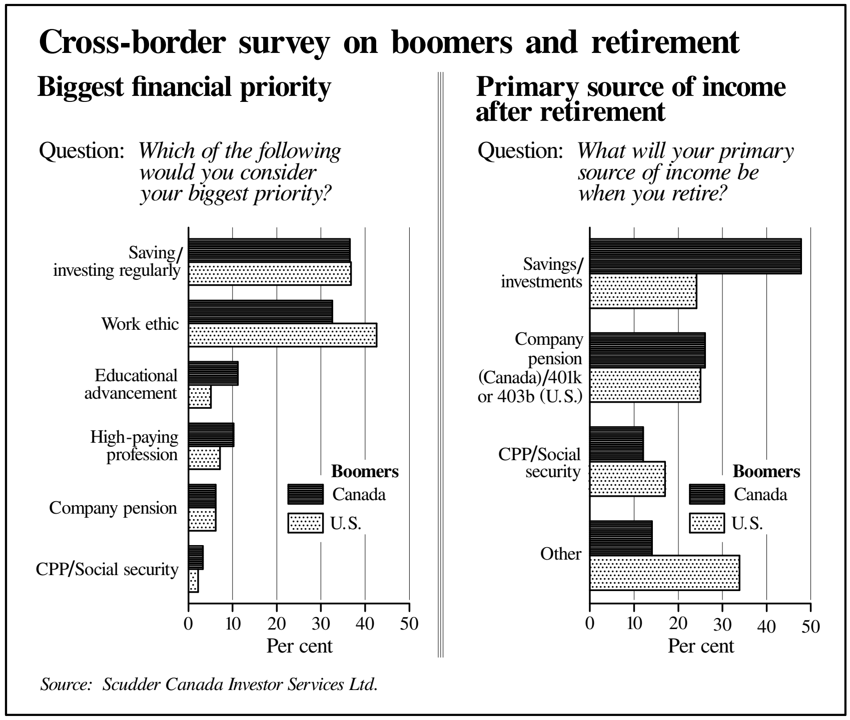
Figure 2.19e. SURVEY SAMPLING: Illustrative Newspaper Articles 5

EM9802: The Globe and Mail, April 23, 1998, page B16

Polls apart: Surveys diverge on retirement outlook

One study finds we're 'busy as beavers' while another suggests a 'bleak retirement future'

BY ANGELA BARNES
Investment Reporter



Canadians got very mixed signals about their retirement savings plans from two surveys released yesterday.

One poll found that Canadians see themselves as diligently squirrelling away for retirement; the other concluded they'll be hard up for cash.

The optimistic study was done for mutual fund company Scudder Canada Investor Services Ltd. and its U.S. parent. It indicates that Canadian baby boomers are approaching retirement with more confidence than their counterparts in the United States, believing they will have the financial resources to enjoy those years. Moreover, they are more likely to be taking concrete steps to ensure they will have those resources.

"Canadians are busy as beavers preparing for retirement," said Bob Richardson, senior vice-president of Angus Reid Group Inc., which did the survey for Scudder.

Canadian boomers generally got a head start on that whole process over their U.S. counterparts. Three out of five Canadians born between 1947 and 1965, who have already commenced saving for retirement, did so before they turned 30, the survey says. Just two Americans in five were that quick off the mark.

And "60 per cent of Canadian boomers feel confident their current financial plan will allow them to enjoy their retirement," said Gale Caruso, president of Scudder Canada.

Moreover, they feel that way even though a higher percentage of Canadians than Americans believe they will retire early. Fifty-nine per cent of Canadians plan to stop working before 65, while 47 per cent of Americans do.

Seven hundred and eleven Canadian boomers and more than 1,000 American boomers were interviewed for the survey.

The results of the survey were unexpected, Mr. Richardson said. "Canadians tend to think Americans are more self-reliant and more experienced investors, but according to this research, Canadians are doing well at taking hold of their financial future."

But a second survey, done by Gallup Canada Inc. for Deloitte & Touche, raises questions about just how secure Canadians should feel about their retirement savings plans.

The survey, also done in late March, gives Canadians a failing mark, saying most of us are headed for a low-income retirement.

"Too many Canadians are facing a bleak retirement future," said Bruce McCarley, a national tax partner with Deloitte & Touche in Toronto.

The Deloitte & Touche survey asked 1,003 Canadian adults what they expect their net worth to be at retirement – a figure that only one in 10 could not or did not provide. Fifty-nine per cent of those providing an estimate said they expected it to be less than $250,000. Net worth measures an individual's assets minus liabilities.

"Even if you assume an optimistic 5-per-cent real rate of return – that is, over and above the rate of inflation – having a nest egg of just $250,000 will generate only about $12,500 in income before tax per year," Mr. McCarley said.

"That's not much to live on," he said. Moreover, he points out that the actual situation may be even worse than that since the net worth figure includes equity in the individual's residence, which may not produce any income, he said.

However, the net-worth figure excludes income from other sources like the Canada Pension Plan, an inheritance or a company pension plan. Statistics Canada says about one Canadian in three in the labour force in 1996, or about 5.1 million Canadians, belonged to a public or private pension plan.

Robert Kerr, president of the financial planning firm Kerr Financial Corp., said the two studies reflect reality.

Canadians "think they are doing the right things ..... and they think everything will fall into place, when in fact they are doing a poor job of preparing for retirement," he said.

Canadians think of themselves as conservavative and cautious, but "I think that is a Canadian myth of the 1950s," he said. Canadians actually have a very low savings rate at the moment, in part because they have other uses for the money like educating their children.

The Deloitte & Touche survey also showed that few Canadians are taking advanage of their full registered retirement savings plan contribution room. Only three in 10 Canadians surveyed did so and those who did go for the maximum were, not surprisingly, aged 50 to 64.

The results of the Scudder survey are considered accurate for Canada within 3.7 percentage points, 19 times out of 20. The accuracy level for the Deloitte & Touche survey is plus or minus 3.1 percentage points, 19 times out of 20.

(*continued overleaf*)

1 A major theme of the article EM9802 reprinted overleaf on page 2.161 is that two apparently *similar* sample surveys give clearly *different* Answers. Describe, in point form:

- the *actual* difference(s) in Answers the article mentions;
- likely *reason(s)* for the difference(s);
- additional information the article could provide that would enable your previous two descriptions to be more incisive.

2 The eighth paragraph of the left-hand column overleaf on page 2.161 gives the *sample sizes* for the Angus Reid survey. Explain briefly why this is important information to provide in the article EM9802.

- Comment critically on a claim that, because the size of the U.S. population is about *ten times* that of Canada but the two sample sizes in the Angus Reid survey are *comparable*, the sample survey results for the U.S. are appreciably less accurate.

3 Give explicit calculations that show the basis of the two *margins of error*, given at the bottom right overleaf on page 161, in the last paragraph of the article EM9802.

- Explain what is quantified by these margins of error.
- Comment critically on the use of the words *accurate* and *accuracy* in the last two sentences of the article.

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