

Intelligence MEMOS



From: Bob Baldwin
To: Canadians concerned about retirement
Date: April 24, 2019
Re: **TRENDS IN PRE-RETIREMENT WEALTH**

Over the period from 1999 to 2016, the wealth (net worth and total assets) of Canadians approaching retirement who were in the middle of the wealth distribution grew quite strongly in constant dollars.

The growth in wealth was notably stronger than income growth over the same period. The growth was driven in large part by the increasing value of principal residences. But other forms of wealth also grew strongly including retirement wealth.

In my recent C.D. Howe Institute [working paper](#) I examined the evolving wealth of Canadians approaching retirement. And principal residences are a growing source of that wealth.

Two additional dimensions to the growth in wealth in principal residences are worth noting. As is widely known, the growth in housing wealth has been much stronger in major urban centres than elsewhere. The CANSIM data exist for Toronto, Vancouver, New Brunswick, and Prince Edward Island. Qualitatively there are no surprises in what the data show. Principal residence values are higher in Toronto and Vancouver, the values have grown more rapidly, and home ownership is less common in Toronto and Vancouver.

Figure 1 provides relevant quantification of these points for 45–54 year olds and 55–64 year olds. Two points not already noted stand out in these data. First, the very high levels of home ownership in New Brunswick and Prince Edward Island; and second, the fact that there were small increases in the portion of the population in these older preretirement age ranges who own homes.

Figure 1: Median Principal Residence Wealth for Families and Individuals Aged 45 to 54 and 55 to 64, 1999 and 2016, and Percentage with Principal Residence Wealth in Toronto, Vancouver, New Brunswick and Prince Edward Island

	1999	2016
Age 45-54		
Toronto	\$311,000 62.5%	\$740,000 67.9%
Vancouver	\$407,700 71.9%	\$980,000 64.9%
New Brunswick	\$100,600 84.2%	\$160,000 88.1%
Prince Edward Island	135,400 78.4%	\$170,000 81.7%
Age 55-64		
Toronto	\$317,900 68.2%	\$700,000 76.5%
Vancouver	\$400,800 64.7%	\$990,000 66.2%
New Brunswick	\$103,700 80.0%	\$160,000 86.4%
Prince Edward Island	\$110,600 84.7%	\$150,000 89.2%

Source: CANSIM 205-0002 (11-10-0016-01).

The only exception to this general trend was provided by 45–54 year olds in Vancouver, where the portion of home owners declined by 7 percentage points from 71.9 percent to 64.9 percent. For people in the age groups approaching retirement, the strong growth in the value of principal residences has been accompanied by the growth in mortgages on principal residences.

The portion of the population approaching retirement age that has a mortgage on their principal residence has grown in recent years in both the 45–54-year-old age group and the 55–64-year-old age group. In addition, the median value of mortgages has grown somewhat faster than the median value of principal residences for the 45–54-year-old age group.

This is a major contributor to the fact that the wealth of Canadians approaching retirement age was more highly leveraged in 2016 than in 1999 and, as a result, is more vulnerable to movements in interest rates.

Overall, however, the retirement wealth picture among groups approaching retirement age looks better now than it was 20 years ago. This is a welcome statistic, given that expected rates of return are now lower than they were, and that average time spent in retirement is rising. Further policy efforts should now focus on vulnerable groups.

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Figure 2: Median Amount of Mortgage Debt on Principal Residences and Percentage with Mortgage Debt on Principal Residences, Ages 45 to 54 and 55 to 64

	1999	2016
Age 45-54		
Median Mortgage	\$78,800	\$174,000
Percent with Mortgage	42.3%	48.5%
Age 55-64		
Median Mortgage	\$67,400	\$130,000
Percent with Mortgage	25.1%	34.5%

Source: CANSIM 205-0002 (11-10-0016-01).

Figure 3: Changes in Median Values of Types of Assets held by 45 – 54 and 55 – 64 Year Olds between 1999 and 2016

	1999 Value (dollars)	2016 Value (dollars)
Age 45-54		
Retirement Assets	117,500	200,200
Other Financial Assets	7,600	12,000
Non-financial Assets *	192,800	340,000
Principal Residences	186,390	390,000
Age 55-64		
Retirement Assets	226,300	355,100
Other financial Assets	11,100	16,500
Non-financial Assets	193,500	354,000
Principal Residences	179,700	350,000

Note:

* This category includes principal residences but also includes secondary residences, cars and so on. It may seem anomalous that there can be a median value for principal residences that exceeds the median value for all non-financial assets. This results from the fact that the population with some non-financial assets is different from the population that owns their principal residence. The latter population is smaller and generally wealthier.

Source: CANSIM 205-0002 (11-10-0016-01).

Figure 4: Growth in Median Net Worth and Total Assets, 1999 and 2016 \$2016

	1999 Value (dollars)	2016 Value (dollars)
Age 45-54		
Net Worth	257,500	432,100
Total Assets	347,400	605,800
Age 55-64		
Net Worth	373,700	669,500
Total Assets	415,400	797,300
Age 65+		
Net Worth	285,600	517,100
Total Assets	296,100	545,200
All ages		
Net Worth	144,500	295,100
Total Assets	221,500	440,200

Source: CANSIM 205-0002 (11-10-0016-01).