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HIGHLIGHTS

- Private pension savings are a major component of the overall assets of Canadian family units. In 1999, these savings accounted for about 29% of the value of all their assets. However, these savings still rank second to the most valuable asset of family units—their principal residence.
- Private pension assets totalled well over an estimated $1 trillion in 1999. They consisted of $604 billion in employer pension plans, as well as $408 billion in registered retirement savings plans and registered retirement income funds.
- An estimated one-third of the family units with a major income recipient aged 45 to 64, and still working, may not be able to replace at least two-thirds of their pre-retirement earnings or to generate an income above a level approximating Statistics Canada's low-income cutoffs.
- More than 1.5 million family units whose highest income recipient is aged 45 or older had no private pension assets in 1999. This represents one-quarter of the family units in that age group. For these family units, the income provided by public pension programs—such as the Old Age Security, Guaranteed Income Supplement, and the Canada and Quebec Pension Plans—is now, or will be, essential.

Survey of Financial Security: Private pension savings, 1999

Private pension savings are a major component of the overall assets of Canadian family units. In 1999, these savings accounted for about 29% of the value of all their assets. However, these savings still rank second to the most valuable asset of family units—their principal residence, which accounted for about 32% of total assets.

Private pension assets totalled well over an estimated $1 trillion in 1999, according to the Survey of Financial Security (SFS), which provides the first comprehensive statistical portrait of the net worth of Canadians, including the value of employer pension plan benefits.

These assets consisted of an estimated $604 billion in employer pension plans, as well as $408 billion in registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs).

These funds will be essential in providing a large part of the income of seniors. However, they also play a major role in financial markets, as they constitute one of the largest pools of investment capital in the country.

Nearly 60% of family units had RRSPs or RRIFs in 1999, with a median value of $20,000. Although fewer family units, about 47%, had assets in employer pension plans, the median value of those assets was a much larger $49,300. (The median is the point at which half of family units with that asset were above this level and half were below.)

The SFS showed that when the value of employer pension plans was added to family assets, the median net worth of Canada's 12.2 million family units increased about 35%—from an estimated $81,000 to $109,200. (Net worth is the total value of all assets less the debt owed.)

For many working families and individuals, the income provided by Canada's public pension system will not be sufficient to allow them to maintain a standard of living similar to the one they had prior to retirement. Many will require private pension assets—most notably from employer pension plans and RRSPs—and other private savings if they are to avoid a disruption in their lifestyle.

These data have been used to tackle the question of which family units—that is, unattached individuals as well as "economic families" with two or more people—might not have saved enough. Saving enough, in this analysis, means that the family unit has sufficient assets to replace a certain percentage of their earnings in retirement or to generate an income that is likely to be above the level of the before-tax low-income cutoff (LICO).

The focus here is on family units who were nearing retirement, those in which the person with the highest pre-tax income was aged between 45 and 64, and was still working at the time of the survey. There were about 3.9 million family units in this age group, of which 2.9 million were still working.

Note to readers

In March 2001, Statistics Canada released the first statistical portrait of the net worth of Canadians since 1984. The 1999 Survey of Financial Security (SFS) collected information on both the value of the financial and non-financial assets owned by each family unit and on the amount of their debt.

However, one important component of net worth was not included in that picture: the value of employer pension plan benefits. Although not an asset in the sense that they can be sold and used for another purpose, these benefits are nonetheless an important part of the net worth of Canadians, as they provide many with at least a portion of their income in retirement. Today's release refines initial estimates of net worth by adding an estimate of the value of benefits accrued in employer pension plans (EPPs). It also looks at the importance of these EPP benefits in relation to total private pension savings.

The methodology for valuing these benefits was defined in consultation with experts in the field. The report describing that methodology, Survey of Financial Security: Methodology for estimating employer pension plans benefits *(13F0026MIE), is available free on Statistics Canada's website (www.statcan.ca).*

The SFS, which covered about 16,000 responding households, collected information on the assets and debts of families and unattached individuals from May to July 1999. It obtained data on the value of all major financial and non-financial assets, and on the money owing on mortgages, vehicles, credit cards, student loans and other debts. The survey was developed with the support of Human Resources Development Canada, Canada Mortgage and Housing Corporation, Industry Canada and the Policy Research Initiative.

Most of the information on assets and debts was collected for the family unit, not for each individual in the family. The term family unit includes both unattached individuals and families of two or more. Families of two or more are referred to as economic families, defined as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption.

With the data from this survey, it was possible to tackle the question of which family units might not have saved enough to replace a certain percentage of their earnings in retirement or to generate an income that is likely to be above the level of the before-tax low-income cutoffs (LICO). LICOs are income thresholds, determined by analysing family expenditure data, below which families are likely to devote a larger share of income to the necessities of food, shelter and clothing than the average family would. This analysis could only be done by making a number of important assumptions that impact on the results. These assumptions are described in detail in Chapter 6 of The assets and debts of Canadians: Focus on private pension savings.

Maintaining standard of living in retirement

The analysis used two scenarios to determine whether an individual or couple had saved enough. The first looked at replacing at least two-thirds of employment earnings in retirement, and the second used a four-fifths replacement rate. The two-thirds income replacement rate was selected on the assumption that, with it, a similar standard of living could be maintained in retirement. The changes to tax legislation in the early 1990s governing contributions to pension plans and RRSPs were guided by the aim of providing a pension equivalent to 60% to 70% of pre-retirement earnings. This analysis will focus on the first scenario.

Limits were placed on the gross retirement income that must be generated, based on the earnings reported for 1998. The upper limit was $60,000 for an individual and $100,000 for a family; the lower limit was the low-income cutoff. Both of these scenarios include, in the income to be replaced, an estimate of the income expected from Old Age Security/Guaranteed Income Supplement (OAS/GIS) and the Canada and Quebec Pension Plans (CPP/QPP).

The assets used for this analysis included not only private pension assets, but also one-half of the equity in the home, equity in other real estate and businesses owned, and other financial and invested assets.

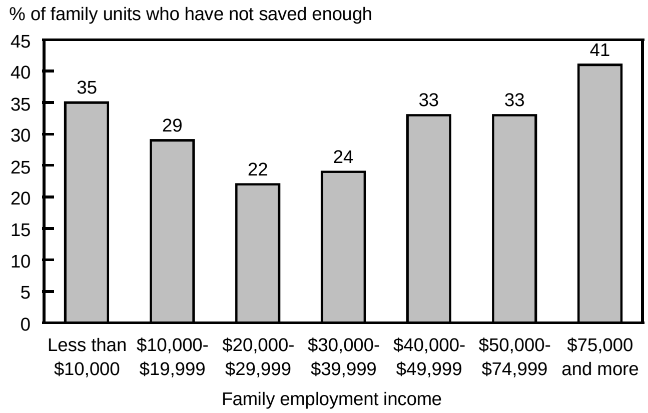
In 1999, close to 1 million family units with a major income recipient aged 45 to 64, and still working, may not have saved enough for retirement. This represents about one-third of the family units in this group (see Table 1).

The amount of income that a family should replace from private sources increases with its pre-retirement earnings. Therefore, it is not surprising that the percentage of family units with high employment incomes, $75,000 or more, that might not be able to replace two-thirds of their earnings is relatively high, at 41%. Family units earning at least $75,000 represent over one-third of all family units that might not have saved enough; their median net worth was $235,300. Those with earnings of $75,000 or more, who appear to have sufficient savings, had a median net worth of $628,400.

In contrast, slightly less than one-quarter of family units with employment income between $20,000 and $40,000 might not be able to replace two-thirds of their earnings. Currently, the income this group will receive from the public pension programs (OAS/GIS and CPP/QPP) will help most of them to maintain a similar standard of living in retirement.

Just over 35% of those with employment income under $10,000 may not have saved enough to generate an income in retirement sufficient to put them above the low-income cutoff. For many in this group, it might not mean a drop in standard of living, but rather the continuation of one that may find them in straitened circumstances.

Among family units with a major income recipient aged 45 to 64, those with lower and higher earnings are least likely to have saved enough for retirement[1]



1 *Saved enough means enough to replace two-thirds of their earnings or to generate an income in retirement that is above the low-income cutoffs.*

This analysis does not attempt to assess the adequacy of the anticipated retirement income. It is important to stress that being able to replace two-thirds of earnings in retirement does not necessarily indicate that the income will be adequate.

Home ownership, occupation make a difference

In addition to employment income, a number of other factors have an impact on the proportion of family units that might not have saved enough for retirement. They include home ownership status, occupation and employment status.

For most Canadians, the principal residence is the most important asset. Not surprisingly, those who do not own their home, or who own it with a mortgage, are in a more difficult situation when it comes to generating sufficient retirement income.

In this analysis, one-half of the equity in the home was considered an asset from which income could be generated in retirement. Just 15% of family units who owned their home without a mortgage did not appear to have saved enough for retirement, compared with 34% of those who owned their home with a mortgage.

The importance of home ownership can be seen in the fact that a very significant 59% of those who did not own their home might not have saved enough to replace two-thirds of their earnings or remain above the LICO—this could affect at least 385,000 family units across Canada.

Family units with a major income recipient employed in the public sector—government or education-related—were most likely to have saved enough for retirement. This can be related to the fact that three-quarters of the people in this occupational group were covered by employer pension plans. A relatively low 19% of these family units did not appear to have sufficient assets.

Family units least likely to replace two-thirds of their income when they retire had major income recipients working in occupations related to processing and manufacturing. About 46% of these family units did not appear to have saved enough.

In addition, 36% of paid workers were likely to face a drop in income of more than one-third of their employment earnings when they retire, compared with only 21% of self-employed.

Alberta and Ontario have highest proportion of family units that may not have saved enough

Alberta and Ontario had the largest proportion of family units aged 45 to 64 in 1999 that might not be able to replace two-thirds of their earnings in retirement. In each of these provinces, about 36% of family units were in this position.

This is consistent with the survey's findings that the higher a family's employment income, the greater the likelihood that it might not have saved enough to replace a certain percentage of their earnings in retirement or to generate an income above the level of the LICO. In 1999, median employment income for family units in Alberta and Ontario was among the highest in Canada.

The Atlantic provinces had lower proportions of family units that might not have saved enough—just over one in four. For the most part these provinces had lower median employment income. The income from OAS/GIS and the CPP/QPP will help many family units in these provinces to maintain their standard of living when they retire.

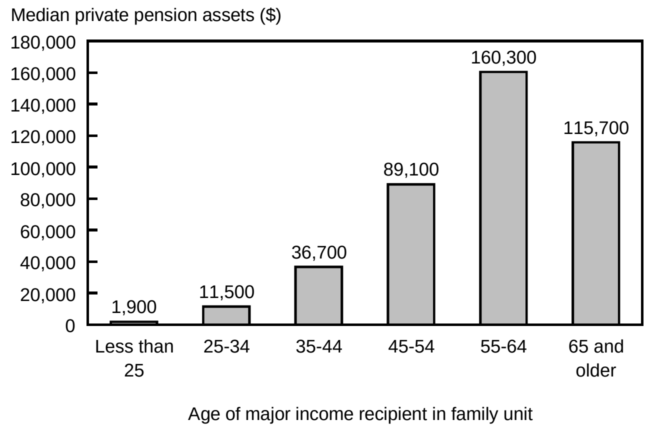
Family units that have pension savings

About 8.7 million family units, or 71% of the total of 12.2 million, had some form of pension assets in 1999, whether they were employer pension plans, RRSPs or RRIFs.

In 1999, the median value of the private pension assets of all family units that had them was $50,000. However, like many assets, this value varies with a number of factors, most notably age, income and occupation.

Pension assets peaked for family units with a major income recipient aged 55 to 64. In 1999, these family units—who would have been approaching retirement or just recently retired—had median pension assets of $160,300. It is not surprising that these families led the way in terms of pension holdings, given that the value of employer pension plan benefits increases with the number of years of membership in the plan. As well, these people have had a longer period in which to accumulate RRSP assets.

Median private pension assets are greatest for family units whose major income recipient is aged 55 to 64



Family units in which a senior aged 65 or over had the highest pre-tax income also had significant private pension assets. Median pension assets for these senior family units was $115,700. Most of the major income recipients in these families were retired, and would already have been drawing on these assets, reducing the amount from a pre-retirement peak.

Private pension assets also represented a much larger share of total assets as the age of the major income recipient increased. For family units with a major income recipient aged 55 to 64, pension assets represented 40% of total assets, by far the most significant component.

On the other hand, pension assets represented only about 20% of the assets of family units with a major income recipient aged 35 to 44. For these families, the home was the most valuable asset, at 38% of total assets.

The amount held in private pension assets also increases as a family's income rises. Almost all families with after-tax family income of $40,000 or more had some pension assets.

The vast majority (91%) of families with a major income recipient employed in the public sector—government occupations or an education-related occupation—had private pension assets. They also had the highest median pension value ($84,400). Almost all public sector employers offer an employer pension plan to their employees.

Families with both employer pension plan assets and RRSP/RRIF assets had significantly higher pension assets than those holding only one or the other.

Private pension assets concentrated in small percentage of family units

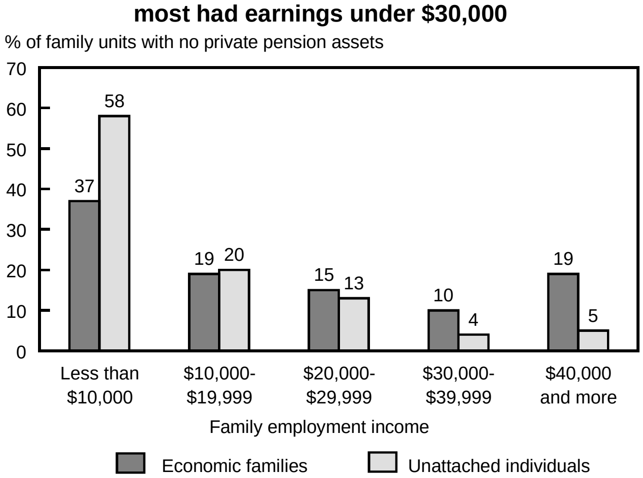
About 25% of family units had $100,000 or more in private pension savings—they held just over 84% of these assets (see Table 2). About one-half of these family units had at least $200,000 in pension assets—and this smaller group alone held close to two-thirds of the total. Private pension assets were therefore concentrated in a relatively small proportion of family units in 1999.

Nearly one-half of the family units in which the major income recipient was aged 55 to 64 had at least $100,000 in private pension assets. This age group also had the lowest percentage of family units with no pension assets (21%).

Family units without pension savings

The SFS estimated that 3.5 million family units, including families and individuals—or almost 29% of the 12.2 million total—had no private pension assets (see Table 3). About half of these family units were unattached individuals, the other half were "economic families".

Among family units with a major income recipient aged 25 to 64 and with no private pension assets, most had earnings under $30,000



The large majority of these family units with no private pension assets had lower incomes from employment. For example, 71% of "economic families" with a major income recipient aged 25 to 64 that had no pension assets reported employment earnings of less than $30,000. About 78% of unattached individuals with no pensions had earnings of less than $20,000.

Even though these families and individuals have little saved privately, public plans—such as the Old Age Security/ Guaranteed Income Supplement (OAS/GIS) program, and the Canada and Quebec Pension Plans (CPP/QPP)—would currently provide most of them with a minimum income in retirement. This income would replace a substantial portion of their pre-retirement earnings.

Family units with no pension assets tend to be younger and not home-owners

Family units with no private pension assets tend to be younger and not home-owners. They also are less likely to have a university education.

More than half (57%) of families with no private pension assets had a major income recipient younger than 45 years of age. Members of these families are still some distance from retirement, so they have a number of years in which to accumulate assets.

However, the major income recipient in the remaining 43% of family units with no private pension assets was at least 45 years of age. There were over 1.5 milllion such families, one-quarter of all family units in that age group. For these family units the income provided by OAS/GIS and CPP/QPP is now, or will be, essential.

Of all family units 65 years and older, 34% had no private pension savings. However, this percentage was twice as high for women (48%) than for men (24%).

As well, 45% of those who had not graduated high school had no private pension savings, compared with 14% of those with at least a university degree.

It is possible that some family units without private pension savings could use other assets, such as their home, to generate an income in retirement. However, 7 out of 10 families with no pension assets also did not own their home.

Occupations in which family units were least likely to have pension assets included sales and services occupations, trades, transportation, and equipment operators.

Net worth rises when pension assets included

In March 2001, the survey released the first statistical portrait of the net worth of Canadians in 15 years. Not included in that portrait was the value of employer pension plan benefits, the largest component of private pension savings.

Without the value of these pension benefits, the estimated median net worth of all family units—that is, both unattached individuals and families of two or more—was $81,000. When the value of employer pension plans was included in their assets, the median net worth increased about 35% to $109,200.

However, the distribution of net worth remained relatively unchanged. Using the revised estimate of net worth, the wealthiest 20% of family units still held the largest percentage of personal wealth, about 68%. This was down slightly from 70% without the value of private pension assets included in the estimate of net worth.

Family units headed by a senior still had the highest median net worth—estimated at $302,900—in part, because many live in their own mortgage-free home. Lone-parent families still had the lowest median net worth—an estimated $17,900 (see Table 4).

However, these figures should not be interpreted to mean that all senior families or lone-parent families had such levels of net worth, nor relative incomes.

The report *The assets and debts of Canadians: Focus on private pension savings* (13-596-XIE) is now available free of charge on Statistics Canada's website (*www.statcan.ca*). Click on "Downloadable publications (free)", followed by Personal finance and household finance". Summary data tables are also available free of charge on the Canadian Statistics webpage: choose "The people", then "Families, households and housing", and then "Assets and debts".

For more information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (1 888 297-7355; 613-951-7355, *income@statcan.ca*), Income Statistics Division.

Table 1. Characteristics of family units that may and may not have saved enough[1]
1999

	Family units with major income recipient aged 45 to 64 who is employed		
	Number of family units	Proportion that may not have saved enough	Proportion that may have saved enough
	'000	%	
All family units	**2,928**	**33**	**67**
Economic families	2,371	30	70
Couple only	769	22	78
Couple with children under 18	687	29	71
Lone-parent families	87	41	59
Other non-elderly families	828	38	62
Unattached individuals	557	46	54
Low-income cutoff			
Below	176	46	54
Above	2,752	33	67
Employment status of major income recipient			
Paid worker	2,387	36	64
Self-employed	540	21	79
Occupation of major income recipient			
Management	418	33	67
Business, finance, administration	444	32	68
Social sciences, education, government	277	19	81
Sales and service	508	39	61
Trades, transportation and equipment operators	513	39	61
Processing, manufacturing and utilities	235	46	54
Other (health, natural and applied sciences, arts and culture, primary industry)	532	25	75
Home ownership status			
Own with mortgage	1,276	34	66
Own without mortgage	997	15	85
Do not own	654	59	41

1 *"Saved enough" means enough to replace two-thirds of their pre-retirement earnings in retirement or to generate an income above the low-income cutoffs.*

Table 2. Size of private pension assets by age of the major income recipient
1999

	Total family units	Value of private pension assets $0	$1–19,999	$20,000–99,999	$100,000–199,999	$200,000 plus
	Number of family units ('000)					
All family units	**12,216**	**3,535**	**2,748**	**2,928**	**1,381**	**1,625**
Under 25 years	724	484	224	x	x	x
25–34 years	2,388	789	1,042	456	x	x
35–44 years	3,017	728	801	1,020	331	138
45–54 years	2,395	458	366	659	431	481
55–64 years	1,459	314	144	292	207	503
65 and older	2,232	762	171	493	336	470
	% of family units					
All family units	**100**	**29**	**22**	**24**	**11**	**13**
Under 25 years	100	67	31	x	x	x
25–34 years	100	33	44	19	x	x
35–44 years	100	24	27	34	11	5
45–54 years	100	19	15	27	18	20
55–64 years	100	21	10	20	14	34
65 and older	100	34	8	22	15	21
	% of private pension assets held					
All family units	**100**	**0**	**2**	**15**	**19**	**64**

x *Confidential data.*

Table 3. Age and income of those with no private pension assets
1999

	Total family units	Family units with no private pension assets	Proportion of those with no pension assets	Proportion of total family units
	'000		%	
All family units	**12,216**	**3,535**	**100**	**29**
Economic families	8,288	1,780	50	21
Elderly families	1,180	262	7	22
Non-elderly families	7,109	1,518	43	21
Couple only	1,852	277	8	15
Couple with children under 18	3,137	615	17	20
Lone-parent families	626	336	10	54
Other non-elderly families	1,493	291	8	19
Unattached individuals	3,927	1,755	50	45
Employment income for the family				
Less than $10,000	4,059	2,075	59	51
$10,000–19,999	1,156	568	16	49
$20,000–29,999	1,122	369	10	33
$30,000–39,999	1,062	197	6	19
$40,000–49,999	1,052	141	4	13
$50,000–74,999	1,857	126	4	7
$75,000+	1,908	58	2	3

□

Table 4. Net worth of different family types
1999

	Number of family units		Net worth		
			Aggregate	Average	Median
	'000	%	$ '000,000	$	
All family units	**12,216**	**100**	**3,045,134**	**249,000**	**109,200**
Economic families	8,288	68	2,559,676	308,800	159,000
Elderly families	1,180	10	518,396	439,400	302,900
Non-elderly families	7,109	58	2,041,280	287,100	138,600
Couple only	1,852	15	653,702	352,900	170,700
Couple with children under 18	3,137	26	803,977	256,300	129,000
Lone parent families	626	5	57,036	91,100	17,900
Other non-elderly families	1,493	12	526,565	352,600	211,800
Unattached individuals	3,927	32	485,458	123,600	31,800
Males	1,902	15	216,985	114,100	21,800
Under 65	1,635	13	143,925	88,000	15,600
65 and over	267	2	73,060	273,800	170,800
Females	2,026	16	268,437	132,500	43,500
Under 65	1,240	10	117,738	94,900	14,200
65 and over	785	6	150,735	192,000	108,600

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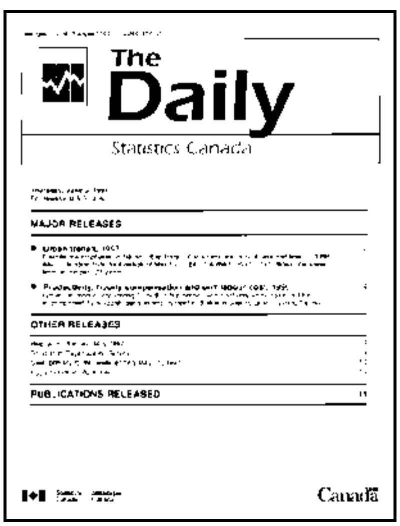
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RELEASE DATES: DECEMBER 17 TO 21

(Release dates are subject to change.)

Release date	Title	Reference period
17	**Composite Index**	November 2001
17	**Multifactor productivity**	2000
18	**Monthly Survey of Manufacturing**	October 2001
18	**Travel between Canada and other countries**	October 2001
18	**Crime comparisons between Canada and the United States**	2000
19	**Wholesale trade**	October 2001
19	**Canadian international merchandise trade**	October 2001
20	**Consumer Price Index**	November 2001
20	**Retail trade**	October 2001
20	**Employment Insurance**	October 2001
21	**Employment, earnings and hours**	October 2001
21	**Canada’s international transactions in securities**	October 2001
21	**Labour productivity, hourly compensation and unit labour cost**	Third quarter 2000