

# Preparing for retirement

by Grant Schellenberg, Martin Turcotte and Bali Ram

Settling into retirement involves changes in many aspects of a person's life. Certainly financial adjustments are involved as employment income is replaced by retirement income and spending patterns are altered. People often find they have to make psychological and social adjustments as well. For workers whose job provides a sense of purpose and self-identity, retirement may involve a significant change in how they define themselves.<sup>1</sup>

Social contacts are also likely to be realigned as time is mainly spent with family and friends, rather than co-workers and business associates. Furthermore, retirement generally results in a significant increase in the amount of time that spouses spend together; while retired couples generally report that the quality of their relationship is high,<sup>2</sup> the process of retiring can produce a temporary increase in marital conflict as couples get settled into new routines.<sup>3</sup>

In light of these substantial transformations in lifestyle, retirement counsellors are increasingly encouraging older workers to prepare just as carefully for the non-financial as the financial challenges of retirement. This article draws on the 2002 General Social Survey (GSS) to examine four specific non-financial preparations made prior to leaving the labour force by Canadians who had retired in the previous 10 years (1992 to 2002).

## GST What you should know about this study

Data for this paper were drawn from Statistics Canada's 2002 General Social Survey (GSS). The target population for the 2002 GSS was all persons 45 years of age and over residing in the 10 provinces. The 2002 General Social Survey used a subjective definition of retirement. Respondents identified as retired were those who said their main activity during the past 12 months was "retired", who said "yes" when asked if they had ever retired, or who said they had never retired but replied "yes" to a follow-up question that probed their degree of attachment to the labour force. Just over 4,400 respondents, representing 1.8 million Canadians, were identified as having retired in the 10 years preceding the survey. Respondents who had never worked, had left the labour force before age 30, or did not answer the questions regarding their retirement plans are excluded from this study.

**Retiree:** a person who had left the workforce at age 50 or older in the 10 years preceding the GSS (that is, between 1992 and 2002).

**Non-financial preparations:** one of four steps retirees had taken, before leaving the workforce, that were intended to help ease the transition from employment to retirement. These steps included becoming involved in physical activities, whether learning new sports or increasing the time devoted to their existing interests; cultivating non-physical leisure activities and hobbies; engaging in volunteer activities; or gathering information about retirement, such as talking with a consultant or attending a course about what to expect in retirement and how to plan for it.

### Nearly three-quarters of retirees actively prepared for a life of leisure

In his recent study of retirement, Dr. James Nininger, former CEO of the Conference Board of Canada, argues that an active and varied life

outside work can help people make a smooth transition into retirement.<sup>4</sup> For Nininger, the lesson is "get a life while you're working." Although it did not ask respondents to specify when they began readying themselves for retirement, the 2002 GSS did ask

whether they had become involved in physical activities; developed other leisure activities and hobbies; gotten involved in volunteer activities; or gathered information about retirement, such as talk with a consultant or attend a course.

Almost three-quarters of retirees (71%) had made one or more of these non-financial preparations: 31% made one type and 40% made two or more. On the other hand, over one-quarter of retirees (29%) did not undertake any. The most common type of non-financial preparation made was collecting information about retirement, with almost half of retirees (46%) having done this. More than one-third (35%) of retirees had cultivated hobbies or other leisure pursuits. Over one-quarter had gotten involved in physical activities (27%) and a larger proportion had become volunteers (29%) in anticipation of their departure from the workforce.

The likelihood that people had made pre-retirement adjustments to their lifestyle frequently depended on their demographic or socio-economic characteristics. For example, women were more likely than men to have gotten involved in volunteer activities (31% and 26%, respectively), although they were no more likely to have made the other types of non-financial preparations.

Workers with higher education were more often active in planning for their retirement. Almost two-thirds (62%) of retirees with a university degree gathered information prior to retirement, compared with under half (48%) of those with high school and less than one-third (30%) of those without high school. Differences between retirees with higher and lower levels of education were also significant for the three other non-financial preparations.

Individuals who were in very good or excellent health at the time they retired were more likely to have made provision for dealing with a change in lifestyle. Of course, it may not be surprising that retirees in fair or poor health less frequently

	Number of non-financial preparations made		
	None	One	Two or more
	% (distribution across)		
<b>Both sexes</b>	29	31	40
Men	29	33	38
Women	30	28	42
<b>Marital status at retirement</b>			
Married or common-law	28	31	41
Other	33	31	35
<b>Age at retirement</b>			
50 to 59	27	29	43
60 to 64	28	32	39
65 or older	35	33	32
<b>Nature of retirement</b>			
Voluntary	25	32	44
Involuntary	40	30	31
<b>Health at retirement</b>			
Excellent	23	34	43
Very good	26	29	46
Good	32	29	39
Fair or poor	39	31	30
<b>Receives pension income</b>			
No	37	31	32
Yes	21	31	48
<b>Highest level of schooling completed</b>			
Less than high school	42	32	26
High school	27	31	42
College or trade/technical diploma	23	29	48
University degree	18	30	52
<b>Current household income</b>			
Less than \$20,000	40	31	29
\$20,000 to \$29,999	34	32	34
\$30,000 to \$39,999	24	33	42
\$40,000 to \$59,999	22	31	47
\$60,000 or more	19	30	51

Source: Statistics Canada, General Social Survey, 2002.

developed physical activities or got involved in volunteer work, given the possible constraints imposed by their condition. Furthermore, someone obliged to leave the workforce by the sudden onset of health problems may have had little time to get ready for retirement the way they might have wished.

### Retirees with "good jobs" geared up better for retirement

Among the retirees most likely to have gathered retirement information or become volunteers before leaving work were those who had worked in professional occupations, in public administration, and in the health, education, and social services sector.

Having a pension was another factor associated with a higher likelihood of making non-financial preparations for retirement. For example, all things being equal, the probability that a retiree had gathered retirement information was significantly higher for someone with pension coverage than for someone without (54% and 35%, respectively).

Retirees who had been paid employees were about twice as likely as those who were self-employed to have collected information in arranging for retirement (at 50% and 27% respectively), maybe because they had had access to information through employee assistance programs or employer-sponsored courses. However, paid employees and self-employed workers were about equally likely to have participated in the other types of planning.

The likelihood of paving the way for a lifestyle change after retirement was also associated with the nature of retirement itself. Involuntary retirees—those who did not want to retire but were compelled to do so by factors such as health problems or unemployment—were less likely to have made non-financial preparations than individuals who had left employment voluntarily. One reason may be that an unforeseen early exit from the workforce gave them little time to get organized.

### Getting ready for retirement associated with greater enjoyment of life

Do retirees who develop leisure activities, gather information or become engaged in volunteer work report greater satisfaction in retirement than those who do not? The 2002 GSS asked respondents: "Compared to the year before you retired, do you now enjoy life more, less or about the same?"

Overall, 12% of recent retirees said they enjoyed life less than they had before retiring, while 47% enjoyed it more and 41% reported no real change. Whether retirees said "less," "the same" or "more" was associated

**GST** Gathering information about retirement was the most common type of non-financial preparation by recent retirees

	Type of non-financial preparation for retirement			
	Developed physical activities	Cultivated other leisure activities and hobbies	Got involved in volunteer activities	Gathered retirement information
	%			
<b>Employment status prior to retirement</b>				
Paid employee	28	36	29	50
Self-employed	28	38	28	27
<b>Occupation prior to retirement</b>				
Managerial	28	38	28	42
Professional	30	42	38	63
Technical	41 <sup>E</sup>	40 <sup>E</sup>	31 <sup>E</sup>	54 <sup>E</sup>
Clerical	29	37	34	53
Sales and services	26	31	27	38
Trades and transportation	21	34	22	39
Other blue collar	28	36	20	36
<b>Industry prior to retirement</b>				
Agriculture and primary	31 <sup>E</sup>	40 <sup>E</sup>	28 <sup>E</sup>	33 <sup>E</sup>
Utilities and transportation	20 <sup>E</sup>	30 <sup>E</sup>	25 <sup>E</sup>	49 <sup>E</sup>
Construction	27 <sup>E</sup>	36 <sup>E</sup>	18 <sup>E</sup>	26 <sup>E</sup>
Manufacturing	24	34	22	45
Trade	27	35	28	36
Finance, insurance, real estate, professional and business services	30	37	33	43
Health, education and social services	29	40	37	61
Information, culture and recreation	26 <sup>E</sup>	30 <sup>E</sup>	25 <sup>E</sup>	52 <sup>E</sup>
Accommodation, food and other services	28 <sup>E</sup>	37	22 <sup>E</sup>	25 <sup>E</sup>
Public administration	32	37	35	70
<b>Nature of retirement</b>				
Voluntary	29	38	30	50
Involuntary	22	28	25	34
<b>Receives pension income</b>				
No	26	33	25	31
Yes	28	38	32	61
<b>Current household income</b>				
Less than \$20,000	25	30	24	26
\$20,000 to \$29,999	23	31	25	39
\$30,000 to \$39,999	26	37	27	51
\$40,000 to \$59,999	31	41	32	58
\$60,000 or more	34	40	33	58

<sup>E</sup> Use with caution.  
Source: Statistics Canada, General Social Survey, 2002.

with a number of factors, including their health, financial circumstances and the non-financial preparations they had made.

A statistical model was developed to predict the likelihood that a retiree would enjoy life more after retirement than before he or she

left the workforce. Holding other characteristics constant, the model predicts that the probability of enjoying life more was 43% among those who had not made any non-financial preparations, but 50% for those who had made two and 59% for those who had made at least three. The predicted probability of enjoying life more was highest among retirees who had developed physical activities and cultivated hobbies and leisure pursuits.

The correlation between non-financial preparations for retirement and post-retirement enjoyment of life can be interpreted in several ways. It may be that gearing up for the inevitable change in lifestyle by developing new habits and routines resulted directly in greater enjoyment of life when a person's working life was over. Alternatively, it may be that the people most likely to make non-financial preparations were the most eager to leave the labour force and thus also to report greater enjoyment of life after retiring. Unfortunately, it is not possible to assess the validity of either of these interpretations with the 2002 GSS.

### Summary

There are considerable variations in the extent to which Canadians with different characteristics make non-financial retirement preparations; those most likely to do so tend to have characteristics that are generally associated with higher socio-economic status, such as having a higher level of education, having pension coverage, being employed in a professional occupation, having higher income and retiring voluntarily. There is also a correlation between readying oneself for the substantial lifestyle adjustment that retirement entails and life satisfaction after leaving the workforce, with those who do more planning reporting a greater increase in enjoyment of life.



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