Dual-pensioner families

Susan Poulin

In the last quarter century there has been a dramatic increase in the proportion of married couple families in which both spouses work. Among families with spouses of working age, 71% had both spouses working in 1994, compared with only 34% in 1967 (Moore, 1989). This has led to the transformation of many aspects of family life, including its financial situation. What is still, perhaps, not fully recognized is that the patterns of today's working couples will likely have profound effects on the incomes of tomorrow's retired families.

Work and retirement patterns are connected in a number of ways. While only 40 to 50 percent of workers have employer-sponsored pension plans (Frenken and Maser, 1992), the presence of two earners in the family means, all other things being equal, that a larger proportion of retired couples will benefit from two pension plans. As well, Canada and Quebec Pension Plan (C/QPP) benefits are tied to one's employment history. If both partners have had paid employment over the years, they both become eligible for C/QPP benefits. Furthermore, in theory at least, the higher their incomes during their working years, the more likely dual-earner families are to have disposable income to make investments, especially in home ownership and Registered Retirement Savings Plans (RRSPs).

Using data from the Survey of Consumer Finances (see *Data sources)*, this article looks at dual-pensioner husband-wife families, comparing them with their single-pensioner and no-pensioner counterparts to see how private pensions, and their government equivalents, have contributed to the incomes of Canada's elderly (see *Definitions*).

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Definitions

In the families of this study, both husband and wife are present and aged 65 or over. While it is likely that both are retired, either or both spouses may still be working.

In this paper, **private pension income** refers to income received from employer-sponsored pension plans (Registered Pension Plans or RPPs), Registered Retirement Savings Plans (RRSPs)[1] and Registered Retirement Income Funds (RRIFs).

Families are classified according to how many pensioners they have. In a **dual-pensioner family** both spouses receive private pension income. In a **single-pensioner family** only one spouse receives it. In a **no-pensioner family** neither spouse receives this type of income, although another family member may, thus making the family private pension income other than zero.

Public pension income is paid by the government to individuals who have contributed to the public pension plan (Canada and Quebec Pension Plan, C/QPP) during their working lives. C/QPP benefits have not been included in determining pension status, although they have been considered in the analysis (see *C/QPP broadens the extent of dual-pensioner families).*

Growth of dual-pensioner families

Among elderly husband-wife families, including common-law unions, there has been a significant increase in dual-pensioner families since the early 1980s, from 6% in 1981 to 20% in 1994. This is in the context of major increases in all types of pensioner families over the decade. Single-pensioner families have also increased. In 1981, over half of elderly families had no pensioners; by 1994, nearly half had at least one (Chart).

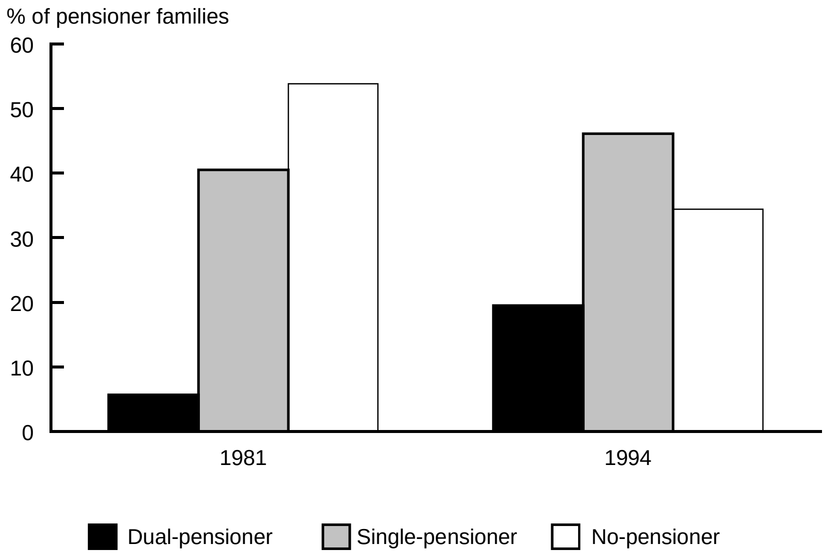
Dual-pensioner families have also become more evenly dispersed across the older age groups. In 1981, of all families in which the husband was from 65 to 69 years old, 10% were dual pensioners, double the likelihood for older seniors. However, in the 13-year interval, the latter saw their percentage of dual-pensioner families increase dramatically. While it doubled for the 65 to 69 age group, it quadrupled for the 70 to 74 and 80 and

Data sources

Most data used in this paper are from the 1982, 1994 and 1995 Survey of Consumer Finances. The survey, conducted annually as a supplement to the monthly Labour Force Survey, collects information on income for the preceding year. This source excludes families living in the Northwest Territories and the Yukon, people in institutions, and members of families living on Indian reserves. Estimates in this article are based on recently revised data, adjusted to 1991 Census counts, so may not match those previously published by the Survey of Consumer Finances. The Household Facilities and Equipment Survey provided data on home value.

Amounts are given in 1994 dollars.

Chart
The incidence of dual-pensioner families * has tripled.



Source: Survey of Consumer Finances
* *A family with both spouses receiving one or more private pensions (see* Definitions*).*

over groups, and increased sevenfold for those 75 to 79 (from 3% to 21%). In 1981, dual-pensioner families were much more prevalent among the younger seniors; by 1994, families with older members were catching up.

Wide income variations by pension status

In 1994, dual-pensioner families recorded the highest family incomes, averaging $56,200; families with no pensioner and no C/QPP recipient fared the worst, with an average of $21,900 (Table 1). The same general pattern existed in 1981, although the gap was not as great. In both years the average income of single-pensioner families was closer to that of no pensioners than to that of dual pensioners. Only no-pensioner families (with or without C/QPP) saw their real incomes drop over the 1981-94 period.

Table 1
Average income * received by families, according to their private pension and C/QPP status

	1981			1994		
	Number of families	Average income	% of families	Number of families	Average income	% of families
	'000	$		'000	$	
All pensioner families	**441**	**33,200**	**100**	**748**	**38,900**	**100**
Dual-pensioner	25	50,400	6	146	56,200	20
Single-pensioner	178	35,400	40	344	39,700	46
C/QPP, both spouses	43	38,900	10	187	41,300	25
C/QPP, one spouse	114	35,300	26	153	37,600	20
No-pensioner	237	29,700	54	257	27,900	34
C/QPP, both spouses	45	35,900	10	121	31,400	16
C/QPP, one spouse	120	30,900	27	110	25,500	15
C/QPP, neither spouse	73	24,000	16	27	21,900	4

Source: Survey of Consumer Finances
Note: The full breakdown of dual- and single- pensioner families is not shown because sample counts are too small to produce reliable estimates. Approximately 90% of the labour force contributed to the C/QPP. Therefore, most dual-pensioner families are also dual-C/QPP families.
* *Income is from all sources and all family members. Amounts are given in 1994 dollars.*

As expected, the receipt of C/QPP, even if by just one spouse, increases average family income. In 1994, single-pensioner families with one C/QPP recipient had an average income of $37,600; those with two recipients averaged $41,300.

Families with no pension income (private or public) are declining rapidly, to the point where they represented only 4% of pensioner families in 1994, down from 16% in 1981. More families are receiving work-related pensions, both public and private.

Pensioner status determines income sources

Most dual-pensioner families will have had the benefit of two earnings at some point in their lives.[2] This may have allowed them to make more investments, buy more valuable homes, and so on. Families with one or no pensioner may have relied more on government or other sources of income and may still be drawing from them. If so, elderly families' reliance on various income sources[3] may differ according to their pension status. To highlight the differences in income composition, this section compares dual-pensioner families with those having neither a pensioner nor a C/QPP recipient. (For information about income composition by status of pensioner family see Appendix.)

Dual-pensioner families drew an average of $12,900, or 26% of their total income, from private pensions in 1981. In 1994,[4] the average pension income had increased to $21,600, or 38% of family income (Table 2). Families without a pensioner were drawing 70% of their income from government transfers, up from 61% in 1981.

By 1994, both groups still received some income from earnings, families without pensioners drawing slightly more (11%) in terms of total income than families with two pensioners (7%). The average income from these earnings, however, was higher for the latter ($3,800 versus $2,400), raising the overall average family income. Some 17% of dual-pensioner families received earnings; 13% of families without pensioners did. If families with earnings are excluded from the dual-pensioner category, the average income declines by 13%. For the no-pensioner (and no C/QPP) category, average income declines by 11%.

Individuals with higher earnings are more likely to be covered by private pension plans than are those with lower earnings (Frenken and Maser, 1992). Also, because those with higher income, or earnings,

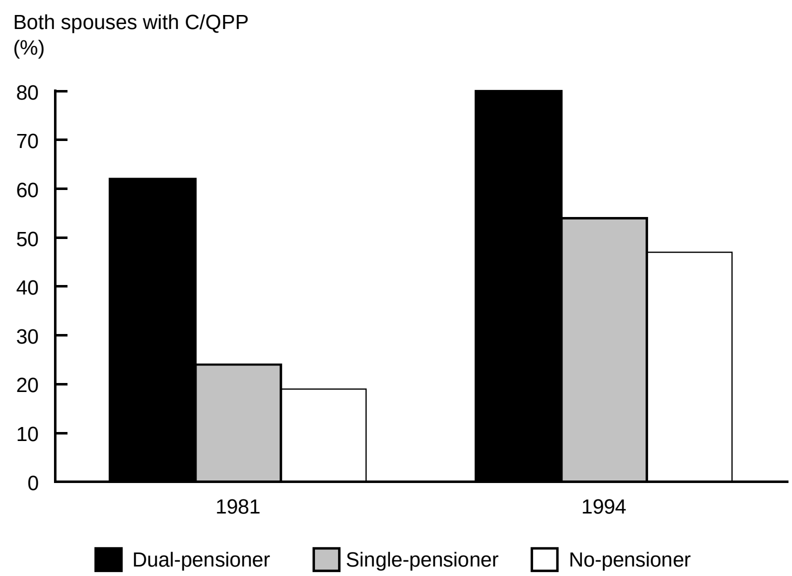
C/QPP broadens the extent of dual-pensioner families

The C/QPP program, introduced in 1966, is mandatory for almost everyone who works. Many families who are not dual pensioners as defined in this report would be considered so if C/QPP were included in the definition. Dual-pensioner coverage would be substantially higher: 27% of families in 1981 and 62% in 1994. This is largely explained by the increased participation of women in the labour market.

In 1994, more than one-half of families with only one private pension plan beneficiary had both spouses drawing C/QPP benefits; in this sense they are dual-pensioner families. Furthermore, in families with neither spouse drawing a private pension, 47% had both spouses receiving C/QPP benefits.

In only 80% of cases in which both spouses received private pensions did both draw C/QPP. This was not higher because the definition of private pensions in this article includes RRSPs. Women who have no labour market experience but whose husbands have contributed to their RRSP would receive a private pension but no C/QPP. (The effect of RRSPs is referred to in greater detail later in this article.)

Dual-pensioner families are also more likely to receive C/QPP.



Source: Survey of Consumer Finances

theoretically have more discretionary income to invest, dual-pensioner families report a much higher proportion of investment income. In 1994, this amounted to $10,500 (or 19% of total income) compared with $2,600 (12%) for families without pensioners. Some 86% of dual-pensioner families had investment income, compared with 38% of families without pensioners or C/QPP recipients. In the no-pensioner group those without investments reported an average income of $19,600; those with investments, $25,700.

Pensioner families' income composition changed somewhat between 1981 and 1994. For dual-pensioner families, the proportion of pension income (including RRSPs) to total income increased from 26% to 38%, probably because of more investments in RRSPs and better pensions thanks to longer contribution periods. For families without pensioners, the greatest change was in the contribution of earnings to total income, down 10 percentage points. This was compensated by increases in government transfers (9 percentage points) and in income received from "other"[5] sources (6 percentage points).

Table 2
Average and percentage distribution of income for dual- and no-pensioner (no C/QPP) families

	Dual pensioners			No pensioners, No C/QPP		
	Average income	Contri-bution to total	Families with source	Average income	Contri-bution to total	Families with source
	$		%	$		%
1981 (All sources)	**50,400**	**100**		**24,000**	**100**	
Earnings	6,800	14	33	5,000	21	23
Private pensions	12,900	26	100	--	--	-
C/QPP	5,900	12	96	--	--	-
Investments	14,600	29	91	4,000	17	52
Government transfers	9,100	18	100	14,700	61	98
Other	1,000	2	16	300	1	4
1994 (All sources)	**56,200**	**100**		**21,900**	**100**	
Earnings	3,800	7	17	2,400	11	13
Private pensions	21,600	38	100	-	-	-
C/QPP	9,600	17	98	--	--	-
Investments	10,500	19	86	2,600	12	38
Government transfers	10,000	18	100	15,300	70	100
Other	700	1	12	1,600	7	16

Source: Survey of Consumer Finances
Note: Averages are for the entire family and for all families in the category (including those without that source). Amounts are given in 1994 dollars.

RRSPs have made a difference

RRSPs were created to provide the self-employed and workers without employer-sponsored pension plans with "equivalent" tax relief on retirement savings.[6] Although introduced in 1957, they did not become a popular vehicle for savings until the mid-1980s. Even in 1986, when the contribution ceilings were raised, only one in five taxfilers contributed and the average amount was low (Frenken, 1990).

So far, in an effort to compare concepts across time, this article has shown data based on the amalgamation of all pension income. But because RRSP annuities and RRIF withdrawals have been collected separately from employer-sponsored pension income since 1993, it is worth considering whether results would differ if the study showed only the growth in pensions from employers.

When RRSP annuities and RRIFs are removed from 1994 pension income, the percentage of dual-pensioner families drops dramatically, from 20% to 12% (though the figure for single-pensioner families remains constant). This represents a decrease of nearly 60,000 families. Clearly, the recent enthusiasm for RRSPs[7] has had as much to do with the increase in dual-pensioner families as has the increase in employer pensions. Women's participation rates in RRSPs grew from 6% in 1979 to 19% in 1989 (Frenken, 1991). This growth will not likely have manifested itself until the late 1980s or early 1990s, so even though RRSPs and pensions cannot be considered separately for the years prior to 1993, information for 1981 is not likely affected significantly.

In 1994, the average income of dual-pensioner families receiving RRSP annuities or RRIFs was $61,200; for families without these sources the amount was just $46,400. Not surprisingly, the RRSP annuities[8] or RRIFs accounted for 58% of this gap.

Home ownership and value of the home

Residential property is another important component of the financial situation of pensioners. If both spouses have worked, the couple may have equity in a high value home. In 1994, most retired families (82%) owned their home, 87% of which were mortgage free. Families with two pensioners were homeowners 90% of the time and

85% of those possessed total equity in their home. A smaller percentage of no- and single-pensioner families owned a home (80%) but they owned mortgage free more often (88%).

Families without pensioners have greater equity in their home than do others. In 1994, the average market value of a mortgage-free home[9] owned by dual pensioners was $152,000. The corresponding value for other pensioner families was not significantly different ($158,000). Despite their higher incomes, dual-pensioner families did not own higher-value mortgage-free homes.

Future of dual-pensioner families

Although the proportion of dual-pensioner families in 1994 was just 20%, it was much greater than it had been 13 years earlier. Is this pattern likely to continue? It is difficult to predict but the following factors are relevant. Women's participation in employer-sponsored pension plans increased from 36% of paid workers in 1982 to 42% in 1992; this growth was due largely to their increased employment in industries that have traditionally had high pension coverage. The growth began levelling off at the beginning of the 1990s, though the increases of the 1970s and 1980s will continue to affect the incidence of dual-pensioner families for many years.

Employers are now choosing other, less expensive, alternatives to pension plans, such as group RRSPs (Frenken, 1996). This does not affect the number of dual-pensioner families as they are defined here, but it will substantially decrease the number of families with two RPPs, as well as the average income of retired families. In addition, jobs are now being created in small or medium-sized firms, whose employers tend not to institute a pension plan. On the other hand, legislation to provide vesting after two years of participation in a private pension plan, and to allow part-time workers to participate, should contribute to the growth in such plans (Galarneau, 1991). □

■ *Notes*

1 Cash withdrawals from RRSPs are not included since they are considered simply a depletion of savings.

2 Not all dual-pensioner families will have had two earners. For example, spouses who have remarried and are receiving a survivor's pension from a previous spouse may never have worked themselves.

3 The income sources are those of the entire family, not just of the husband and wife.

4 Starting in 1993, income from RRSP annuities and RRIF withdrawals were collected separately. In order to keep the concept of pension income constant throughout, this study retained those sources as pension income.

5 Other income includes retiring allowances and severance pay, wage loss replacement benefits, income maintenance payments, disability payments from a non-government insurance plan, payments from Children's Aid, and non-refundable scholarships and bursaries.

6 Employee contributions to Registered Pension Plans (RPPs) have always been a tax deduction. This is why membership in an RPP reduces the scope for RRSP contributions.

7 Although the percentage of the labour force participating in RPPs changed little from 1983 to 1993 (about 35%), over that same period the percentage contributing to RRSPs almost doubled (18% to 35%).

8 The average value of an RRSP annuity or RRIF for dual-pensioner families receiving such income was $8,600. Averaged over all dual-pensioner families, the value was $5,700, an increase of 18% from $4,800 the year before.

9 Families without a mortgage are used in this study because the Household Facilities and Equipment Survey, from which the market value is taken, does not collect information on unpaid mortgages, which should, strictly speaking, be taken into account. Also, elderly homeowners with a mortgage are atypical and few (10%).

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Appendix
Income composition by status of pensioner family

	Earnings *		Pensions **		C/QPP		Investments		Government transfers †		Other ††		Total	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%
1981 average income (1994 $)														
All pensioner families	**5,400**	**16**	**3,800**	**11**	**3,100**	**9**	**8,900**	**27**	**11,600**	**35**	**400**	**1**	**33,200**	**100**
Dual-pensioner	6,800	14	12,900	26	5,900	12	14,600	29	9,100	18	1,000	2	50,400	100
Single-pensioner	4,000	11	7,500	21	3,700	10	9,200	26	10,400	29	600	2	35,400	100
C/QPP, both spouses	3,800	10	8,800	23	6,100	16	9,400	24	9,600	25	1,200	3	38,900	100
C/QPP, one spouse	4,600	13	7,400	21	3,500	10	9,200	26	10,300	29	400	1	35,300	100
No-pensioner	6,300	21	--	--	2,300	8	8,100	27	12,700	43	300	1	29,700	100
C/QPP, both spouses	6,700	19	-	-	4,900	14	12,900	36	11,200	31	100	--	35,900	100
C/QPP, one spouse	7,000	22	100	--	2,800	9	8,800	28	12,100	39	300	1	30,900	100
C/QPP, neither spouse	5,000	21	--	--	--	--	4,000	17	14,700	61	300	1	24,000	100
1994 average income														
All pensioner families	**3,800**	**10**	**9,700**	**25**	**7,400**	**19**	**5,700**	**15**	**11,700**	**30**	**700**	**2**	**38,900**	**100**
Dual- pensioner	3,800	7	21,600	38	9,600	17	10,500	19	10,000	18	700	1	56,200	100
Single-pensioner	3,000	8	11,800	30	7,600	19	5,600	14	10,900	27	800	2	39,700	100
C/QPP, both spouses	3,600	9	12,200	30	9,200	22	4,900	12	10,700	26	700	2	41,300	100
C/QPP, one spouse	2,200	6	11,400	30	6,000	16	6,100	16	11,400	30	600	2	37,600	100
No-pensioner	4,800	17	--	--	5,700	21	3,100	11	13,800	49	400	2	27,900	100
C/QPP, both spouses	6,300	20	--	--	8,200	26	3,600	11	13,100	42	300	1	31,400	100
C/QPP, one spouse	3,700	14	--	--	4,500	18	2,700	11	14,200	56	400	1	25,500	100
C/QPP, neither spouse	2,400	11	-	-	--	--	2,600	12	15,300	70	1,600	7	21,900	100

Source: Survey of Consumer Finances

* *Includes wages and salaries, military pay, self-employment income.*

** *Pensions in 1994 are the sum of two items on the questionnaire, pensions and RRSPs. In years previous to 1993, pension income was collected as one item on the questionnaire.*

† *Excludes C/QPP. Includes all credits from government, such as Child Tax Credit, Old Age Security, Guaranteed Income Supplements, Spouse's Allowance, Unemployment Insurance benefits, social assistance, Workers' Compensation.*

†† *See note 5.*

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