

Visit **Benefits and Pensions Monitor** magazine online at: <http://www.bpmmagazine.com>

---

## Employees Need Help To Save

By: Priscilla Healy

Mandatory **retirement** at age 65 may have ended last December, but there is a fly in the ointment.

Remember those 1980s' TV commercials about **retiring** at age 55? Today, it's more like **retiring** at age 75, inspired by busted bubbles of **investments** and interest rates that are great for borrowers, but terrible for **investors**.

Canadians are taking a good look at their **retirement** plans and, specifically, their **pension plans**. Many are finding the question is: 'Can we afford to **retire** at all?' Today, if you are not a union member or a government employee, you probably do not have a **Defined Benefit pension** plan. Only 27 per cent of private sector workers, including unionized employees, have access to a **pension plan** of any kind.

Without a company or union plan, Canadians must rely entirely on their personal RRSPs (for tax deferred savings) as well as their additional savings and **investments** to build their **retirement** nest eggs. More often than not, the problem is that people are not informed about **investing** and need professional help.

Based on my more than 30 years of helping organizations structure their **pension plans** effectively, there are several steps employers, governments, and individuals can take, jointly, to make the **retirement** picture brighter.

### What Employers Can Do

Even employers with no pension plans can provide financial planning services. It is never too early for younger employees to do basic financial planning. They can be helped to understand compounding, different kinds of investments and educated to ask about fees and charges.

In addition, younger employees need to understand that financial well-being depends on a whole range of factors – career, spouse, children's education, inheritances, and so on. And they can learn about risk tolerance, the rewards of higher risk, and how to strike a balance that matches their own circumstances.

Here is the sad truth, most people don't save enough on their own. They are busy, and life throws curve balls at them. People die, disabilities happen, jobs are lost, marriages break down, adult children return home, and elderly parents need help. All of these events tend to happen to people in their 50s. None are foreseeable, yet one or all can happen to anyone. And all can erode or preclude savings.

However, there are feasible ideas.

One suggestion I like came from federal Liberal leader Stéphane Dion during the leadership race. He proposed a voluntary tax-sheltered savings vehicle with contributions from employees or the self-employed, including Canadians who temporarily have little or no income such as parents living in their children's homes or contract employees between assignments.

The contributions would be invested by an arm's length agency, such as the CPP Investment Board, in a fully diversified portfolio with full portability and minimal administrative costs and uncertainties.

The combined savings of all participants would give this fund the strength and investment clout we see today in the giant pension and government employee funds. And portability means changing jobs, or moving between consulting contracts, does not force contributors to take major re-investment actions.

Employers and employees could arrange payroll deductions. The self-employed could set up automatic bank transfers when they've got income and reduce or suspend the contributions during lean times.

Dion's proposal – and variations on it – are worth further examination.

Above all, we need to abandon our obsession with DB pension plans and brainstorm from the vantage point of where we are, not where we were. The reality is that company pension plans are disappearing. Nothing is going to bring about a resurgence of employer-sponsored DB plans any time soon. All we can do is stop the bleeding.

Employers can also choose to help their employees save through a Capital Accumulation Plan, different from a conventional pension plan. However, Capital Accumulation Plans are not perfect. One problem is that employees tend to remain with their initial choices as their personal circumstances change and even investment education is unlikely to budge them. This is notwithstanding the efforts of some employers and financial advisors to provide information in easily accessible formats.

We need practical and easy-to-implement solutions to let people save for their retirement and retire in comfort and dignity. Business leaders, governments, and individuals who become educated about financial planning can, and must, start to work together. ■

Priscilla Healy heads the pensions law group at Pallett Valo LLP