THE GLOBE AND MAIL

Dave Dick-Agnew, 33, opened an RRSP six years ago, but hasn't been able to make regular contributions.

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RRSP Season

Young Canadians struggle to save for retirement

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That David Dick-Agnew is 33 and has an RRSP puts him among the minority of his demographic. Fewer than half of Canadians between 18 and 34 have begun saving for retirement and only 43 per cent reported having RRSP accounts last year, according to an annual bank-sponsored Ipsos Reid study released in January.

Though the number of young Canadians with registered retirement savings plans is up from 12 months ago, the 39 per cent reported then represented the lowest dip in 10 years. But for Mr. Dick-Agnew, just because he has RRSPs does not mean he is maximizing them.

He invested in an RRSP more than six years ago while working in a good, albeit temporary, job in his field – television journalism. The money was generous and for the first time, he had money to set aside.

“The day I felt I’d officially reached adulthood was the day I set up my RRSP,” he said.

But his media job was a short-term contract, and when it was not renewed, a protracted job hunt followed, ultimately ending in Mr. Dick-Agnew’s decision to pursue another field. He has never worked at a single job for more than two years, and while he describes his financial situation as stable, he explains that his salaries have only ever been “just a living wage.”

He has not contributed to his RRSP since leaving that television job six years ago, “not because I didn’t want to or think I should, but because I haven’t had the disposable income to do it,” he says. Since choosing another field and taking on more debt to go back to school for a certificate in publishing, “it’s been tough to build momentum … I’m always a bit new at whatever I’m doing.”

Statistics show the average person will change careers seven times, says Sean Simpson, associate vice-president at Ipsos Reid. Additionally, young people now are far more likely than their parents to be self employed.

“You used to be a lifer,” he says, explaining that the days of the career company man are over. “That’s going to affect your pension.”

Last year’s RRSP poll showed the primary financial goal of 56 per cent of Canadians aged 18 to 34 was paying down debt. This year debt moved down on the list while RRSPs and saving for home ownership rose.

Jason Round, head of financial planning at the Royal Bank of Canada, interprets the shift in priorities as a disciplined response to a growing awareness of the demographic’s financial reality.

“Fewer people are able to rely on traditional pension plans,” Mr. Round says. “More people are self-employed, and when you’re self-employed, you’re self-reliant. We’re seeing more disciplined financial planning and I think it’s a response to that.”

One stress on 20- and early 30-something Canadians is the fact that many baby boomers are working beyond 65; some have insufficient savings, others just want to work, Mr. Simpson says.

“As older people push off retirement for whatever reason, that’s going to take away some jobs from 25-year-olds,” Mr. Simpson says. “It makes sense that as the economy improves, more young people will be able to put money toward retirement. What we’re seeing in this study is that slowly, very slowly but I think surely, is a turnaround in the economy.”

Mr. Dick-Agnew says he defines success as being debt free, and eliminating his remains a far more immediate concern than saving for the end of a professional life that he feels he is perpetually only beginning.

“I’ve had quite a few jobs over the years and I get by,” he says. “But I know getting to the next level – home ownership, travelling, possibly even retiring – requires more than constancy. You can’t be successful without skill, but skill is no guarantee either; it takes luck too.”

The Organization for Economic Co-operation and Development recently reported that Canada has the highest number of underpaid, highly educated citizens among member countries. The federal

Department of Finance last year estimated the return on investment for an undergraduate degree in the sciences to be between 12 per cent and 14 per cent; the return on a degree in humanities a measly 4 per cent to 6 per cent. The Canadian Labour Congress considers chronic underemployment and overwhelming debt to be the greatest challenges facing young Canadians.

Pamela Drappel, 30, does not see what all the fuss is about. She graduated from the University of Toronto with a degree in mathematics and music and went on to work as an accountant at a small Toronto firm, where she has been for the past five years.

As soon as she began making money, she began saving money and opened an RRSP immediately. She contributed regularly over time and when she wanted to purchase a downtown condominium she was able to withdraw money from those RRSPs to make a down payment.

"I'm not saying accounting is recession proof, but because accountants are needed in every industry, we're not as limited in where we can work," she says. "I feel sort of lucky, I guess, because I have friends who took more than a year to find jobs."

Rona Birenbaum, a financial planner with Toronto-based Caring for Clients, says it takes recent graduates roughly five years longer to establish themselves than the previous generation, and that longer job hunts, lower wages and significant debt are major contributing factors to the delay.

Mr. Dick-Agnew can relate to all of the above.

"To meet my financial goals, Step 1 is to make more money, which I know will take a long time. Step 2 falls more into the realm of fantasy: win the lottery, publish a best-seller," he explains, adding that in reality, "I don't expect to retire at 65."

For tips, stories, videos and live chats ahead of this year's RRSP contribution deadline, check the Globe Investor [2012 RRSP season section] for daily updates.
