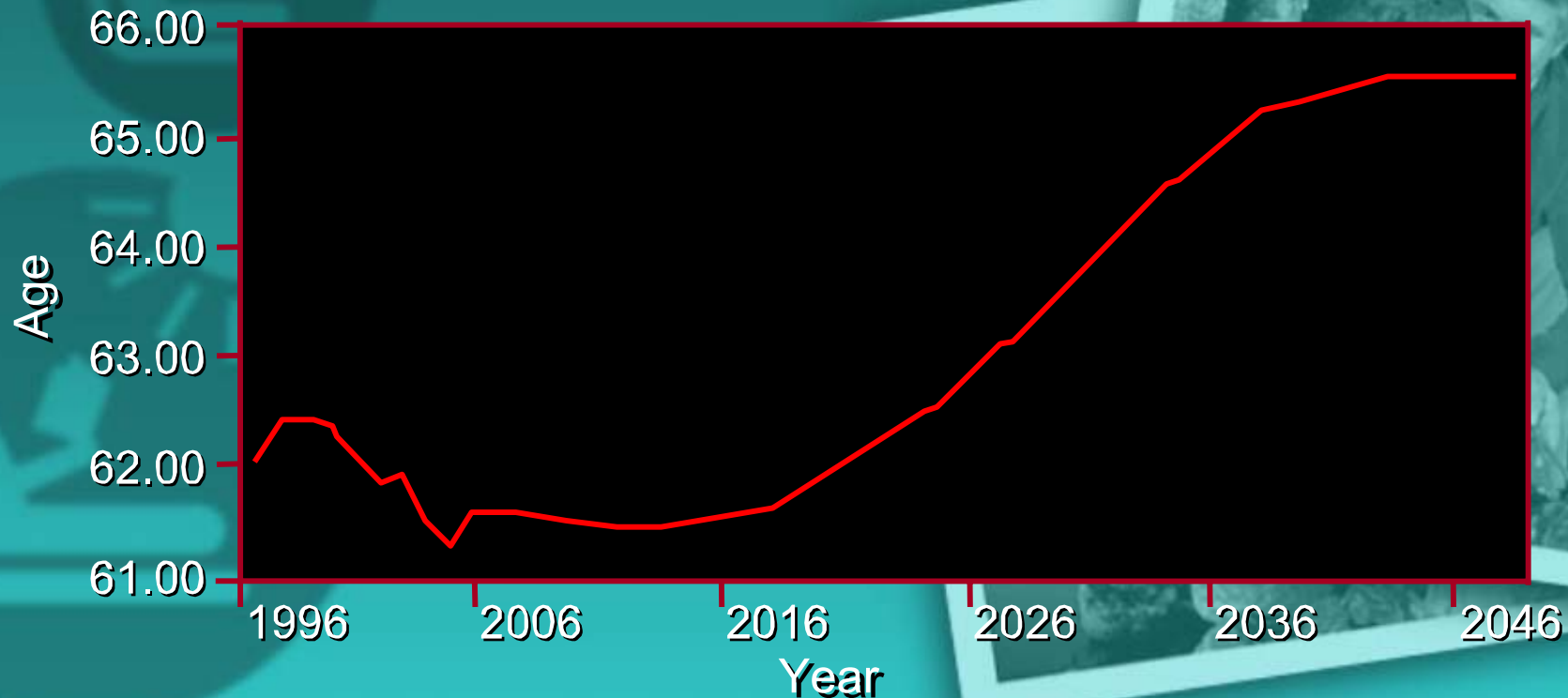
Using Six Year Lag

Overlay plots of actual vs predicted average retirement age for Canada (1982 to 1995)



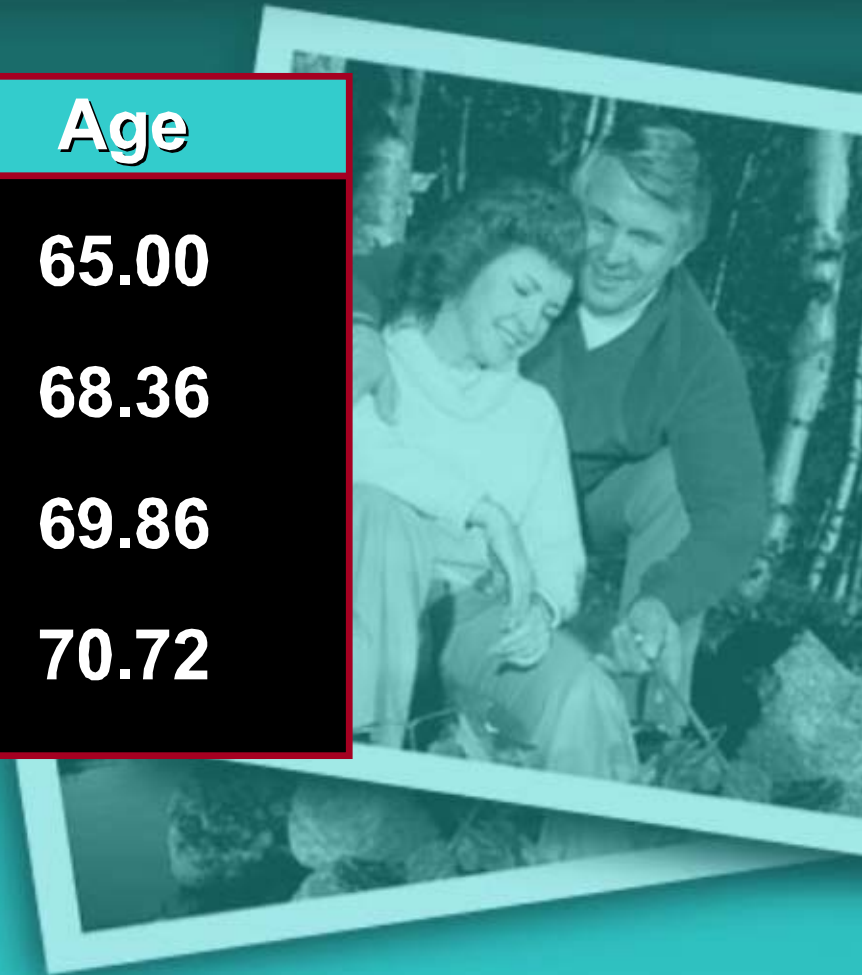
Median Retirement Age in Canada

With Productivity Improvements
of 0.0% pa (1996 to 2047)



Equivalent Age at Retirement in Canada

Year	Age
1966	65.00
1991	68.36
2011	69.86
2031	70.72



Other Countries



- Females from 60-65



- Full pension after 40 years (now 37.5)



- Males from 61-65, Females from 56-60



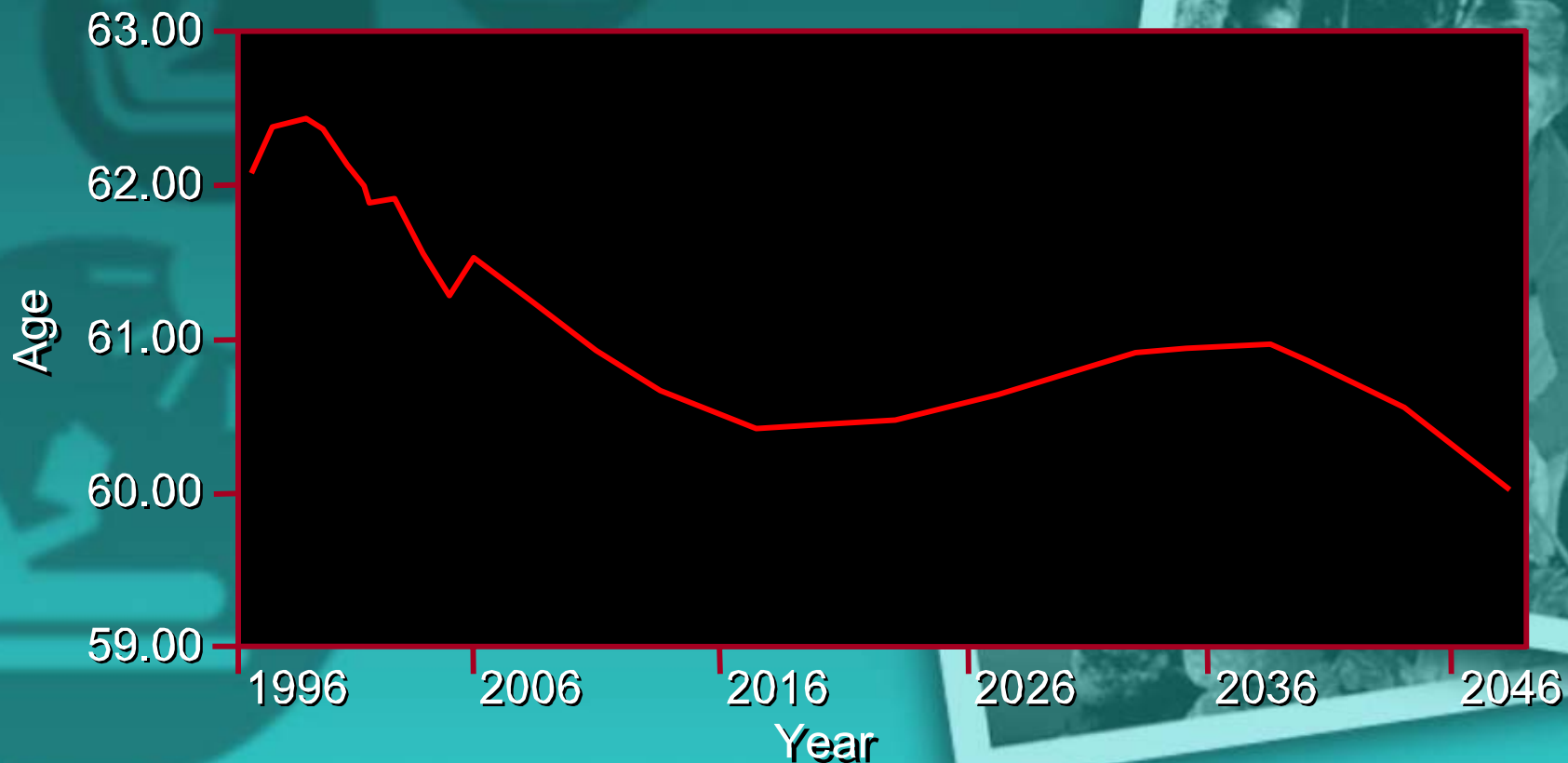
- Males from 60-65, Females from 57-60



- All shift from 65-67
- Females from 60-65

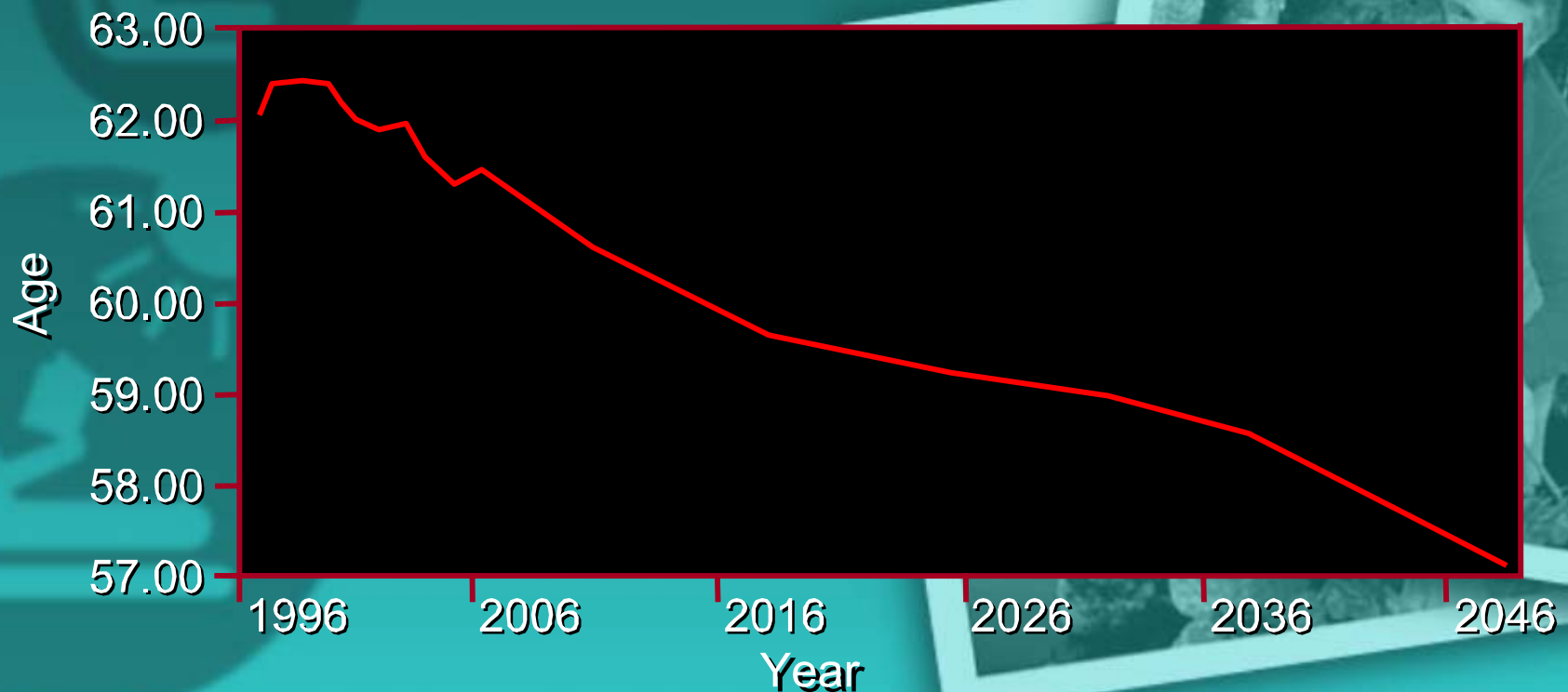
Median Retirement Age in Canada

With Productivity Improvements
of 0.9% pa (1996 to 2047)



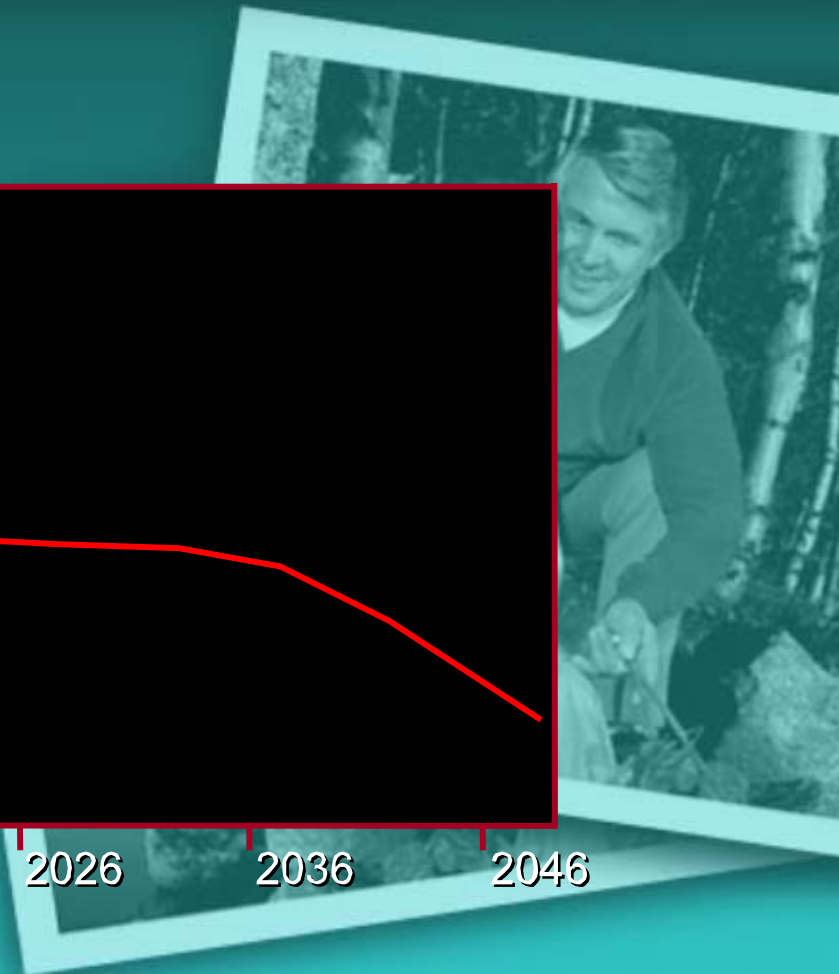
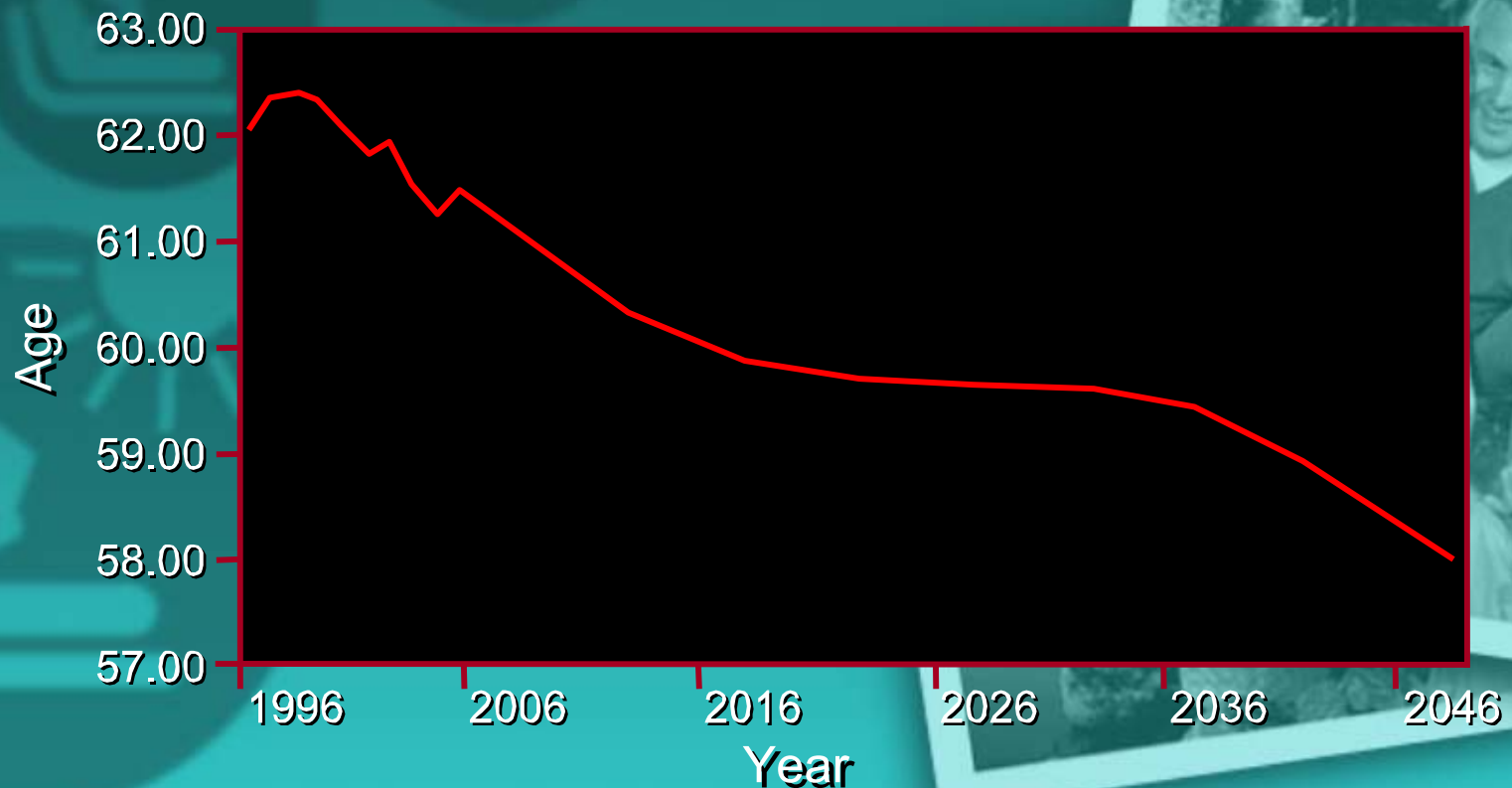
Median Retirement Age in Canada

With Productivity Improvements
of 1.5% pa (1996 to 2047)



Median Retirement Age in Canada

With Productivity Improvements
of 1.29% pa (1996 to 2047)



Market Response to Later Retirement

Workers Bargain For More Favorable Arrangement

May Prefer Flexible Pension to Higher Wages

May Be Against Pension Regs or Income Tax Act

Retirement Is A Multi-Phased Transition

Market Response to Later Retirement

Best Educated Most Likely to Return to Work

Would Prefer Bridge Job With Lifetime E'er

Older Workers Are An Asset

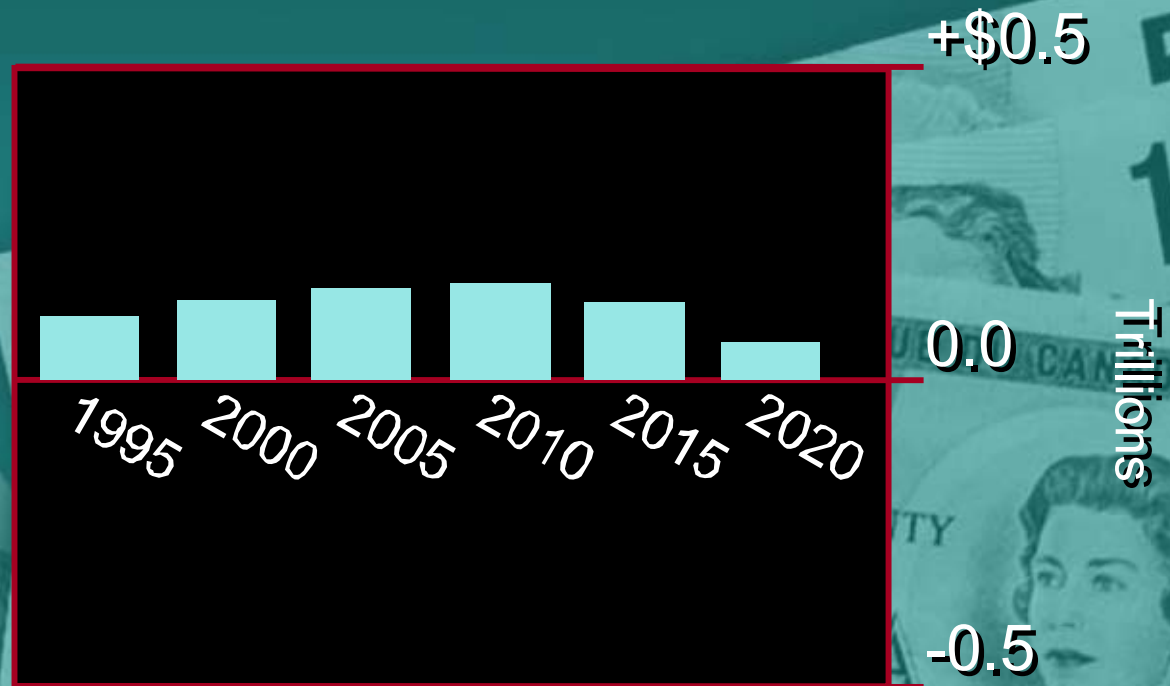
Need More Flexible Systems

Baby Boom Economic Impact

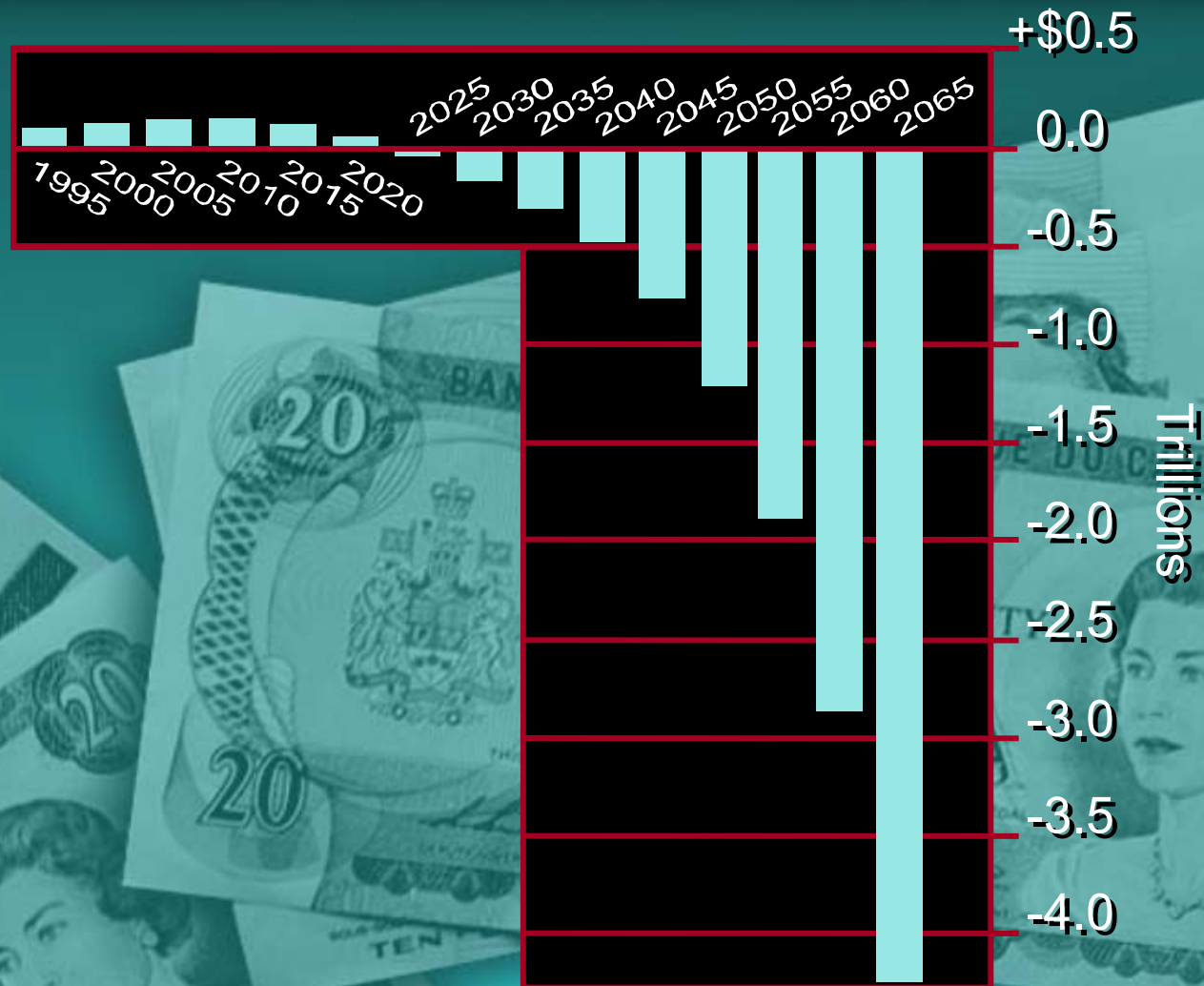
- Improved productivity
- Low real interest rates until 2015
- Incentives for later retirement
- Desire for flexibility with security
- Liquidation after 2015



When Boomers Cash Out



When Boomers Cash Out

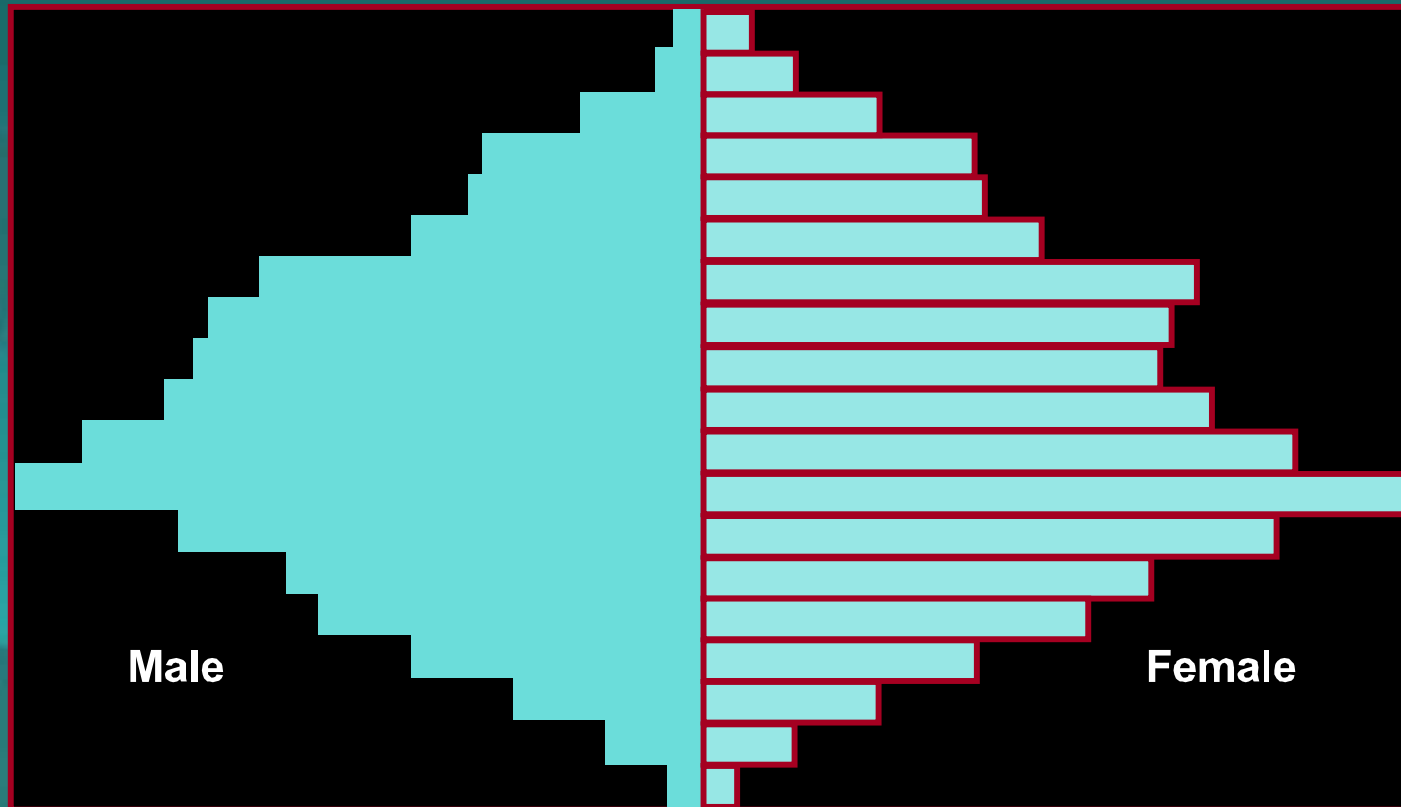


Public Policy Alternatives

- Fertility
- Immigration



Foreign Born, 1991



Public Policy Alternatives

- Fertility
- Immigration
- Economic growth
- Age of entitlement



Innovative Products

- Living benefits
- Registered long-term care
- Flexible pensions
- Reverse mortgages
- Prefer personal control

Silver
in the
Senior Market Place

