


Workplace savings: 8 trends to watch



In the next few months, we'll be exploring several trends that could affect workplace retirement savings programs. We'll also be highlighting some proactive solutions. They can help you ensure that your retirement program is achieving organizational goals and maximizing retirement savings opportunities for plan members.

Here are eight trends that are on our radar. We'll be discussing many of these in more detail in our future Bright Papers.

Life's brighter under the sun





Increased longevity

On average, women in Canada can expect to live for **84** years and men for **79.9** years.¹ For those who reach age **65** (a typical retirement age), a man can expect to live an additional **19** years and a woman can expect to live almost **22** years more.

That's just the average. One in four women who retire at age **65** will live to the age of **95**. This means that one in four will need to fund retirement income over a **30**-year period.

There's a real risk for plan members to outlive their retirement savings.



Diverse and low-growth workforce

Younger generations – Generation Y and Z (roughly aged 38 and under) – now make up a large percentage of the workforce. But their numbers can't keep up with labour force needs, especially as the huge baby boomer generation moves to and through retirement. As our population ages and baby boomers retire, the growth in Canada's labour force is forecast to fall to near zero.² And it is expected to get worse, with shortages for at least another decade.

For many employers, attracting and retaining employees will take on even greater urgency. That means offering an attractive value proposition to younger generations at the beginning of their careers. It also means building incentives to keep older employees in the workplace.



Increased debt levels

A generation ago, the ratio of household debt to personal disposable income in Canada was still manageable at **66%**. Today, according to the Canada Mortgage and Housing Corporation, the debt to income ratio continues to hover at near record levels of about **170%**. That means the average Canadian owes **\$1.70** for every dollar of income they earn per year, after taxes.

A staggering **52%** of Canadians have just enough to cover living costs. **74%** of Canadians live under the burden of debt. Credit cards and mortgages are the most common forms of debt.³ Not surprisingly, workplace savings are taking a hit.

Only when Canadians reduce their liabilities can there be a marked shift back to retirement planning for the future.

Evolving workstyles

One of the biggest shifts in workstyles this century is the growth of the gig economy. The gig economy is that large section of the workforce devoted to temporary, freelance or contract employment (“work gigs,” hence the name). Its popularity is growing but, not surprisingly, retirement savings are a concern. Only **11%** of gig workers feel secure about retirement, while **41%** aren’t sure whether they will ever be able to retire.⁴

Designing a workplace plan that includes transient worker benefits can provide a competitive advantage in attracting and retaining the gig talent you may need.



Connection between financial wellness and mental health

Many of your employees are experiencing excessive stress related to their finances. **40%** of Canadians were experiencing uncomfortable levels of stress related to personal or household finances. That’s according to our 2019 Sun Life Canadian Health Index survey.

These stresses contribute to both mental and physical health issues. They in turn lead to temporary absences, disability claims, and loss of productivity due to presenteeism – where employees report to work but are less productive due to their financial stresses.

Personalized wellness programs can help attract and retain key talent. **94%** of Canadians are more likely to work for an employer that cares about their overall health and wellbeing.⁵



The critical role of plan design

Sun Life administers nearly **7,275** plans, representing more than **1.3 million** plan members. For every five plans that undergo an amendment each year, four make a change to the investment lineup. Just one makes a design-related change.

It’s good practice to review and update investment solutions regularly. It’s also a good idea to review plan design on occasion. That’s because plan design enhancements can be a powerful contributor to savings success. For example, there may be ways to simplify your plan design to make it easier for plan members to participate and save.

Leading global employers are getting creative by offering benefits to help with housing costs through loans, subsidies and preferential mortgage rates. Some are offering an employer match to help pay off student debt or to create a vacation fund.



7



The impact of digital consumerism

Digital interactions are becoming more common when we connect with product and service providers. Increasingly, plan members will judge their experience based on the digital solutions available and how easy they are to use. They also decide if the digital experience is meeting their personal needs. Plan members are expecting far more during digital interactions.

For this reason, artificial intelligence backed by data and analytics will play an increasingly important role. Personalized nudges will encourage plan members to take action and improve their retirement savings outcomes.



8



The evolving approach to investments

The shift to simplified investment solutions continues. In our book of business, target date funds now represent **80% to 90%** of monthly cashflows into plan member accounts. **77%** of employers favor target date funds as the default fund for their plan.⁶

We've analysed investment growth over the past five years. Plan members who use only target date funds are outperforming those who build their own investment portfolio. It's easier than ever for members to make their investment decisions during enrolment. That allows plan sponsors to focus their efforts on member engagement in other areas and improve saving rates. This includes using target retirement income as a motivating goal during the plan member's savings and investment journey.



¹ The Daily, Statistics Canada, May 2019

² Statistics Canada, CANSIM 051-0001 and 052-0005

³ BDO Canada Affordability Index, 2018

⁴ 2019 Environics Research Group Survey for TD Bank Group

⁵ Insurance Journal, 2019

⁶ Designed for Savings, 2019

More to come

We'll be examining many of these trends in future Bright Papers. But right now, we can discuss potential solutions to any challenges that these trends present to your organization. Just contact your Sun Life Group Retirement Services representative.