

The Retirement Income System and the Risks Faced by Canadian Seniors

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Abstract:

In this paper, we use a risk framework to analyze the risks seniors face and discuss the success of Canada's retirement income system in insuring against these risks. We focus on four types of risk: (i) the risk of low income at the onset of retirement, (ii) longevity risk, (iii) business cycle risk, and (iv) decision-making risk. The research conducted by CLSRN researchers and others leads us to conclude that, overall, Canada's retirement income system successfully mitigates against most risks facing Canadian seniors. Important gaps remain, however. Some demographic groups remain at higher risk of poverty at the onset of retirement. Risks of longevity and widowhood are not fully insured. Private savings are subject to financial return risk. The complexity of some retirement income programs makes it difficult for seniors to plan their retirement income optimally.

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