Aging beyond retirement: How Canadians can afford to grow old

Thinking ahead about your golden years is key to avoiding financial stress

Fourteen kids.
That's the number of siblings Dr. Bonnie-Jeanne MacDonald's mother had growing up. An astounding number, even at a time when families were known for having large broods.
While it might seem overwhelming, to say the least, there certainly were benefits to having so many kids, says Dr. MacDonald, the director of financial security research for the National Institute on Aging (NIA). "My mother came from a family of 14 kids, and suddenly you have much fewer people to do that care for aging parents," MacDonald says. "These family members are under a lot of financial and mental distress, and that's a big challenge."

That challenge is becoming an expensive one. By 2050, the cost of public care in nursing and private homes in Canada will more than triple to $71 billion annually, according to a study by the NIA. Much of this is from the 120 per cent increase in older adults needing care support by 2050, mainly the baby boomers. Yet while most Canadians prepare for retirement, MacDonald doesn't see as many preparing for old age. And that's a necessity as Canadians live longer and longer.

Consider what you want
One of the biggest issues for Canadians is that they continue to leave their choices on aging to the last minute. This winds up putting strain on loved ones, both financially and physically, says MacDonald. Today, most of the care for aging loved ones goes to unpaid caregivers. These caregivers end up reducing work hours and reducing their own retirement income in the process, according to the National Seniors Strategy, a team dedicated to evidence-based strategies for the "evolution" of senior living.

"Although it can be a difficult conversation, it's an important discussion to have with loved ones," says Sharon Ranalli, vice-president of marketing and communications for Mississauga, Ont.-based Chartwell Retirement Residences. "It ensures a parent's wishes are respected and they can live their later years with as much choice, freedom, and independence as possible."

So what do you want as you age? Do you want home care, or to live in a retirement residence? At what point should that happen? And of course, how will it be paid for? These are important questions to consider well before you're met with a crisis. "It also allows time to do some research and speak with a financial professional about strategies and options before having to make an urgent decision that may not be the best fit for a loved one's needs and preferences," says Ranalli.

How to afford your ideal care

Once you have that meeting with your financial advisor, MacDonald says it's important to remember you need to go beyond your standard of living. Especially since care for seniors in Canada is not part of universal health care in the Canada Health Act. Instead, Canadians must rely on provincial services. As Canadians age, while some costs may go down, others may go up if, for example, you need help at home, or need a retirement or long-term care home. No matter what you choose, there are certainly ways to save and create funds to support the lifestyle you want. "Often, seniors and their families are surprised to learn that living in their current situation is anything but free," says Ranalli. "Should a senior need higher care, which could be eight hours of in-home nursing per day, five days a week, 52 weeks a year, that is almost $125,000 [per year]."

Whether it's in-home care or a retirement home, Canadians can use the sale of their home or other assets to invest in a low-risk portfolio, Ranalli suggests. Again an important reason to meet with a financial advisor. But one of the biggest mistakes Canadians make is also taking out their Canadian Pension Plan (CPP) cash too soon, MacDonald says. By delaying the start of your CPP benefits until age 70, you can double your lifetime pension. "Canadians are actually losing about $100,000," MacDonald says. Instead, she suggests Canadians "take some of their Registered Retirement Savings Plan money … a little part of it, and delay their CPP."

It's not just aging parents any more

The pandemic changed things for Canadians, with many seniors altering their plans for how they want to age, MacDonald says. Many now want in-home care, according to surveys by the NIA. Currently, the Canadian federal government puts about 80 per cent toward long-term care homes, and only about 20 per cent to home-care support. With a massive influx of baby boomers about to reach their 80s, and waiting lists continuing to grow, it's important for Canadians to start having these conversations. "We know many find it difficult to switch from a lifetime devoted to saving their money to spending it on themselves, even for care and lifestyle options that can make their life easier and more comfortable," Ranalli says. "We understand many older adults want to conserve as much of their savings as possible to pass on a nest egg to their children."

However, times have changed since families of 14 kids were around to support aging parents. Now, MacDonald says the focus should be on financial self-reliance. And that's still difficult for Canadians to wrap their heads around. "You're planning for a more vulnerable future self," MacDonald says. "It's really hard for people to financially plan really far into the future … we just aren't hardwired to think of … things happening to us."

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