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NEWS RELEASE

NIA Proposes a New Retirement Income Framework

Supporting More Informed Decisions and Better Outcomes for Older Canadians

TORONTO, May 8, 2024 — In Step 1 of a new eight-part paper series, [\(Re\) Introducing the Retirement Income System: A New Framework Tailored to the Retiree's Perspective](#), Dr. Bonnie-Jeanne MacDonald, Director of Financial Security Research for the NIA, and co-authors Doug Chandler and Alyssa Hodder, Associate Fellows for the NIA, explain why Canada needs to fundamentally rethink how the retirement income system is communicated to the public.

“The most important question workers planning for retirement want to know is how will this system pay for my lifestyle for the rest of my life?” says lead author MacDonald. “Without better support, research shows retirees will not make the decisions that protect them long after they retire — including when to start CPP/QPP benefits. With baby boomers retiring in droves, our system urgently needs to help them when making these once-in-a-lifetime, high stakes decisions.”

MacDonald argues that the conventional “three pillar” visualization — consisting of government-sponsored programs such as Old Age Security (OAS), the Guaranteed Income Supplement (GIS) and the Canada Pension Plan/Quebec Pension Plan (CPP/QPP), along with workplace pension plans and personal savings — is a missed opportunity to help workers transition into a retirement mindset and make financial choices that will serve the next phase of their lives.

“The irony is, the traditional “three pillar” visualization comes from the perspective of providers — such as government, employers and the financial services industry — not those it is intended to inform,” says Chandler “It’s about where the money came from, not where it’s going. The traditional three pillar visual is used around the world, and yet nobody has pointed out this disconnect before. That’s a problem.”

The NIA proposes that the retirement income industry and policymakers make a dramatic shift to a new framework — the **NIA Retirement Income Framework** — which puts retirees at the centre and reframes the retirement income system from the perspective of their financial needs.

“The ‘a-ha’ moment was realizing that lifelong monthly pension income is not a pillar of our retirement income system from the perspective of older Canadians — for them, it is the foundation and their other economic resources rest on it.” says MacDonald.

The NIA Retirement Income Framework will help Canadians prepare and manage their post-retirement finances to align with their spending needs and preferences. It emphasizes that lifelong monthly retirement income from CPP/QPP, OAS, GIS, workplace pension plans and annuities is more suitable for financing routine expenses such as food, utilities and other ongoing costs, while investments are more suitable for non-routine expenses.

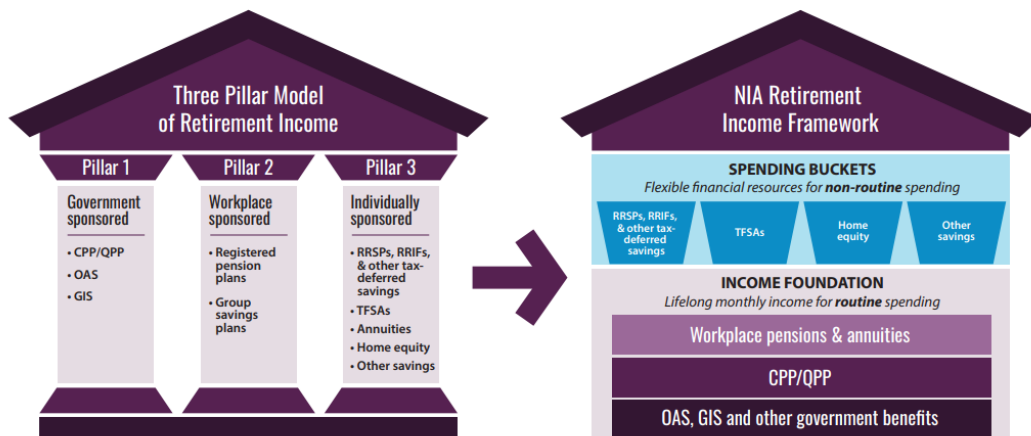
“Financial advisors, employers, federal and provincial governments, professional organizations, financial institutions and other agencies can all benefit from supporting a more productive framing of our retirement income system,” explains Hodder. “When it comes to communicating complex financial topics, a good picture isn’t just worth a thousand words; it can mean thousands of badly needed dollars for a vulnerable older adult.”

“This distinct, innovative solution will better serve Canada’s ageing population and the systems that support it,” says Alyssa Brierley, Executive Director for the NIA. “We look forward to working with stakeholders to help move this research into reality.”

NIA’s Retirement Income Framework to Better Support Retiring Canadians

From an accumulation (saving) perspective

... to a decumulation (spending) perspective



About The National Institute on Ageing

The National Institute on Ageing (NIA) improves the lives of older adults and the systems that support them by convening stakeholders, conducting research, advancing policy solutions and practice innovations, sharing information and shifting attitudes. Our vision is a Canada where older adults feel valued, included, supported and better prepared to age with confidence.

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