Retirement and Savings Institute
HEC MONTRÉAL

How Well do Canadians Know Their Retirement System?

RSI INDEX 2022

RSI Index 2022: Summary of Results

*In the context of an aging population and a changing retirement landscape, the RSI Index measures **Canadians' knowledge of their retirement income system**.*

The 2022 edition of the RSI Index combines the responses of **3,007 Canadians aged 35 to 54 to 29 questions** on general financial literacy and on retirement programs.

For the 4th edition, the overall index **is down again, to 35.7%**, showing a backsliding of knowledge.

Although the **best-understood subjects are still CPP/QPP and RRSPs/TFSAs**, **respondents said they "didn't know", on average, to over a third of the questions** – those who answered all questions were likely to have a much higher score.

As well, it is worth noting that **under ¼ of respondents are aware that working while collecting CPP/QPP benefits is allowed**; and that **individuals working in finance and insurance and in public administration** scored the highest.

In addition to questioning the capacity of Canadians to make financial decisions with lasting consequences, the RSI Index 2022 highlights the importance of providing information on the retirement system, including in a context of scarce labour.

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Background

Many have attempted to measure the level of retirement preparedness of Canadians, be it within government, financial institutions, large consulting firms, or at the Retirement and Savings Institute (RSI) itself. In the scientific literature, a link has been established for several countries between general financial literacy and retirement preparation.

The level of general financial literacy among Canadians is fairly low, though comparable to what is observed in other industrialized countries. Similarly, knowledge of more narrow topics such as “tax literacy” appears limited. On the other hand, the financial knowledge of Quebecers and Canadians varies little over time, an aspect confirmed by this annual project. But beyond the general financial knowledge that impacts retirement preparation, for instance regarding inflation, it is difficult for workers-savers to make enlightened decisions without knowing the main parts of the system and their functioning.

Background (cont'd)

Until 2019, no one had attempted to specifically measure the level of knowledge of Canadians with respect to their retirement income system, nor the way in which it varies among the population. In order to provide a synthetic overview of what Canadians know about their retirement income system, the RSI team at HEC Montréal now measures annually the knowledge of various aspects of the system among Canadians aged 35 to 54 years old.

Those individuals, in principle, are experiencing years of strong asset accumulation in preparation for retirement. Younger individuals often have differing concerns and financial priorities. On the other hand, those 55 and older are much more likely to know the retirement system closely – through relatives, or being retired themselves – and to be concerned with related issues.

This document presents the results of the 2022 *RSI Index*, the 4th edition and the second carrying measures taken during the COVID-19 crisis.

Methods (1)

The original survey used to build the *2022 RSI Index*:

- Interviewed, in late December 2021, a total of 3,007 Canadians aged 35 to 54 years old in all 10 provinces, proportionally to each province's population weight.
- Used the *AskingCanadians* / *Qu'en pensez-vous?* web panel, which remunerates its participants in reward points from a program of each respondent's choosing.

The 35-54 age group is targeted each year because in principle, these individuals are in a retirement savings accumulation phase. This year, 29.1% were returning respondents from one or more previous editions of the survey; the scores by frequency or edition of participation showed no discernible pattern – even for the 1.4% who took part in all editions, who did no better (similarly, a more recent participation did not induce a higher current score).

Methods (2)

The questionnaire was developed by the team at the Retirement and Savings Institute based on existing research. It covers 38 questions, including:

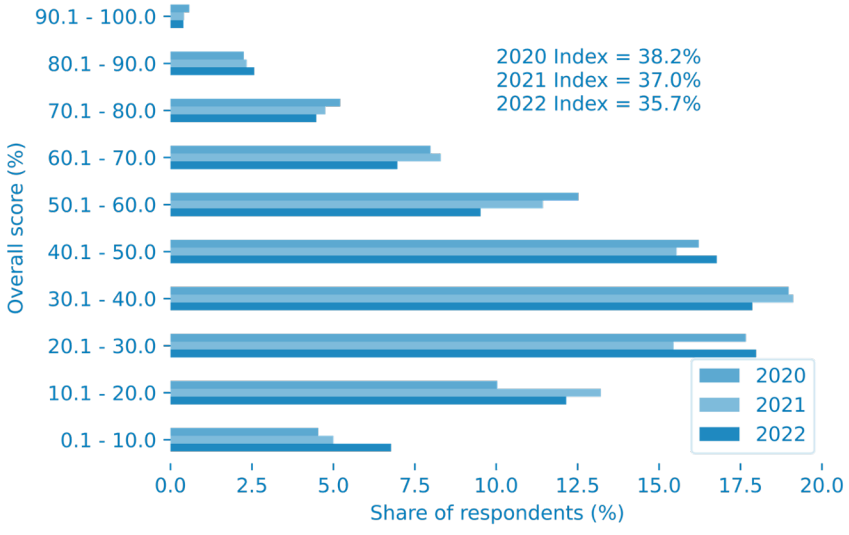
- 9 questions regarding economic and sociodemographic characteristics; new this year, respondents' work industry was collected (NAICS classification, 20 categories)
- 6 standardized questions related to general financial knowledge, used in several surveys in Canada and elsewhere around the world
- 6 questions about the knowledge of tax-sheltered saving (RRSP and TFSA)
- 3 questions about employer plans
- 6 questions on the knowledge of the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP), depending on the province of residence
- 8 questions on Old-Age Security (OAS) and the Guaranteed Income Supplement (GIS)

The *RSI Index* is the share (in %) of correct answers to the 29 knowledge questions. In order to make them representative of the target population, respondents are weighted using the 2016 Census, the most recent available.

RSI Index 2022: Results

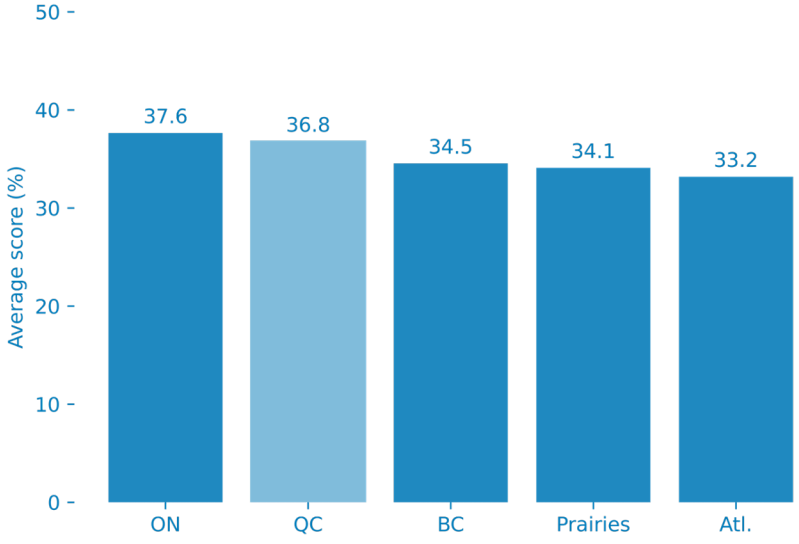
OVERALL KNOWLEDGE

Knowledge of the system is backsliding



Survey fielded in December, 2021 with the "AskingCanadians" web panel. Responses of the 3,007 Canadians, aged 35 to 54 years old, have been weighted using the 2016 Census.

Persistent regional differences



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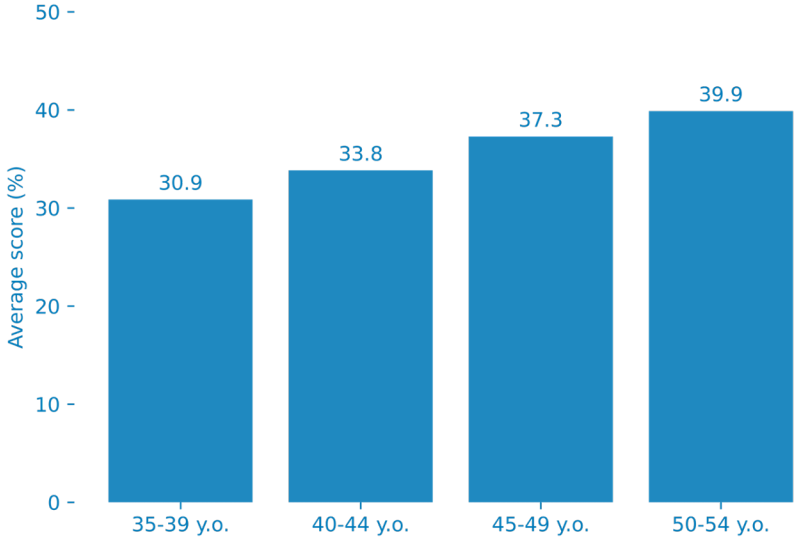
Bad knowledge decreases as retirement nears



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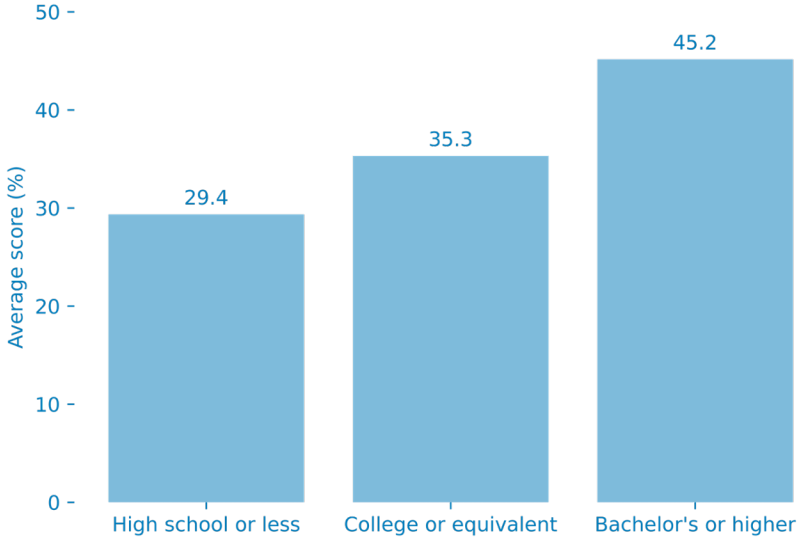
Schooling is associated with a higher score



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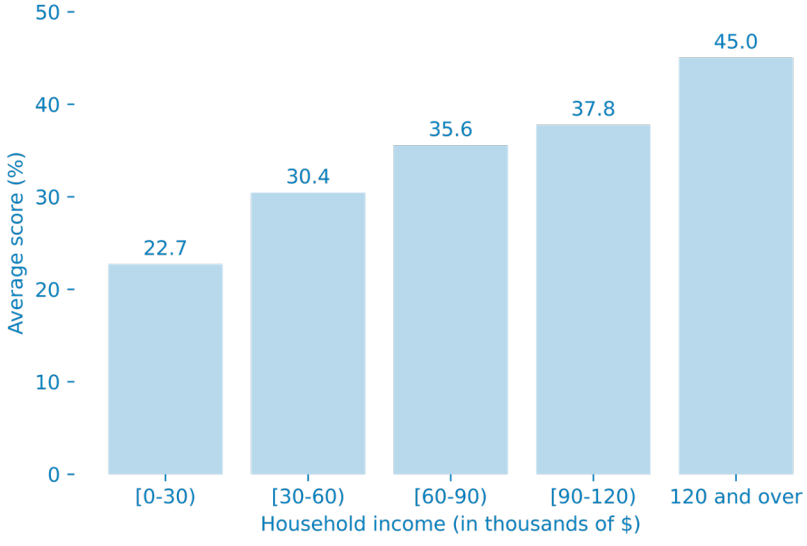
Higher earnings are associated with a better knowledge of the system



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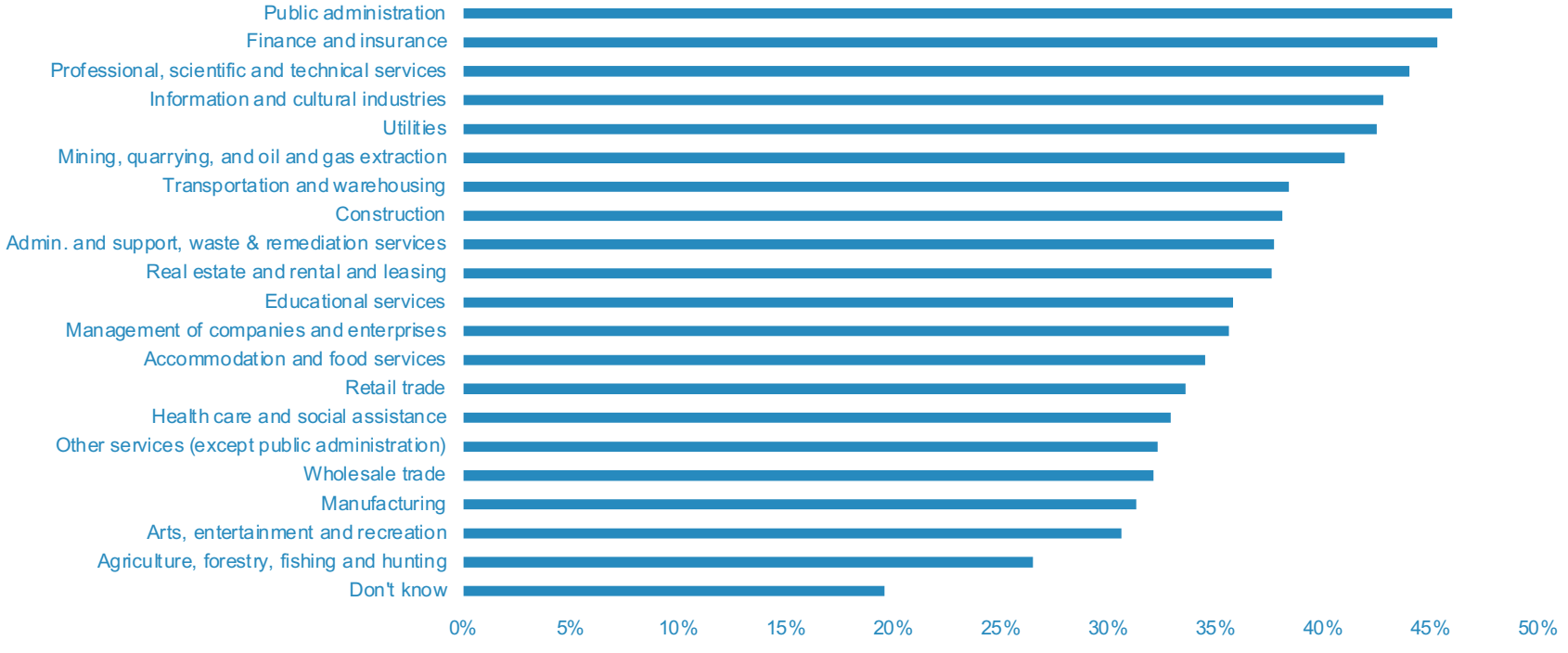
Those handling household finances always do better

The average score of those not reporting handling financial matters decreased since 2021

Q: "Who would you say primarily handles your household's financial matters?"	Score (%)
I do	37.9
My partner and I equally do	37.1
My partner does	24.9
Someone else does, for example a relative	19.9
Prefer not to say	12.9

Survey fielded in December, 2021 with the "AskingCanadians" web panel. Responses of the 3,007 Canadians, aged 35 to 54 years old, have been weighted using the 2016 Census.

Large differences between industries



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Many still “don’t know”

Respondents who said only 1 or 2 times that they didn’t know scored much higher, on average

Number of “don’t know”	Men	Women	Both
General (/6)	1.3	1.9	1.6
RRSPs/TFSAs (/6)	1.6	1.8	1.7
Employer Plans (/3)	1.3	1.8	1.5
CPP/QPP (/6)	1.9	2.0	1.9
OAS/GIS (/8)	4.2	4.4	4.3
TOTAL (/29)	10.3	11.8	11.1

Survey fielded in December, 2021 with the "AskingCanadians" web panel. Responses of the 3,007 Canadians, aged 35 to 54 years old, have been weighted using the 2016 Census.

Results for the different sections of the index

Score	Mean	Standard Deviation	1st Quartile	Median	3rd Quartile
General	61%	27%	50%	67%	83%
RRSPs/TFSAs	41%	30%	17%	33%	67%
Employer Plans	25%	33%	0%	0%	33%
CPP/QPP	41%	29%	17%	33%	67%
OAS/GIS	31%	28%	0%	25%	50%

Survey fielded in December, 2021 with the "AskingCanadians" web panel. Responses of the 3,007 Canadians, aged 35 to 54 years old, have been weighted using the 2016 Census.

Very limited links between scores by section

A coefficient of 1 means perfect correlation, while a coefficient of 0 means an absence of correlation

Correlation coefficients	General	RRSPs/ TFSAs	Employer Plans	CPP/ QPP	OAS/ GIS
General	1.00	-	-	-	-
RRSPs/TFSAs	0.55	1.00	-	-	-
Employer Plans	0.41	0.43	1.00	-	-
CPP/QPP	0.45	0.55	0.37	1.00	-
OAS/GIS	0.43	0.46	0.38	0.57	1.00

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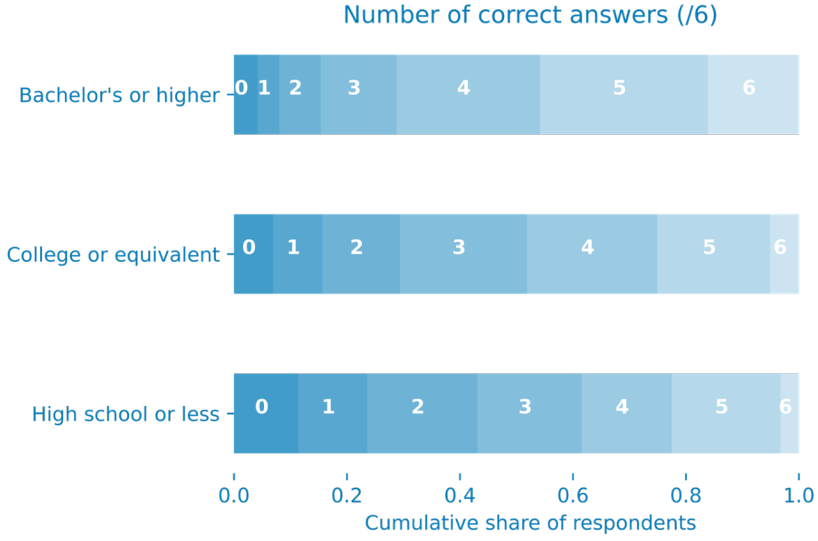
RSI Index 2022: Results

GENERAL SECTION: FINANCIAL LITERACY

Questions: General financial literacy

- Compound interest – Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow during these 5 years?
- Purchasing power – Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, with the money in this account, would you be able to buy… (more, exactly the same, or less than today)
- Bonds – If interest rates rise, what will typically happen to bond prices?
- Debt doubling – Suppose you owe $1,000 on a loan and the interest rate you are charged is 20% per year compounded annually. If you didn't pay anything off, at this interest rate, how many years would it take for the amount you owe to double?
- Diversification – True or false? Buying a single company's stock usually provides a safer return than a stock mutual fund.
- Mortgage – True or false? A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.

Individuals with greater schooling do better



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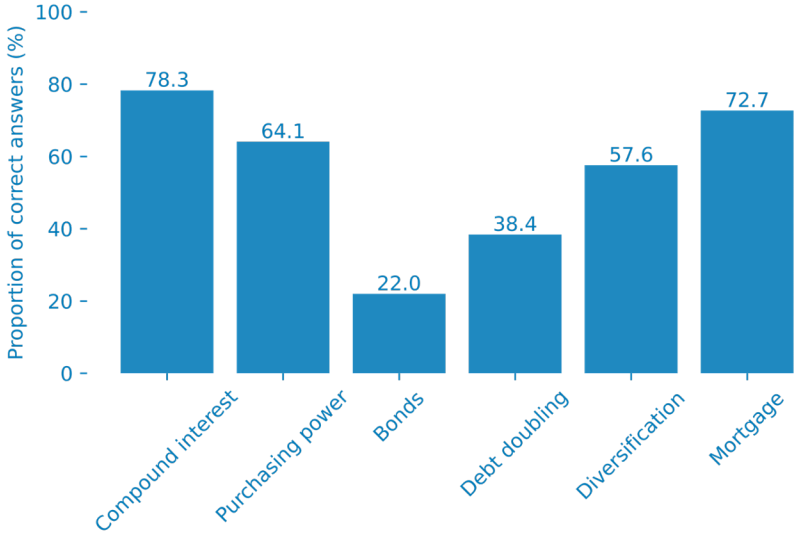
General financial knowledge: Success rate by question



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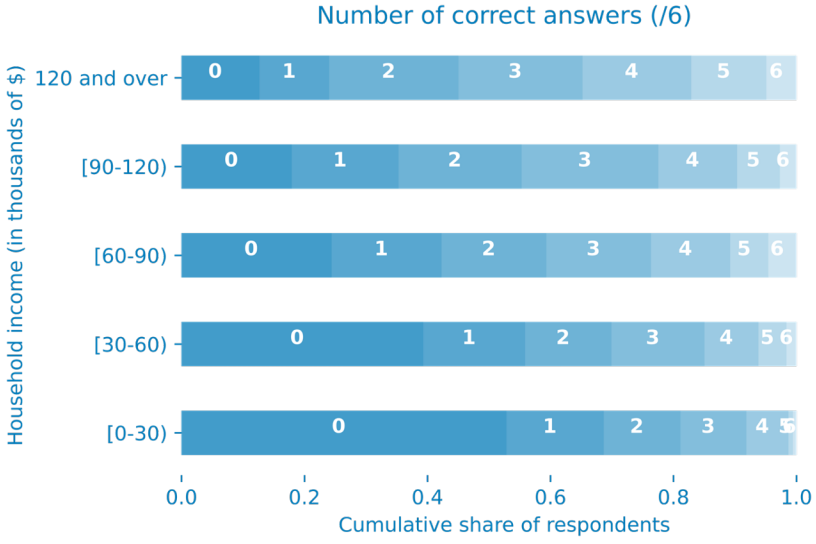
RSI Index 2022: Results

SECTION ON RRSPs AND TFSAs

Questions: Knowledge of RRSPs and TFSAs

- Contribution – According to you, are the contributions made to an RRSP or to a TFSA deductible from taxable income?
- Withdrawal – According to you, when money is withdrawn from an RRSP or from a TFSA, is it subject to income tax in the year of the withdrawal? Assume the withdrawn amount is not used for the Home Buyers' Plan (HBP) or the Lifelong Learning Plan (LLP).
- Returns – Money invested in an RRSP or in a TFSA can generate returns in the form of interest, dividends or capital gains. According to you, are these returns subject to income tax in the year during which they were generated?
- Penalty – According to you, is there a penalty associated with withdrawing money from an RRSP or from a TFSA before retirement? Assume the withdrawn amount is not used for the Home Buyers' Plan (HBP) or the Lifelong Learning Plan (LLP).
- Future rights – Let's assume you withdraw $1,000 from an RRSP or from a TFSA. According to you, will this withdrawal be added to your future contribution room?
- Maximum age – In your opinion, is there a maximum age at which the funds must be withdrawn from an RRSP or a TFSA?

Those earning more know RRSPs and TFSAs better



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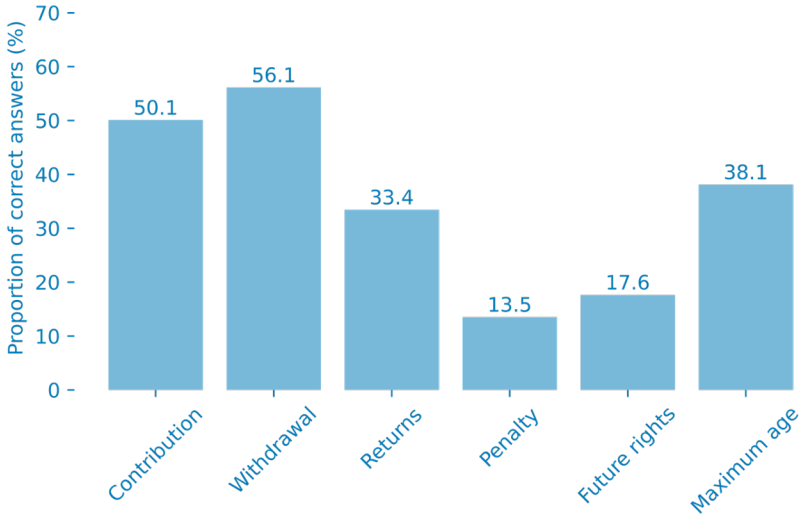
RRSP and TFSA: Success rate by question



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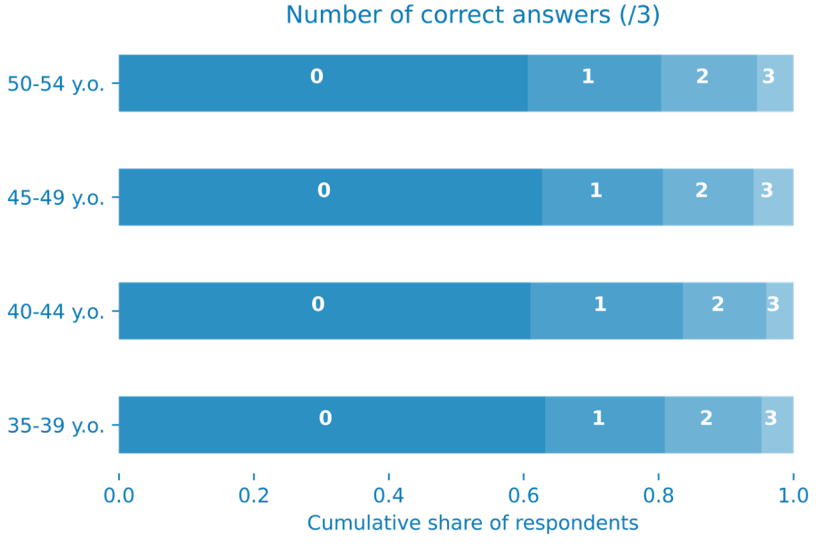
RSI Index 2022: Results

SECTION ON EMPLOYER PLANS

Questions: Knowledge of employer plans

- Type: contribution – In which type of pension plan can a worker generally choose how much to contribute? (defined-benefit, defined-contribution)
- Type: returns – For which type of plan do retirement payments depend on the returns generated on financial markets? (defined-benefit, defined-contribution)
- Type: longevity – Which type of plan offers a protection against the risk of living to age 100 without having sufficient savings to pay for expenses? (defined-benefit, defined-contribution)

Differentiating plan types is difficult at all ages



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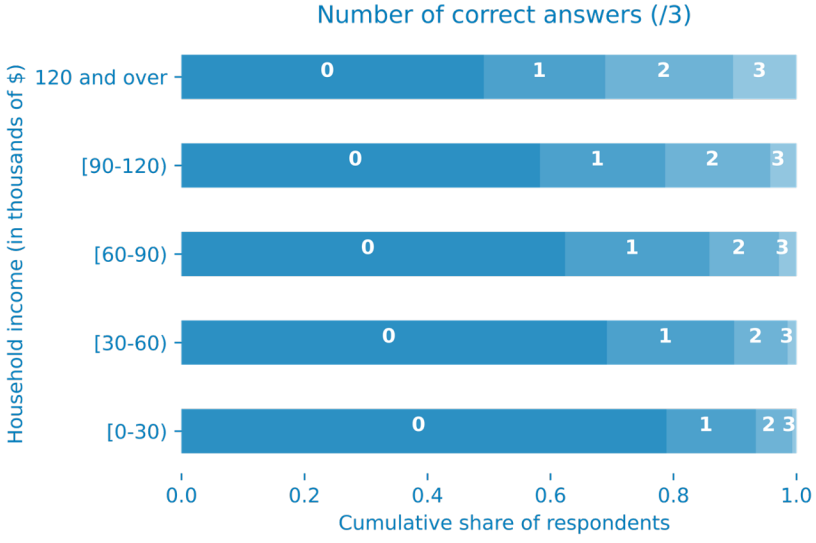
Low income individuals do not know employer plans well



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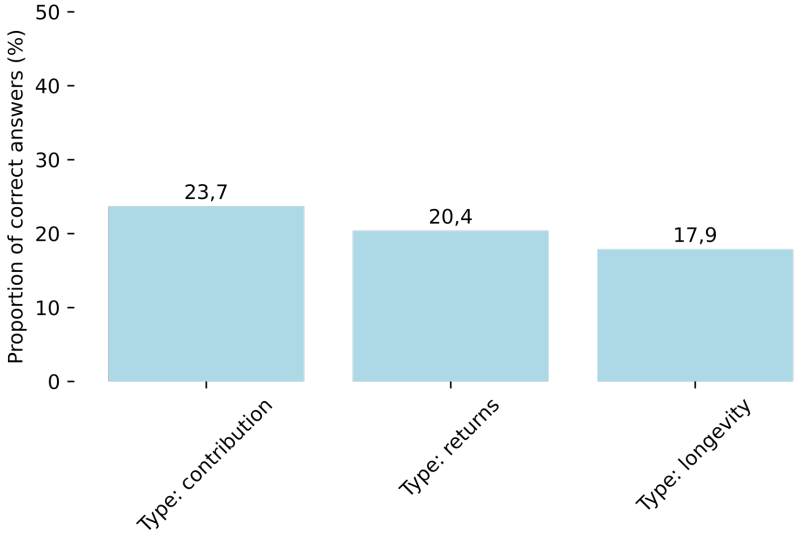
Employer plans: Success rate by question



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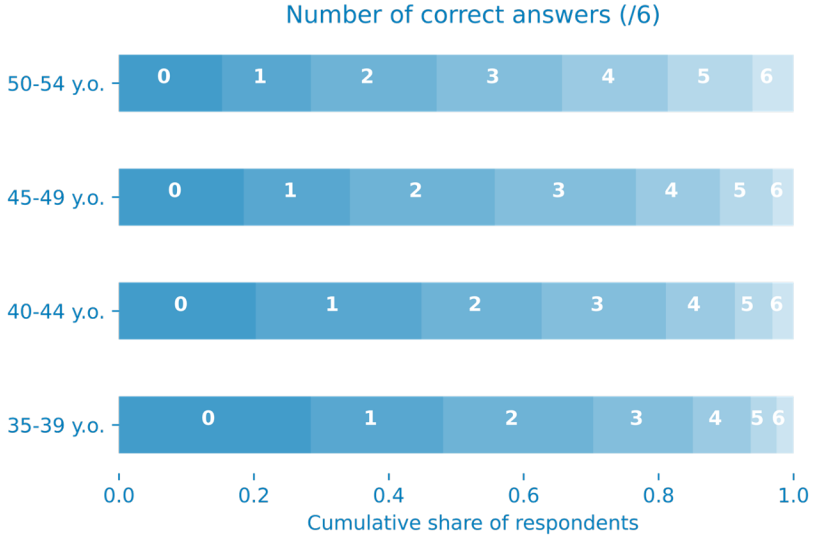
RSI Index 2022: Results

SECTION ON CPP AND QPP

Questions: Knowledge of CPP/QPP

- Benefits – Retirement benefits from the CPP/QPP... (are a fixed amount, depend on income, are based on contributions, etc.)
- Age – CPP/QPP retirement benefits can start being drawn when the would-be recipient reaches… (age 60, 65 or 70, or 35 years of contribution)
- Penalty – If someone begins to draw CPP retirement benefits earlier than some “normal age”, is there a penalty (a reduction in the amount of the monthly benefit received)?
- Delay – If someone begins to draw CPP retirement benefits later than some “normal age”, is there a bonus (an increase in the amount of the monthly benefit received)?
- Taxation – CPP/QPP benefits are... (taxable federally, taxable provincially, non taxable)
- Work allowed – When receiving CPP/QPP retirement benefits, you... (must stop working, must work less, can keep working)?

Older people know CPP/QPP better



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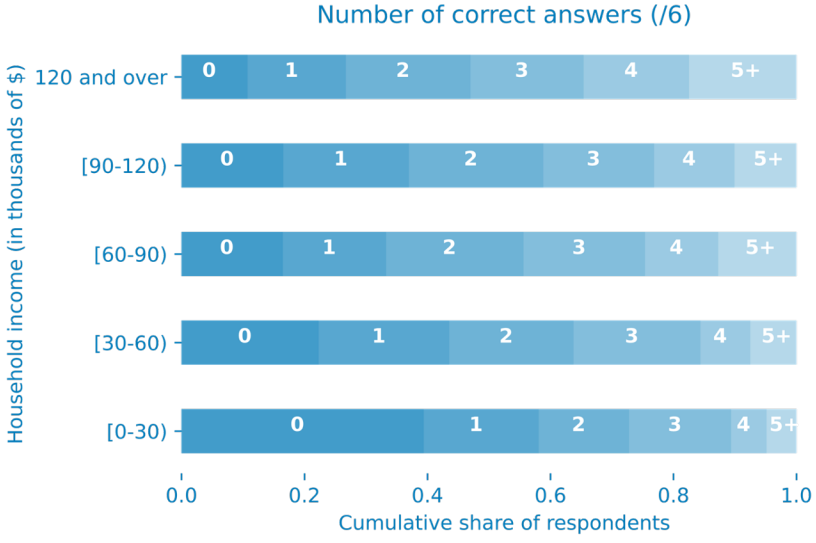
The more well-off know CPP/QPP better



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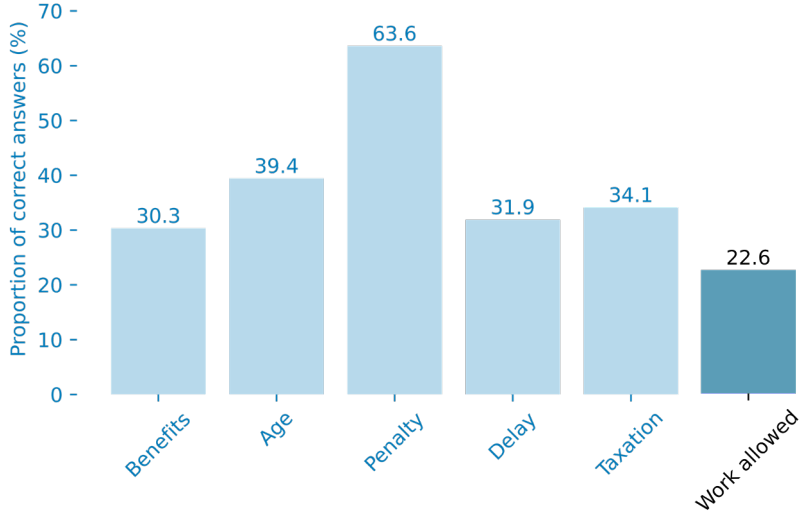
CPP/QPP: Success rate by question



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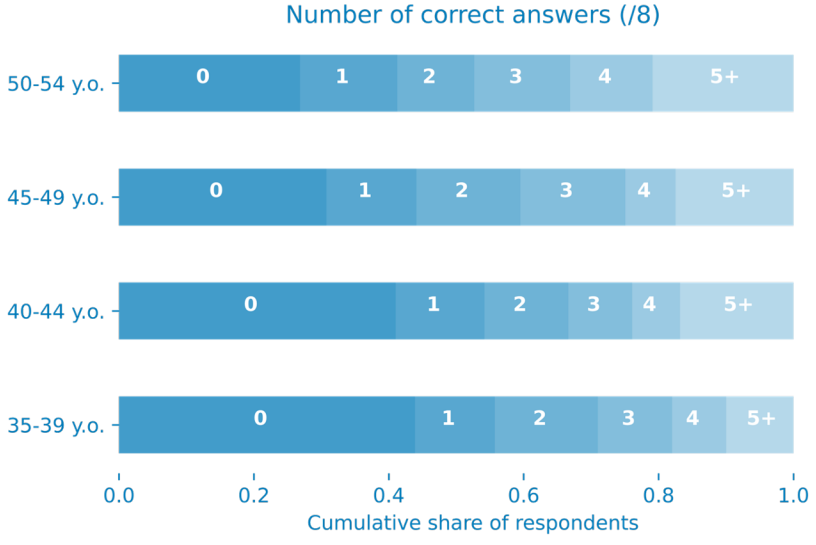
RSI Index 2022: Results

SECTION ON OLD-AGE SECURITY (OAS AND GIS)

Questions: Knowledge of OAS and GIS

- OAS benefits – OAS benefits... (are a fixed amount, depend on income, are based on contributions, etc.)
- OAS age – OAS benefits can start being drawn when the would-be recipient reaches... (age 60, 65 or 70, or 35 years of contribution)
- OAS clawback – Can OAS benefits be reduced if the beneficiary's non-OAS and non-GIS income exceeds a certain threshold?
- OAS taxation – OAS benefits are... (taxable federally, taxable provincially, non taxable)
- GIS benefits – Guaranteed Income Supplement (GIS) benefits... (are a fixed amount, depend on income, are based on contributions, etc.)
- GIS age – GIS benefits can start being drawn when the would-be recipient reaches… (age 60, 65 or 70, or 35 years of contribution)
- GIS clawback – Can GIS benefits be reduced if the beneficiary's non-OAS and non-GIS income exceeds a certain threshold?
- GIS taxation – GIS benefits are... (taxable federally, taxable provincially, non taxable)

Older people know OAS and GIS better



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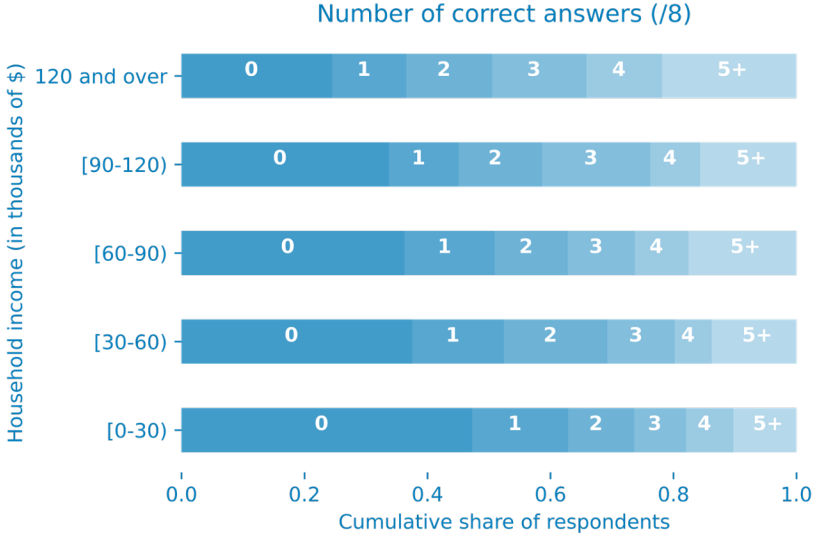
Low income individuals do not know OAS and GIS as well



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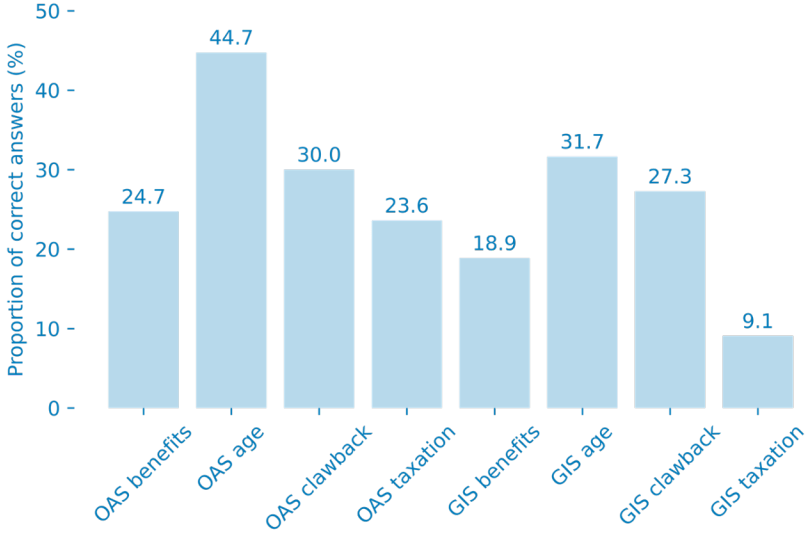
OAS and GIS: Success rate by question



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Conclusions (1)

- For its 4th edition, the *RSI Index* documents a persistent lack of knowledge with respect to the Canadian retirement system and to certain key financial concepts. The overall score went down for the second year in a row, to 35.7%, hinting at a backslide in knowledge.
- Like every year and as one might expect, older, more educated, and higher-earning individuals do better on all aspects, but their level of knowledge is still low, with average scores by sub-group never exceeding 60%.
- Consistently with past editions, respondents who handle their household's financial matters, at least in part, score much better than those who do not.
- The Index includes an acceptable 61% score on general financial knowledge, pulled downward this year again by questions on bonds and indebtedness. This last aspect is worrying in the current economy; on the other hand, purchasing power is the one topic exhibiting an improvement, with 64.1% of success rate as of December 2021.
- Scores vary significantly depending on the industry where respondents work or last worked. Average global scores range from 26.5% in agriculture and forestry to 45.3% in finance and insurance and 46.0% in public administration.

Conclusions (2)

- On average, respondents selected “don’t know” for over a third of the 29 questions; women one more time than men, which is consistent with the scientific literature.
- Respondents who selected the fewest “don’t know” globally score much higher. On average, the number of “don’t know” selected decreased with age.
- Again this year, respondents contributing to an employer plan achieve a higher overall score (40.2%) than those who do not (31.4%). Both groups score slightly lower than in 2021.
- The best-known topics remain the CPP/QPP and RRSPs/TFSAs, which, mostly through contributions, are the most widely used parts of the system for Canadians under 60 years old.
- However, only 22.6% of respondents are aware that work is allowed while receiving CPP/QPP benefits, an alarmingly low figure in the current labour market. This proportion did not vary by age.
- The 2022 *RSI Index* reminds of the importance of providing timely information about the retirement system, in particular in the prevailing context of labour scarcity.

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