



Let's Simplify Decumulation: Helping Members Retire Well

How to help members retire well

The current transition from saving to retirement income is complex and full of uncertainty, made worse by recent inflation and market unrest.

For many people in Canada, decumulation is one of the most complex financial decisions they will ever make. Retirement is the time of their lives where people should be able to enjoy their hard-earned savings and not feel overwhelmed by retirement income product choices. Therefore, it is important that the pension industry continues to look for ways to simplify the decumulation process.

At the Benefits and Pensions Monitor Meetings & Events webinar, 'Let's Simplify Decumulation: Helping Members Retire Well,' Canada Life decumulation experts George Turpie, Senior Vice-President, Group Retirement Savings and Investments, and David Lloyd, Senior Investment and Retirement Consultant, Freedom Experience, came together to share ideas, insights, and strategies to help pension plan sponsors develop a framework to simplify decumulation for members and drive better outcomes.

Turpie and Lloyd shared five 'big ideas' that the pension industry can focus on to get started:

1. How members make financial decisions
2. Data matters
3. Purposeful products and solutions
4. Advocate for change
5. Focus on values

How members make financial decisions

Turpie: In a recent Canada Life survey, only a quarter of members felt 'really good' about their level of financial knowledge. Additionally, 41% of Canadians are worried their money won't last in retirement. This percentage goes up even more with low-income Canadians, recent immigrants, and women – vulnerable groups who, one could argue, stand to benefit the most from their employers' retirement savings plans.

One of the realities we've come to understand in this business is that when people don't feel confident or comfortable with making a decision, particularly a financial one, the common outcome is inertia. They don't take any action or make any decisions at all. It's a meaningful risk to achieving positive retirement outcomes.

Lloyd: It's not as easy as just providing more member education. Behavioral research

tells us that knowledge alone is insufficient as a driver of success. Many forms of information compete for our members limited attention, not the least of which is their actual jobs. Out of all the millions of messages they get, is it reasonable to expect the average person to connect and identify the key information? Financial decisions are complex and emotional. This is especially true when shifting from accumulation to decumulation.

No matter how well we educate, we can't expect people to be experts at everything. Knowledge alone can't overcome member behavior.



"Values can mean numbers, like investment returns. So, when it comes to what members invest in, there is room to find a balance between a member's personal values and their investment returns"

- David Lloyd

Data matters

Turpie: At Canada Life, we see data as foundational and, when put in hands of people who can interpret what they are seeing, can add strength and value to insights that we can share and drive actions that matter.

Data governance is also critical to how our industry progresses to help all members in decumulation or otherwise. Oversight and strategic management of availability, usability, integrity, and security of data is critical and has to be there alongside any of the potential opportunities that data brings.

Purposeful products and solutions

Turpie: There is a complexity of decision-making at or near retirement. 'Fit for purpose' products and solutions are some key, and often most innovative ways, to help members make decumulation decisions by using behaviour design and insights into their unique needs and wants at various stages of life.

Automatic features can help plan members achieve meaningful outcomes. Features like auto enrolment can increase member

participation by as much as 30%.

At Canada Life, we are actively working to create and find solutions to support more employers in offering auto-features and encourage their adoption. These solutions are backed by strong data and information to show the benefits and results.

Lloyd: The idea of a purposeful solution is an extension of financial decision-making. Whether a member is working with their financial advisor or an Investment and Retirement Consultant, personalized advice needs to be available at the right time and place to help with financial decision-making. Members must know when and how to reach out for help and feel empowered by the financial knowledge we provide them.

Advocate for change

Turpie: Being an advocate for positive change around the laws, regulations, and best practices of our industry is an accountability I take very seriously and dedicate meaningful time to. We all have a responsibility to be advocates for changes that will help more Canadians retire well.

At Canada Life, we actively participate in requests for consultations and give our time and insights by sitting on organization boards, advisory groups, and panels.

Focus on values

Turpie: Providing inclusive solutions that members can see themselves in, creates a gateway for the many other value-added solutions to become relevant to more members – like education resources, retirement calculators, and participation in employer matching programs. These options can create meaningful outcomes relevant for all members.

Lloyd: Values can mean numbers, like investment returns. So, when it comes to what members invest in, there is room to find a balance between a member's personal values and their investment returns. For example, it is important to ensure that no member is excluded from their group plan because of their personal beliefs. We need to provide investment options that can deliver positive, meaningful outcomes for all members.

Turpie: Many clients turn to Canada Life for broad solutions, like "how will Canada Life help my members retire well?". The answer is not any one thing. Instead, it's how we bring it all together. It's a holistic decumulation strategy and this is how Canada Life delivers on our people-first approach to wealth and well-being.