Perspective 6: Holistic retirement readiness involves wealth and health

Results from the 2016 financial wellness index

Six perspectives on the connection between employees' physical, mental and financial health, and what that means for Canadian businesses. Part of Manulife's ongoing Health & Wealth research.

As the 2016 Manulife Financial Wellness Index clearly indicates, working Canadians who are "financially unwell" are far less likely to be on track to reach their retirement goals. There's a strong and clear connection between financial wellness and retirement readiness.[1]

And, with increasing age expectancy[2], Canadians will spend longer in retirement then ever before. This means their savings will need to last longer, and they will need to start planning earlier, to enjoy a healthy, secure retirement. Add the fact that a number of employers have reduced or plan to reduce retiree health coverage[3], and a fairly convincing argument emerges for promoting holistic retirement planning that embraces both wealth and health.

MIND THE GAP

As Canadians' average life expectancy continues to grow[2], we're seeing a corresponding need for earlier retirement planning. And yet, we're also seeing a significant preparedness gap. Only one-quarter of Canadians save regularly and are on track for retirement. Another one-quarter save regularly but don't know if it'll be enough. And 31% don't save regularly at all.[1]

AGE ADDS URGENCY

According to the Index, while retirement readiness does improve with age, the gap is still wide. With five years left to retirement, only 58% of Canadians score "good" on financial wellness. The remaining 42% are "okay" or "bad."[1] This predictably leads to delayed retirement or taking on a part-time job post-"retirement" to cover the shortfall.

If you add unexpected health issues and a trend of reduced health coverage in retirement, then you could have a truly challenging situation for the retiree.

REDUCED RETIREE BENEFITS

Only 35% of plan sponsors offer their members health benefits in retirement and only 6% of those do so with no cost to the, meaning many will need to supplement the coverage they do have with their own retirement funds. This is part of a growing trend in reduced retiree benefits: According to a 2015 study conducted by Mercer, 22% of employers surveyed made reductions to health benefits of retirees over the past four years and 17% planned to make further reductions.[3]

FOR EMPLOYERS, HEALTH AND WEALTH MATTER

Increasing age expectancy and reduced health coverage are widening the retirement gap for many working Canadians – more so for those who are financially unwell. Employers who provide comprehensive tools to support financial wellness – from savings, debt management and asset protection to tools and educational support – can help employees improve their retirement readiness.

Plus, a *holistic* plan that embraces financial wellness alongside physical and mental wellbeing, can deliver a happier and more productive workplace today, while also contributing to a more enjoyable retirement with fewer health issues tomorrow.

[1] 2016 Manulife Financial Wellness index
[2] StatsCan: Life expectancy, at birth and at age 65, by sex and by province and territory
[3] Mercer 2015 Post-Retirement Benefits Trends (22% of employers surveyed made reductions to health benefits of retirees over the past four years and 17% of these same employers planned to make further reductions)
[4] 2015 Sanofi Healthcare survey

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