2015 Retirement Study

DREAMS and REALITY

HomEquity Bank®

In a first-of-its-kind study HomEquity Bank has asked Canadians about their hopes and plans for retirement. The goal is to compare Canadians' financial expectations for retirement with their financial reality once they finish working.

An online survey conducted by the consulting and research firm, The Brondesbury Group, in February 2015 collected input from 1001 Canadians over the age of 55. 664 were retired, 337 were pre-retired. The pre-retired group was split between those actively planning for retirement and those who were not. All of the participants were current or former homeowners.

The survey used two parallel questionnaires, one for each group.

Foreword by HomEquity Bank

When most of us dream of retirement, we imagine ourselves in our homes — sharing a meal with family, or just relaxing in a comfortable spot.

But retirement can also bring financial strain. Seniors often face the challenge of managing with less cash flow than they anticipated or coping with unforeseen expenses. At HomEquity Bank we understand. We are the only bank dedicated to empowering older Canadian homeowners with smart, simple ways to use the value of their homes during retirement.

Many current research studies and media stories explore financial issues and concerns during and leading up to retirement. These are commonly centered on how financially prepared or ill-prepared Canadians are heading into retirement. There are very few stories, if any, that examine the financial "dream and reality" of retirement. Do Canadians have realistic expectations? How do we adapt? Our research study looks to answer these questions, and more, as we examine the trends of those preparing for retirement, and those who are living it.

We hope that the findings of the research help to paint a complete picture of retirement. We know at HomEquity Bank retirement isn't about just finances – It's also about your home, family and friends, community, and a new stage of life.

Steven Ranson,

President and
Chief Executive Officer

About HomEquity Bank

HomEquity Bank is the only national provider of reverse mortgages to homeowners age 55 and over, Canada's fastest growing demographic segment.

HomEquity Bank originates and administers Canada's largest portfolio of reverse mortgages under the CHIP Reverse Mortgage and Income Advantage brands. HomEquity Bank has been the main underwriter of reverse mortgages in Canada since its predecessor, Canadian Home Income Plan, pioneered the concept in 1986.

The products are available directly from HomEquity Bank and through Canada's major banks and credit unions as well as through many financial planners and mortgage brokers.

Learn more about our products

CHIP™ Reverse Mortgage	Income Advantage™
Keep your home	Provide additional income
No payments	Preserve investment portfolio
Relieve financial stress	Lower your tax liability long term*
Enjoy retirement	
Take control	

*Always consult your accountant or financial advisor.

HomEquity Bank®

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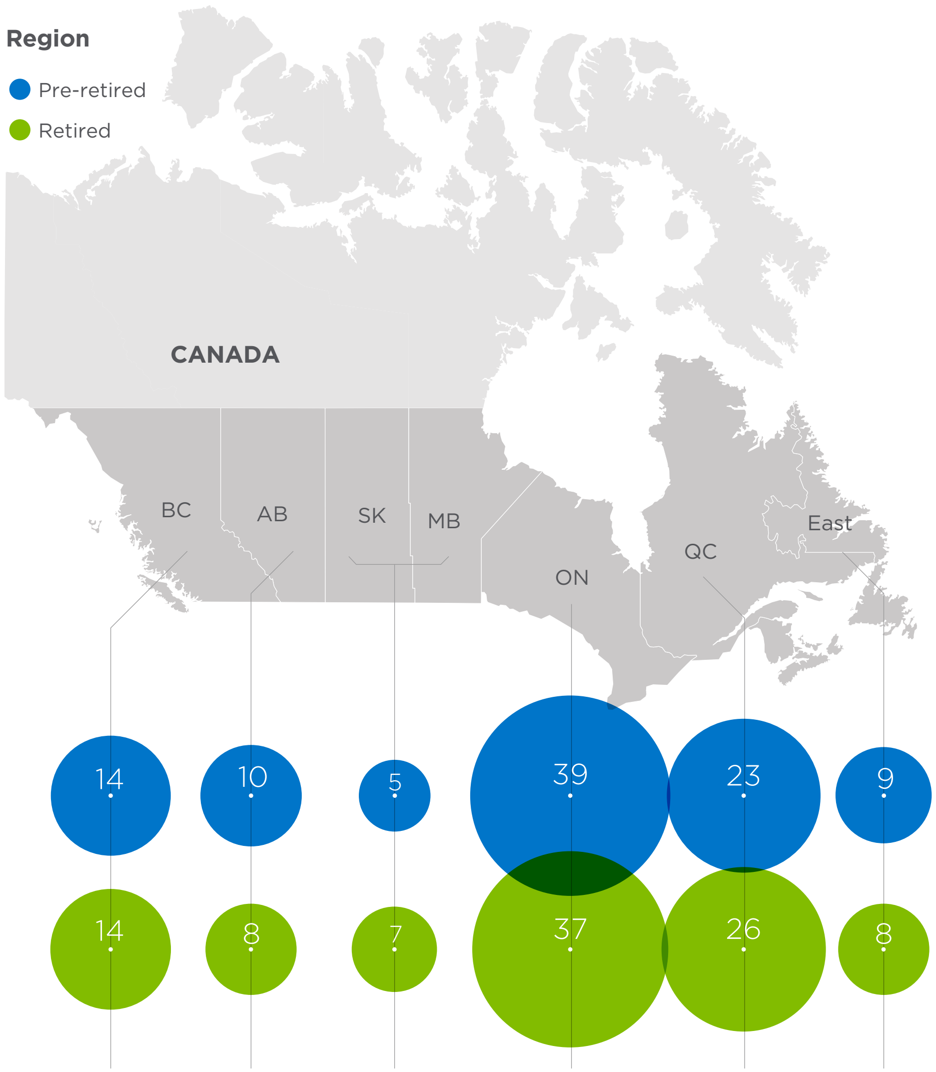
Key Findings

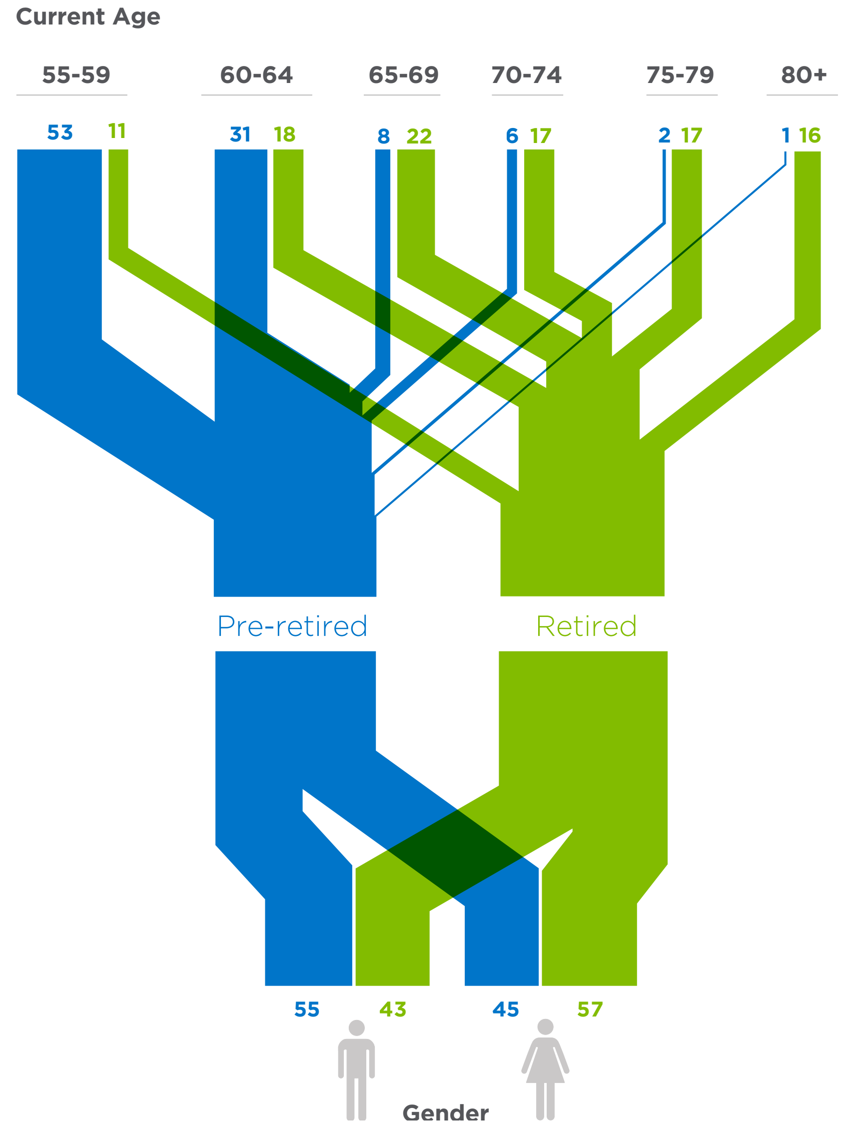
The HomEquity Bank 2015 Retirement Study reveals several interesting findings that could raise serious questions about Canadians' preparation for retirement.

The survey suggests:

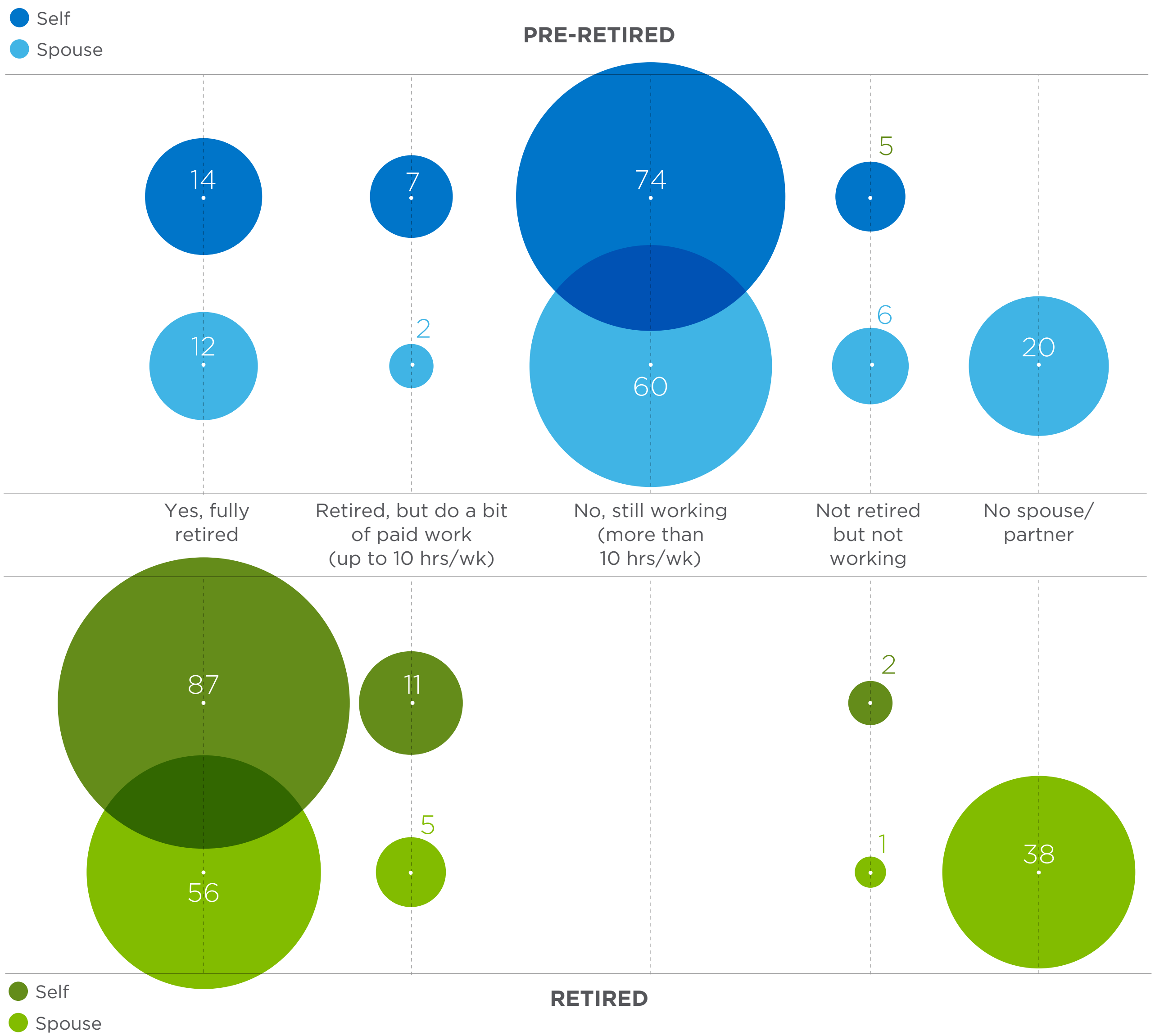
1. Almost 30% of Canadians who are nearing retirement have $50,000, or less, in savings.
2. Nearly 70% of Canadians nearing retirement are still carrying debt. And there is strong evidence people are underestimating the amount of their debt.
3. Pre-retired Canadians have realistic expectations about the costs of living in retirement. 2 out of 10 respondents expect their savings and investments to run out in 5 years while almost 3 out of 10 respondents feel they definitely, or probably, do not have enough money to fund their retirement.
4. Nearly 60% of retired Canadians say staying in their home is critical to their quality of life.
5. Less than 30% of retired Canadians are willing to move to a less expensive city or town to generate income.
6. Just 35% of those nearing retirement plan to use the value of their home to generate retirement income.

Respondent Demographics
(Unweighted)



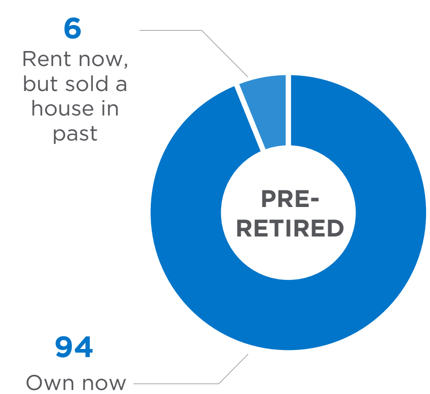


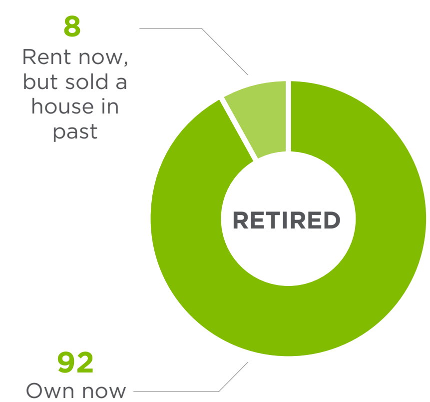
Respondent Retirement and Working Status



If either spouse is still working the household is considered 'Pre-retired'.

Home Ownership





Sources of Retirement Income

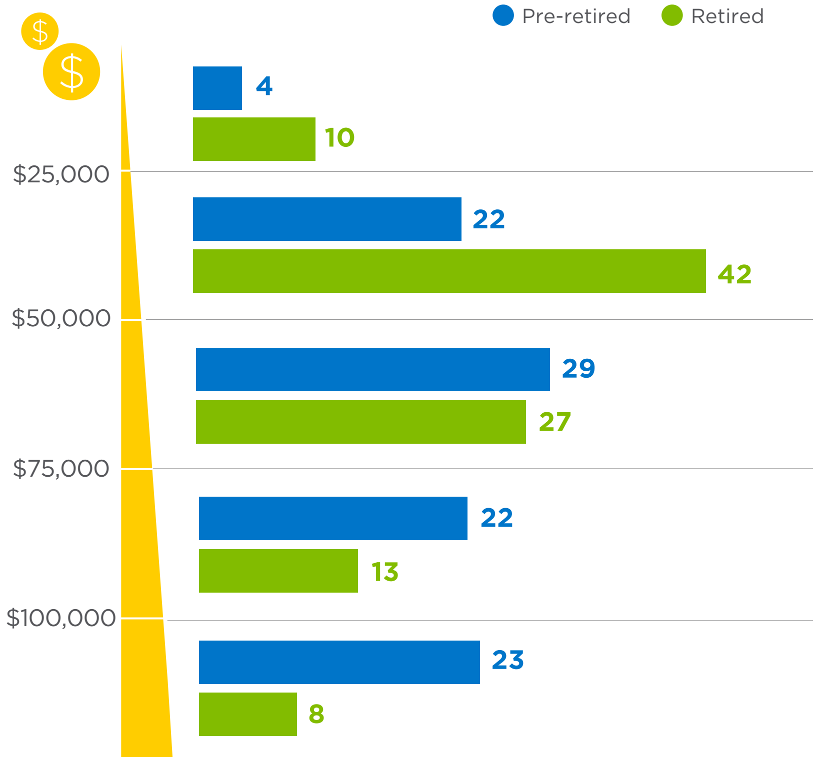
More than half of the people who responded to the HomEquity Bank 2015 Retirement Study have a company pension. But the number of pre-retired with a pension is 55%, which is notably lower than those already retired, at 65%. The pre-retired, though, appear to understand that corporate pensions are not what they once were and have opted to put money into RRSPs or similar retirement savings. Seventy-six percent of the pre-retired respondents have RRSPs while just 51% of the retired are using the plans.

It is interesting to note that 65% of the pre-retired respondents plan to use savings outside of an RRSP or RRIF (unsheltered savings) for their retirement, while on the retired side, 53% are using this type of savings as retirement income. This suggests the pre-retired may be over estimating their ability to accumulate unsheltered savings and may have to alter their lifestyle in retirement or rely on other sources.

By far the most common source of retirement income is government pension plans like CPP, QPP, OAS or GAINS. Ninety-four percent of pre-retired respondents expect to use these plans while 89% of the retired respondents are using them.

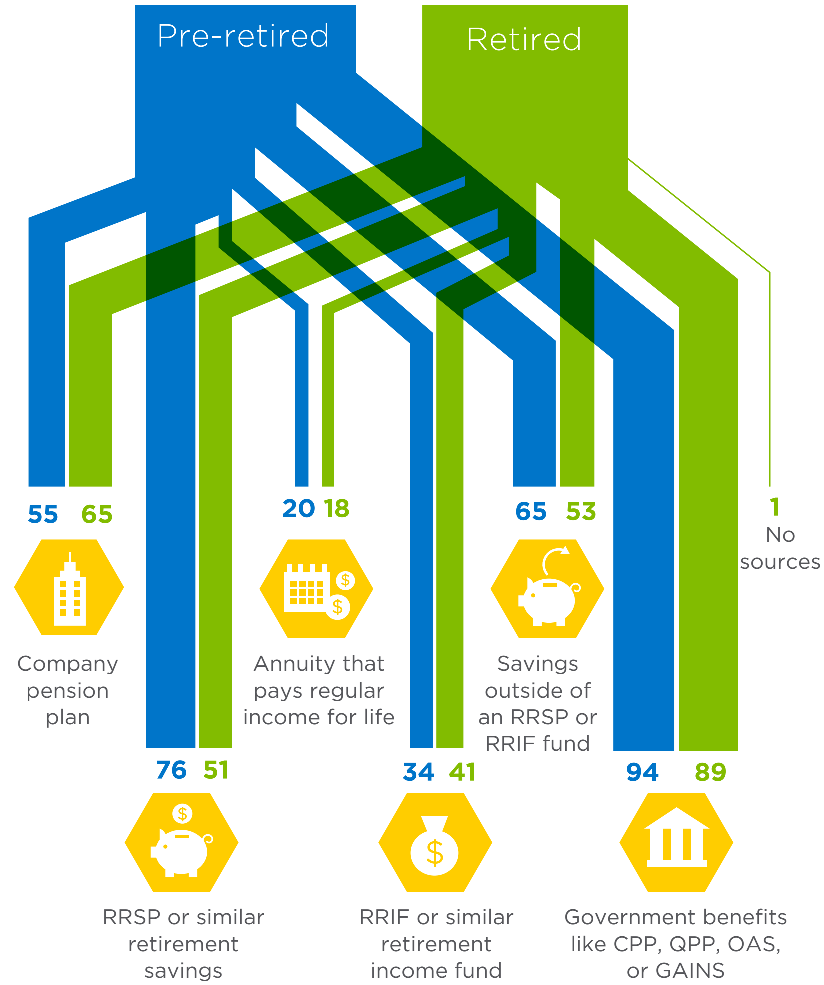
Other sources of retirement income include annuities and RRIFs. It should be pointed out that the numbers presented for retirement products are not straightforward. Some of the products can change over time, as with RRSPs which must be converted to RRIFs at age 71. While some company pensions convert to payout annuities. Situations with one spouse working and the other retired also add variables.

Household Pre-Tax Income



Sources of Income
(actual vs. expected)

Differences between the Pre-retired and Retired suggest that people may overestimate their ability to accumulate unsheltered savings.



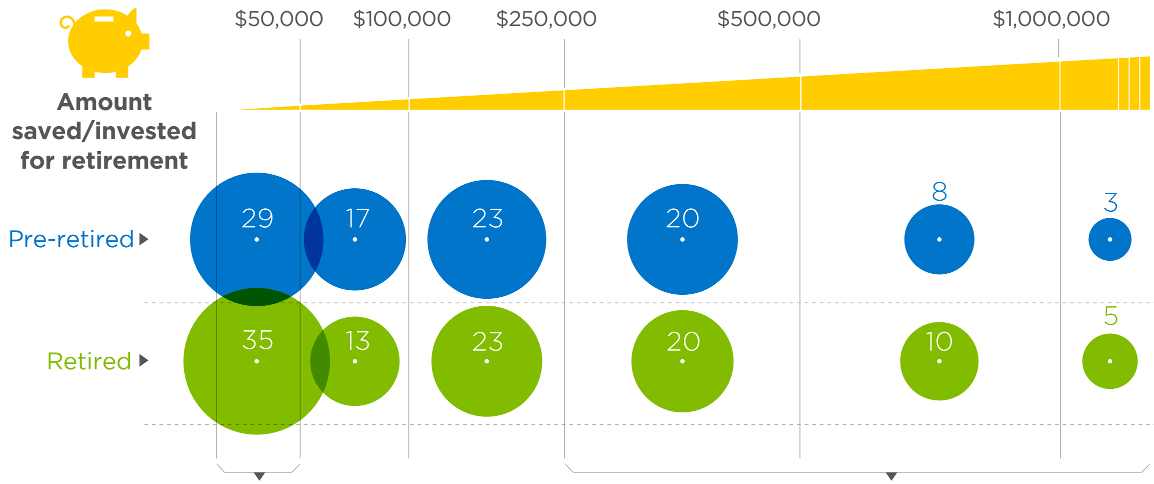
Savings, Expenses & Expectations

The HomEquity Bank 2015 Retirement Study indicates that the bottom third of respondents, 29% for Pre-retired and 35% for Retired, have less than $50,000 in savings and investments for their retirement. At the other end of the spectrum, the top third of respondents have $250,000 or more in savings and investments.

Remarkably, the survey finds that the pre-retired appear to have very realistic expectations when it comes to the cost of living in retirement. Forty-eight percent estimate it will cost between $20,000 and $50,000 a year to live once they are done working. That is supported by 47% of retirees who report living within that range. The correlation is similar through all of the expense ranges presented in the study. Just 1% of retirees found themselves spending more than $100,000 a year. This does not mean that the expectations of the pre-retired will keep pace with inflation. It does

Savings

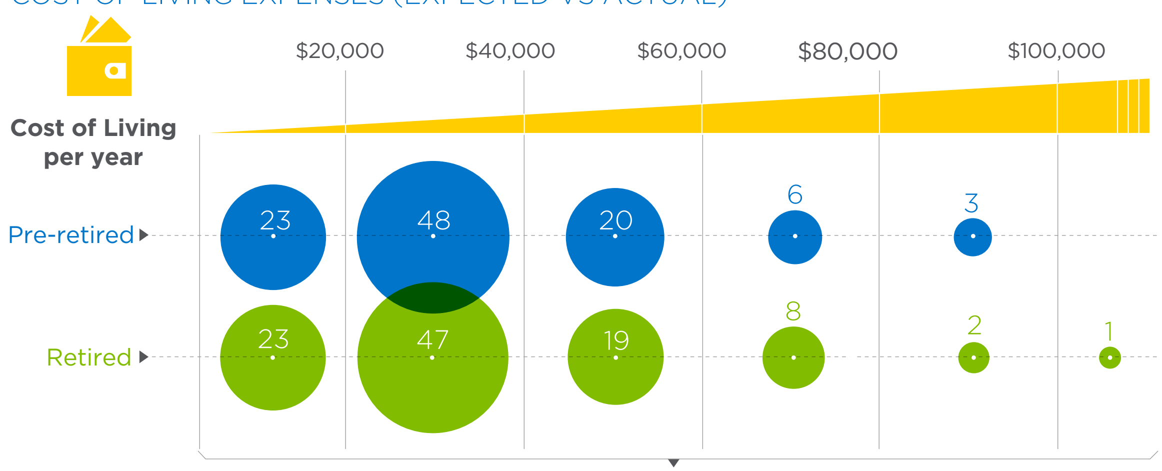
AMOUNT SAVED



The bottom third of respondents have less than $50,000 saved or invested for retirement.

The top third of respondents have $250,000 or more.

COST OF LIVING EXPENSES (EXPECTED VS ACTUAL)



There is good understanding of current costs in retirement, what things will cost in the future and what retired respondents are spending to meet expenses.

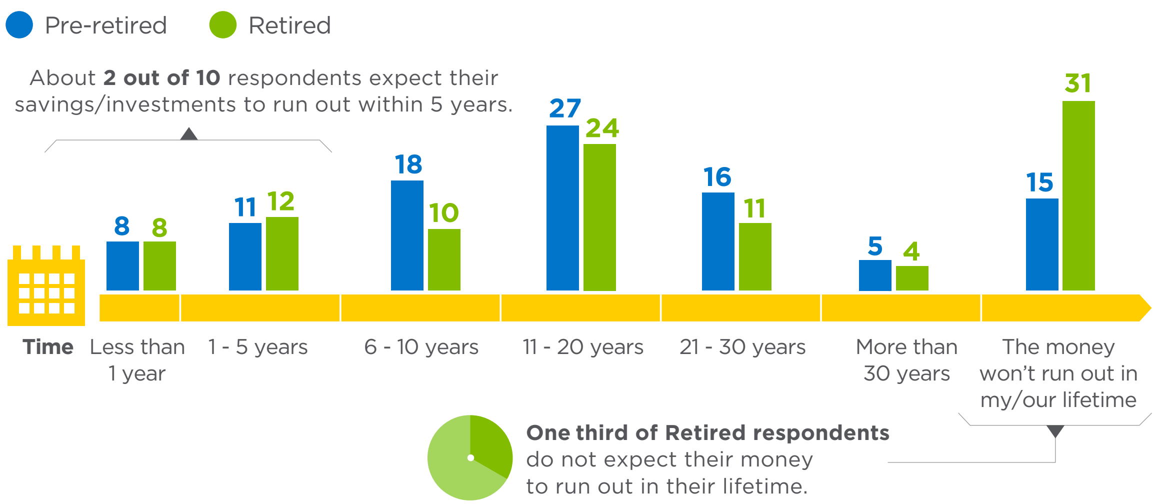
suggest that retired people adjust their spending to compensate for inflation.

The HomEquity Bank 2015 Retirement Study also finds that having enough money to last a lifetime is not a commonly held belief, and it is shrinking. About one third of the retired respondents expect that their money will last until they die. For the pre-retired the number is about half that. About 15% expect to have enough money to last all of their days.

A, perhaps troubling, finding in the survey is that about 20% of respondents – both retired and working – expect to run out of money in 5 years or less.

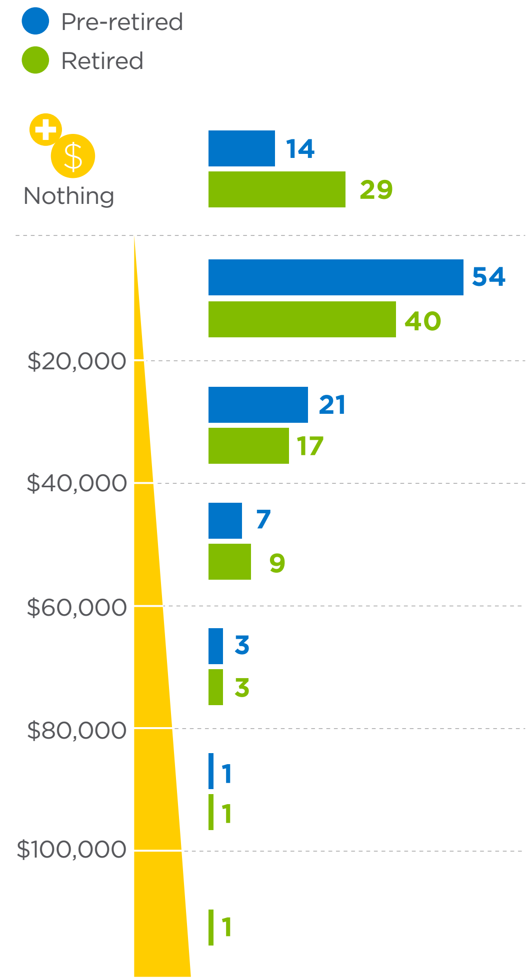
At the same time, 54% of retirees expect their money will last up to 20 years, while for pre-retirees it is 64%. In fact, if someone retires at age 60 there is a better than even chance their money will run out before they turn 80.

How Long Will Savings/investments Last: Expected Vs Actual



Additional Income* Drawn Each Year

(Expected vs Actual)



*Additionall income includes savings, investments, company pension payments

Borrowing & Debt

The HomEquity Bank 2015 Retirement Study also examines the portion of Canadians who feel they are in a position to have an adequate retirement. A key component of that examination is an evaluation of debt.

Responses to the HomEquity Bank 2015 Retirement Study suggest that half of retired Canadians, and up to 68% of pre-retired Canadians are carrying debt. The most common type of that debt, for both groups, is personal and home equity lines of credit. Of the retired respondents, 31% have a line of credit. It is 44% for the pre-retired.

This is striking compared to the next biggest component of debt: a mortgage. Seventeen percent of retired respondents reported they are servicing a mortgage while 35% of pre-retirees are still paying for their home. The same proportion of pre-retirees (35%) is also carrying, expensive, credit card balances that are not getting paid-off every month. Twenty-one percent of retirees are maintaining credit card debt.

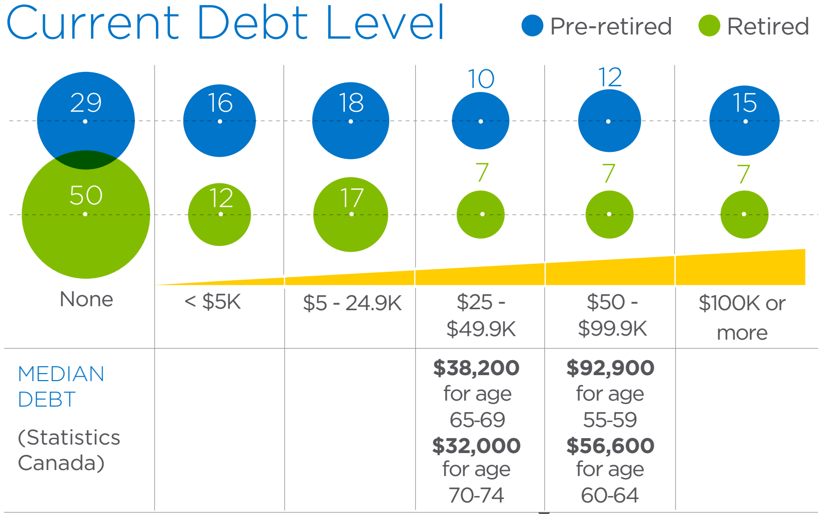
The study also suggests 18% of pre-retired and 12% of retired Canadians have a personal loan, while 51% percent of the retired and 32% of those still working are not carrying any debt.

While the HomEquity Bank 2015 Retirement Study indicates that most Canadians over 55 years old are aware of their debt it also reveals there could be a striking disconnect between what they think they owe and their actual indebtedness.

For the 68% of pre-retired respondents who reported debt, the median amount is a little more than $25,000. Twenty-seven percent of the group say they owe $50,000 or more.

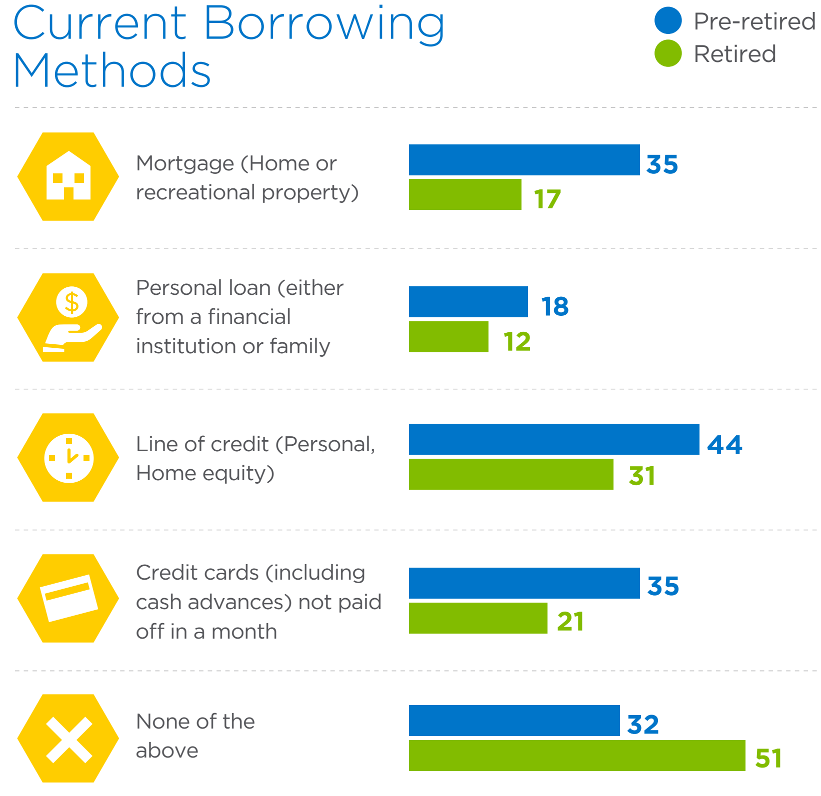
This is markedly out of line with Statistics Canada’s analysis of borrowing. Statistics Canada figures from the 2012 Survey of Financial Security show that Canadian families that fall into the pre-retirement years from ages 55 to 59 have a median debt of more than $92,000. Families in the 60 to 64 years of age range have a median debt of nearly $57,000.

Current Debt Level



Statistics Canada reports on borrowing make it unlikely that debt is reported accurately here. People clearly overlook some types of debt and underestimate their total indebtedness

Current Borrowing Methods



As noted earlier 50% of retired respondents reported carrying debt. For half of this group the median amount owed is about $20,000. Just 14% of the group say they owe $50,000 or more.

These numbers are closer to the Statistics Canada figures but there is still a noticeable discrepancy. Statistics Canada reports that families in the 65 to 69 age group have a median debt of just over $38,000 while those in the 70 to 74 age bracket have a median debt of $32,000.

Paying Off Debt

Despite this apparent disparity between real and perceived debt loads, about half of the households that took part in the HomEquity Bank 2015 Retirement Study are not worried about paying off what they owe.

In the retired group 53% say they are not worried. Among those still working 45% say they are not worried. Conversely, 21% of retired respondents and 30% of the pre-retired say they are worried. The rest – 25% in each category – fall somewhere in between.

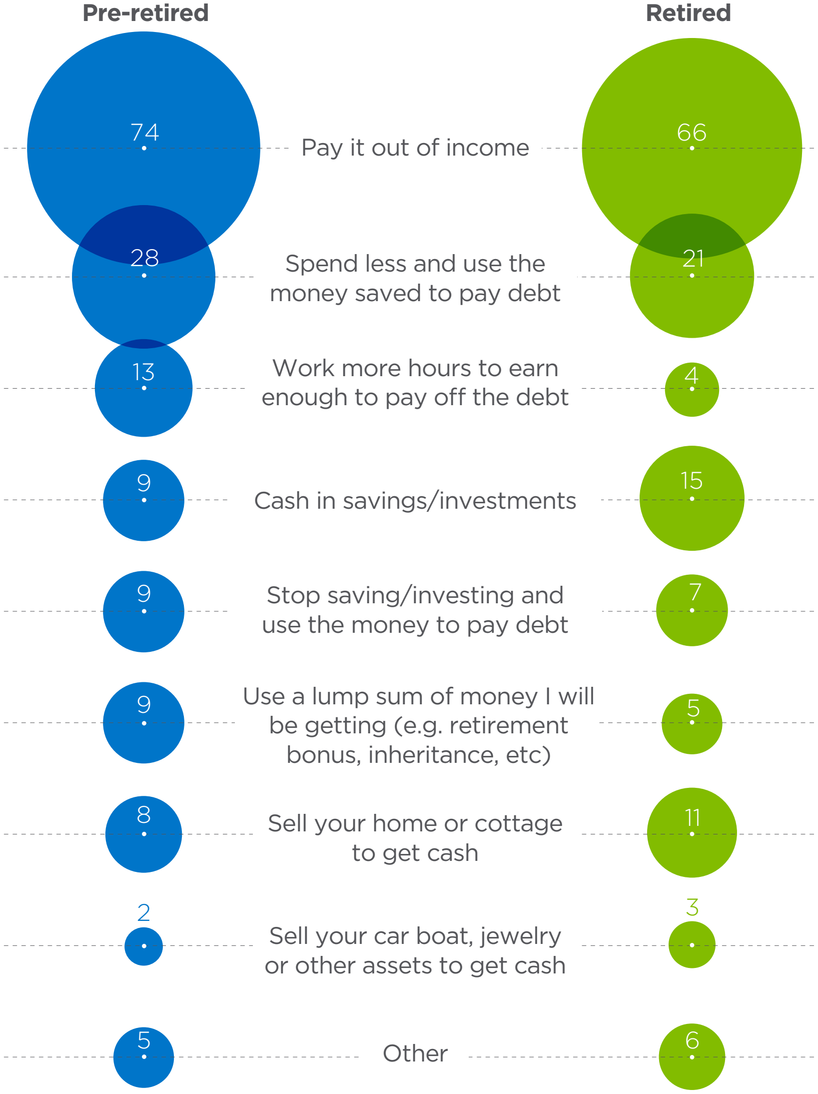
Most of the households that reported debt say they plan to pay down what they owe with income (retired 66%; pre-retired 74%). Among both groups a popular choice for achieving this goal is spending less and dedicating more money to debt retirement (retired 21%; pre-retired 28%).

Among respondents who are still working 13% say they will work more hours to earn what they need to pay off their debt. This suggests some may even delay retirement until they are debt free.

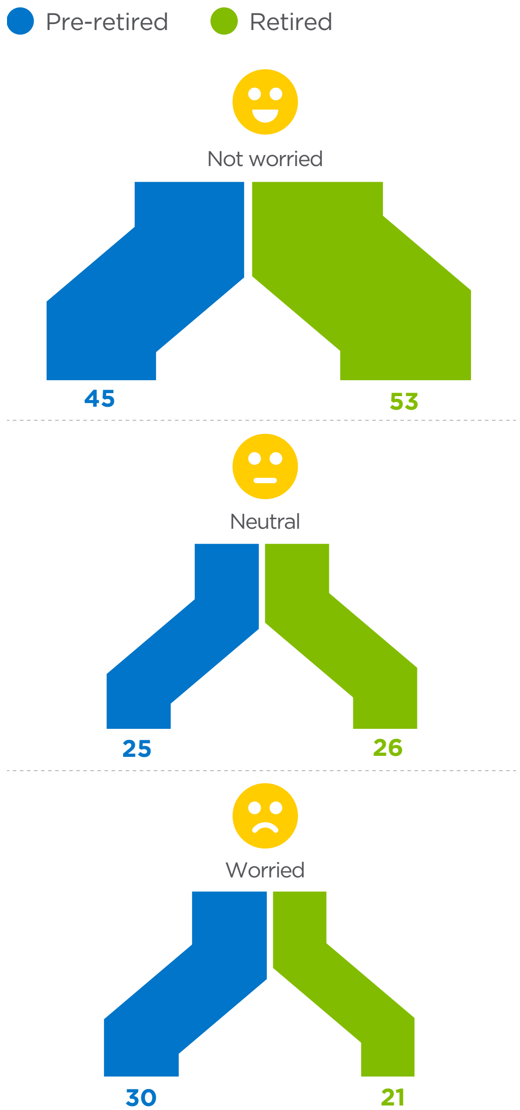
For those already retired, 15% say they will cash-in savings and investments to service their debts (just 9% of pre-retirees see this as an option). Eleven percent of the retired respondents say they will sell their home or cottage to get cash.

Plans to Pay Down Debt

(% indebted)



Worries around paying off debt

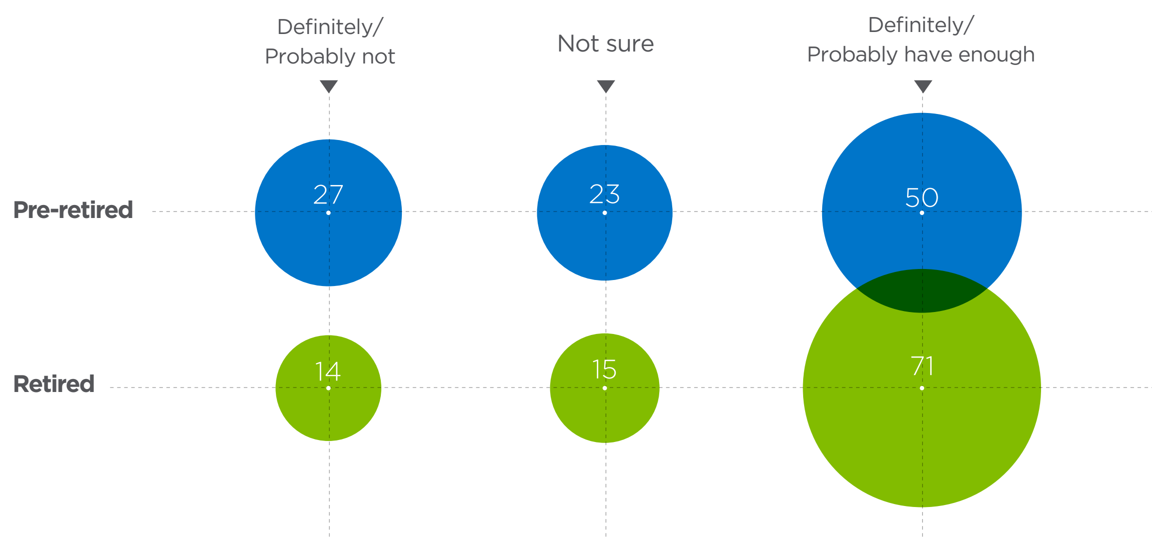


Ready for Retirement?

Overall, respondents to the HomEquity Bank 2015 Retirement Study say they are confident they have, or will have, enough money for retirement. For those who have already left the workforce 71% feel they definitely or probably have enough. Among those still on the job that number is 50%. Just 14% of retirees feel they definitely or probably do not have enough money while 27% of pre-retirees put themselves in that category.

However, the study concludes that it is likely many people think they are better positioned for retirement than they really are. Some will learn to lower their expectations and manage their money accordingly. Others, though, will have to find new sources of income, which could include home equity.

Enough Money to Fund Retirement



More than a house, more than a home

The HomEquity Bank 2015 Retirement Study suggests most Canadians have a strong emotional attachment to their home and there is a definite resistance to the idea of selling in order to generate income for retirement.

A significant portion of respondents (56% of retired and 47% of pre-retired) say that staying in their home is critical to their quality of life; about 30% of each group reported that leaving their home to a loved one is important to them; 59% of retired respondents and 44% of the pre-retired say they have never even thought about selling. Just 5% of retired respondents and a mere 3% of pre-retired respondents have actually sold their homes to generate income.

Having said all that, the respondents appear to be well aware of the realities they could face in retirement. For example, about half of both groups say they foresee selling and moving for health reasons as a real possibility in their future.

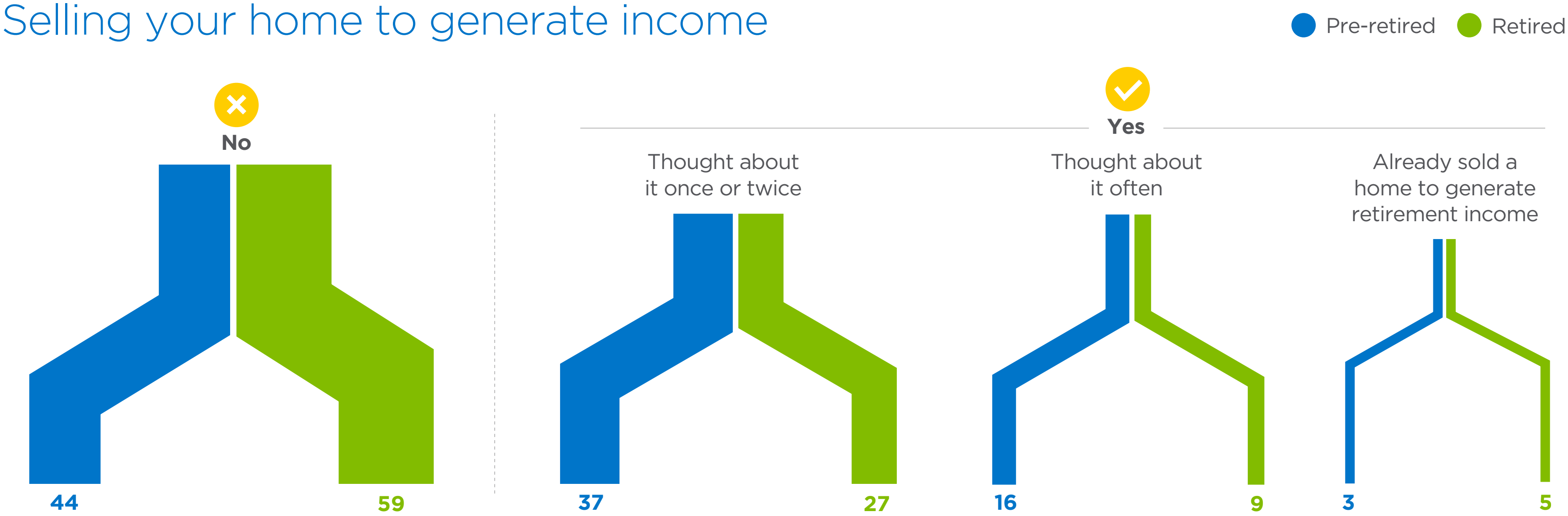
Selling to Unlock Equity

Both the retired and the pre-retired also demonstrate that they are aware that there are several ways their homes could be used to generate income.

The pre-retired respondents present a greater willingness (51%) to selling, downsizing and using the proceeds to fund retirement. Among the already retired that portion drops to 39% with a virtually identical percentage (38%) saying they are unwilling to use their home to generate income. However, 20% of the retired respondents say they will likely be forced to sell in order to fund their retirement, while 25% of the pre-retirees believe that will be the case. It is worth noting that the appeal of selling and downsizing drops markedly when the plan involves moving to another jurisdiction with a lower cost of living.

Thirty percent of each group is willing to sell their home, invest the proceeds and/or use the money to rent accommodations.

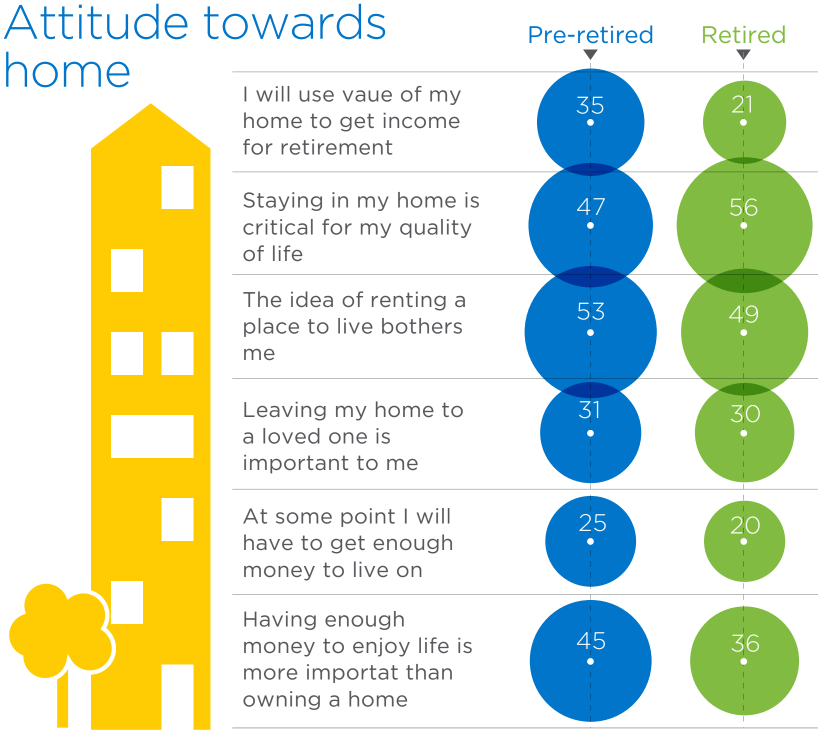
Selling your home to generate income



Borrowing to Unlock Equity

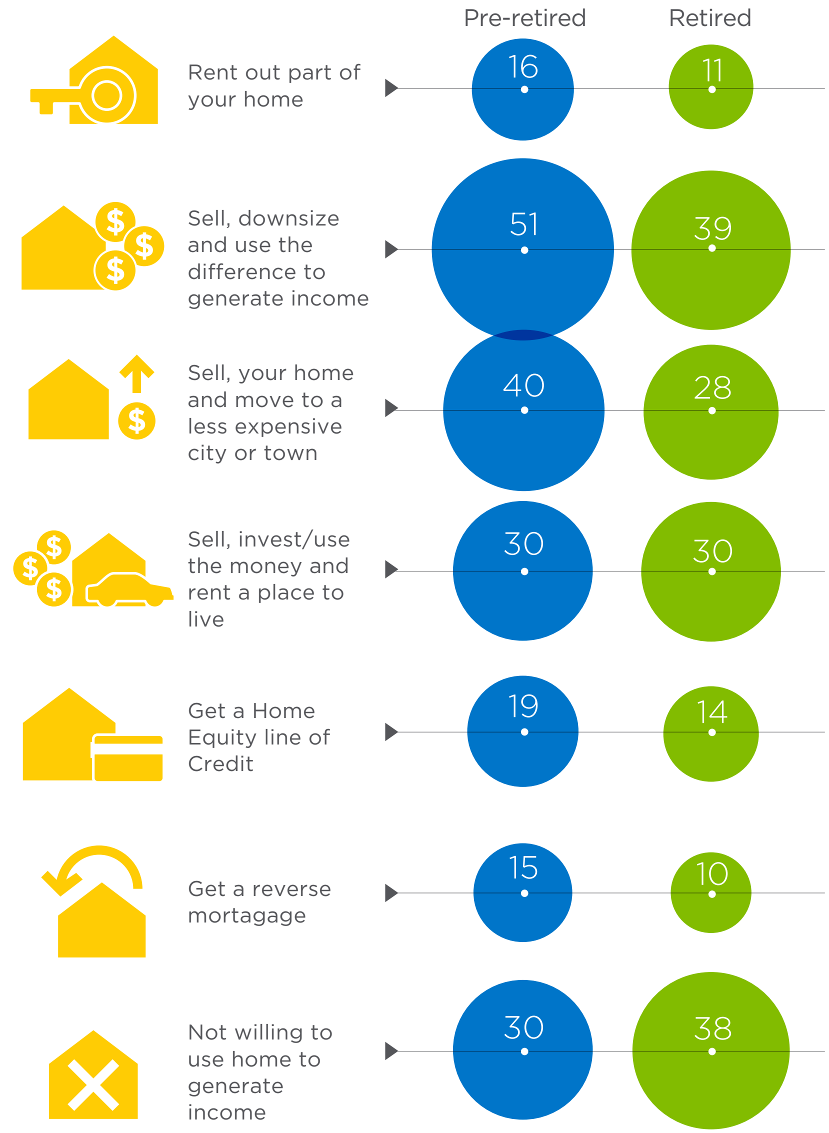
The HomEquity Bank 2015 Retirement Study also examined attitudes toward funding retirement using home equity without selling. Nearly one fifth of the pre-retirees surveyed say they would use a home equity line of credit as a way to borrow against the value in their home. A reverse mortgage is the first choice for 15%. For the already retired 14% say they would opt for a HELOC, with 10% choosing a reverse mortgage.

Attitude towards home



Using Home To Generate Income

Ways To Generate Income From Home



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