

BULLETIN

Nearly one in four Canadians make early RRSP withdrawals

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Ottawa ... A new survey from Scotiabank has found that almost a quarter of Canadians (23%) have taken money out of their RRSP and one in five does not plan to reinvest that amount, despite financial penalties.

The study, designed to understand Canadians' attitudes and behaviour toward RRSP savings, found that the primary purposes for withdrawal were to buy a first home, cover day-to-day living expenses and pay down debt. More than 1,000 investors over 18 participated in the on-line survey in October.

The study found that 40% of Canadians have made an average of three withdrawals from their RRSPs. Nearly half of those who have made at least one withdrawal do not intend to pay it back.

Canadians taking money out of their RRSPs withdrew an average of \$18,000. Of those, 37% wanted to buy or build a house, or to get a mortgage; 24% took funds to pay off debt and 20% used the money for day-to-day living expenses.

Scotiabank says in the event that Canadians run out of retirement income, 42% plan to get a part-time job to make ends meet.

A similar survey by financial services giant Investors Group, released last week, found that more than half of working Canadians admit they don't have enough money to live on when they retire and therefore they plan to continue working part-time after retiring to bolster their incomes.

According to the poll, 56% said they wouldn't have enough money to live on if they didn't work after retiring.

Larry Brown, secretary-treasurer of the National Union of Public and General Employees (NUPGE), calls the trend disturbing.

-More and more Canadians are using their retirement savings to help overcome financial difficulties they are experiencing today," Brown says.

-It might at best provide short term gain for long term pain. Using retirement savings to deal with a current financial situation an individual is facing, however, will only lead to economic insecurity for that individual in his/her senior years," he adds.

-This certainly speaks to the critical need for a national policy focus on how best to ensure all Canadians have financial security in retirement. A secure, enjoyable retirement should be the right earned by workers for decades of contributions to ones community and the economy. It should not be traded away to deal with immediate financial concerns."

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