



**WHITE PAPER ► APRIL 2014**

# **BABY BOOMERS AND MONEY.**

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# TABLE OF CONTENTS

<b>INTRODUCTION</b>	<b>3</b>
<b>BACKGROUND</b>	<b>5</b>
BABY BOOMERS – THE ESSENTIAL FACTS	5
<b>THE VALUES OF THE BABY BOOMERS</b>	<b>7</b>
CHANGES IN CONSUMPTION	7
MATERIALISM IS ALIVE AND WELL	8
DE-CONSUMPTION	10
MORE THOUGHTFUL CONSUMPTION	12
<b>TRENDS IN FINANCIAL PLANNING</b>	<b>14</b>
SOCIO-ECONOMIC PORTRAIT	15
FINANCIAL CONCERNS OF THE BABY BOOMERS	17
BEHAVIOUR TOWARDS CREDIT	20
<b>CONCLUSION</b>	<b>22</b>
<b>RECOMMENDATIONS</b>	<b>23</b>
<b>METHODOLOGY AND ASSOCIATED EXPERTS</b>	<b>26</b>

# INTRODUCTION

**Evolving trends regarding consumer attitudes and behaviours, personal finances, saving and credit generate a growing amount of interest among our society's leaders and the general population.**

This White Paper aims to contribute to the discussion in an original fashion. It is original in two respects. Firstly, the analysis is circumscribed to baby boomers, a generation sometimes neglected by consumer trends analysts despite its still formidable demographic heft. Moreover, looking at baby boomers gives us insights into the attitudes of the largest age cohort with one foot in the workplace and the other in the world of retirement, and for which retirement planning is no longer an abstract notion, but a reality that must continually be cultivated.

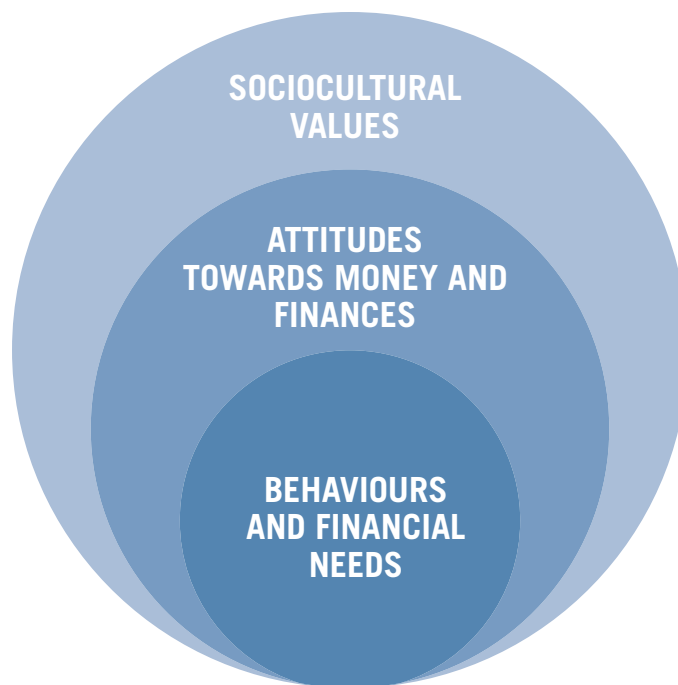
*Within this White Paper we examined the values that influence behaviours because they reflect a way of seeing and thinking at a given time in a given environment.*

Various types of attitudes are formed around these values. Whereas values are very stable over the course of one's adult life, the resulting attitudes will vary according to the particulars of a situation and will generally evolve progressively as a generation goes through the transitions in life. Not even baby boomers can escape that. Our inquiry allowed us to track those changing attitudes over time and to compare those of baby boomers with those of the cohorts that came before and after them. Those changing attitudes in turn drive the evolution of behaviour, which we have analyzed in this White Paper regarding both consumption and the drivers behind it (Section 1), and credit and personal finance (Section 2).

We will conclude by submitting recommendations for public discussion, in an effort to help Quebec workers and Quebec society find the right adjustments to make the transition of baby boomers into retirement a smooth one. One must keep in mind that a large fraction of those baby boomers will experience a new and different retirement model, one that later generations will no doubt inherit. Moreover, based on our analysis of financial behaviour, we shall evaluate means to help this cohort better control their personal finances.

The data featured in this document comes from a survey of personal finance issues conducted with Quebecers aged 50 to 67 years old and undertaken specifically for this White Paper, data obtained from CROP's own PANORAMA social survey, as well as relevant insights from Capital One Canada. CROP analysts have contributed to the report, along with the contribution of two independent experts, Professors Jean-Herman Guay and Luc Godbout, both at the University of Sherbrooke.

## **BABY BOOMERS**



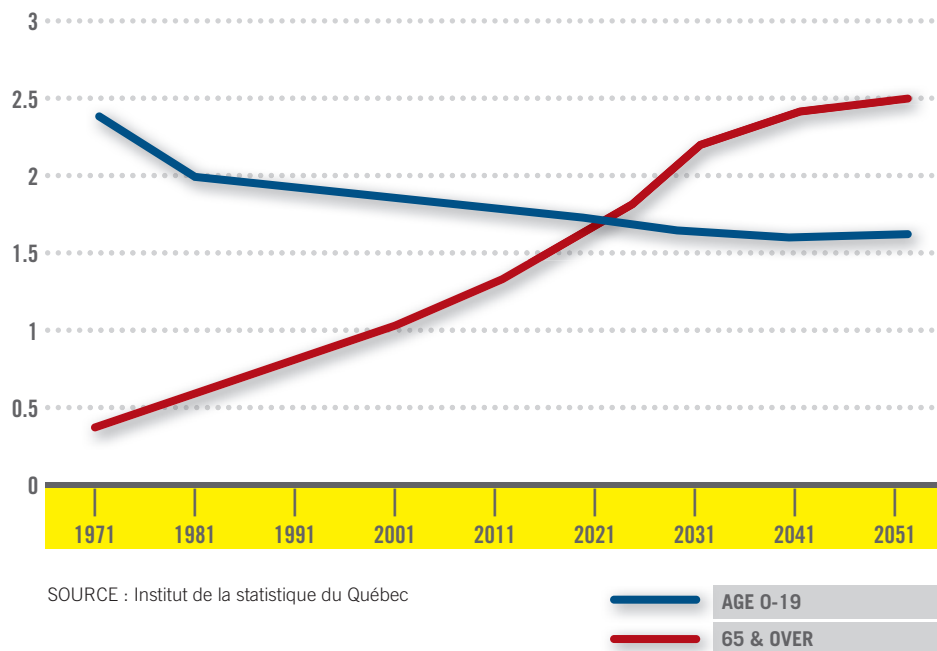
# BACKGROUND

**BABY BOOMERS – THE ESSENTIAL FACTS** ▶ After World War II and the end of the Depression, the Western world saw many decades of prosperity that would have a significant impact on household size and fertility rates. In the span of 20 years, a cohort of children was born so large that its demographic weight would dwarf that of the preceding and the next cohort. Most Western countries experienced this baby boom, with slightly different starting and ending dates. With respect to Quebec, demographers agree to bracket the baby boom to people born between 1946 and 1966.

Quebec experienced an exceptional increase in the fertility rate in those years, making Quebec to this day one of the “youngest” societies in the Western world. In most Western countries, the following two or three decades were characterized by a collapse in birth rates. Here again, Quebec is exceptional, for its “baby burst”. As a result, in 25 years from now, Quebec society will become one of the oldest amongst developed countries. The very size of the boom and the bust, and the suddenness of the reversal, will make the demographic transition particularly challenging for Quebec.

## POPULATION AGED 0-19 AND 65 AND OVER

### ACTUAL AND PROJECTED, QUEBEC, 1971-2051



Baby boomers are different from other age cohorts in several respects. They have grown up in an era of peace and prosperity, marked by rapid economic growth and a progressive influx of women into the workforce. It is the first generation to grow up with a culture of consumption, and the first to experience mass advertising with a previously unseen comfort using consumer credit to purchase luxury goods. They turned from the ideals of frugality espoused by their parents and embraced impulse consumption for its pleasure, while new pension funds and a full arsenal of social programs were put in place that considerably diminished incentives for voluntary savings. Not only did baby boomers save less over the course of their career despite rapid increase in disposable income early in their adult life, they took much longer to reach the point where their net assets surpassed their net liabilities. In fact, a growing minority of them will reach retirement without a positive personal balance sheet. For example, a study revealed that the number of insolvent consumers from Quebec aged 55 and older has increased drastically over the past ten years from 4.6% to 20.6%<sup>1</sup>.

In 2014, baby boomers are as numerous as ever, but when it comes to financial foresight and consumer behaviour, the environment has changed around them as a result of new economic realities and impending retirement. Nearly half of them have already retired from the workforce, thanks to pension and tax rules that encourage early retirement. The younger members of the cohort, on the other hand, do not enjoy pension schemes that are quite as generous, have a less enviable personal balance sheet, and anticipate staying in the workforce as long as possible.

Thus, a generation of Quebecers that enthusiastically embraced all the codes of consumer society early in their life is beginning to let go of some of them, preferring less expensive forms of leisure and no longer enthused with the latest product to appear on the market. Our inquiry allowed us to examine this transformation in some depth, and to see baby boomers now torn between a materialistic society and the necessities of foresight. As we shall see further in our analysis, the troubling reality of personal finances is, for a large fraction of them who are approaching retirement, no stranger to this shift in attitudes.

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<sup>1</sup> BUREAU DU SURINTENDANT DES FAILLITES. Bien vieillir : une analyse du nombre grandissant de Canadiens en faillite âgés de 55 ans ou plus, Industrie Canada. Mars 2006, 31 pages.

# THE VALUES OF BABY BOOMERS

## CHANGES IN CONSUMPTION

**Both our survey on personal finances and the results of the Panorama study on consumer behaviour have helped us identify new trends in baby boomers' perceptions, ones that will no doubt have an influence on the very important decisions they are about to make.**

### **Two major trends stand out from our analysis of the data:**

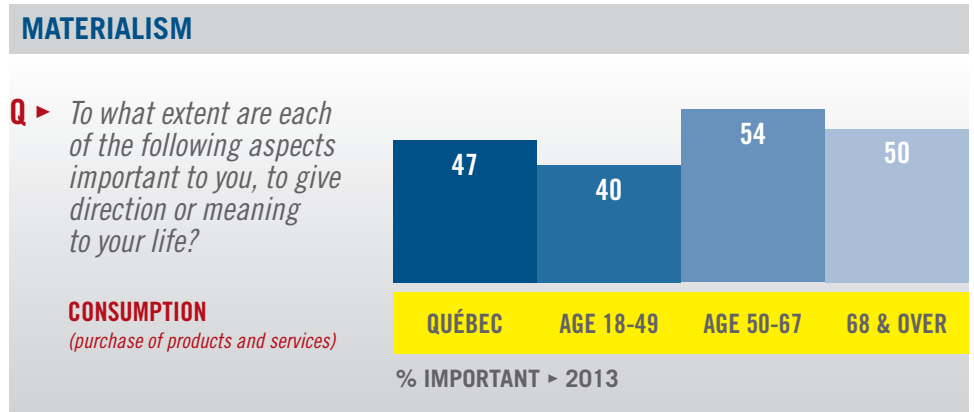
- 1 ▶** while the desire to preserve their relative social standing remains as important as ever for this cohort of consumers, there is a definite decline in the appetite for consumption and the pleasure derived from it, as well as a weakened attraction for novelty;
- 2 ▶** consumer motivations are undergoing a transformation, as analysis reveals a marked willingness to forego immediate gratification in order to benefit from rebates and a transfer of interest from the acquisition of goods to life experiences.

It is worth bearing in mind that such a transformation is partial and incomplete. The impulse to spend is still present despite a decline in the enjoyment of consumption and a willingness to spend less. Moreover, the origin of this transformation in behaviour does not necessarily lie in a wholesale reassessment of attitudes on the part of a whole generation. To some extent, it is only natural for any cohort made up of people in their fifties and sixties to have amassed a number of durable goods and to derive less enjoyment from consumption.

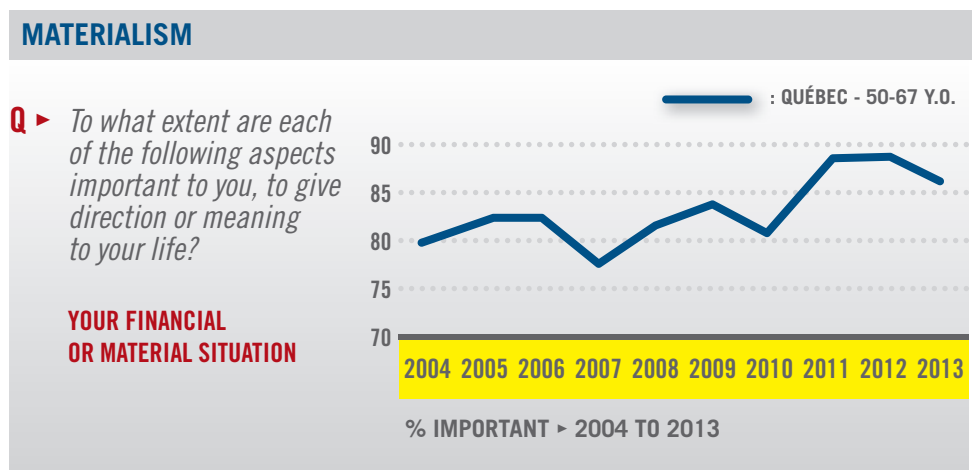
The data on consumer attitudes does not allow us to distinguish clearly whether the observed changes herald a definite abandonment of consumer society or whether they can be accounted for by the simple fact that baby boomers are getting older, have become empty nesters and that their career has reached a ceiling. That said, as we shall see in the following section, the transformation may prove in the end more genuine and durable for baby boomers in their early fifties, for they are the ones under the most formidable financial pressure.

**MATERIALISM IS ALIVE AND WELL** ▶ The data indicates that this age cohort is currently torn between the pleasure-seeking consumerism that grew up around them and the need to face the realities of modern-day retirement economics. Grasshopper and ant are fighting a war inside their minds.

Although they would like to diminish and transform their levels of consumption, it remains an important symbol that gives meaning to the lives of a majority of baby boomers (54%).



Similarly, their financial and material situation remains important for the vast majority (86%) of the members of this cohort. The importance of the material aspect has increased in recent years and remains significantly greater for them compared to other cohorts (in 2004: 80% vs. in 2013: 86%).





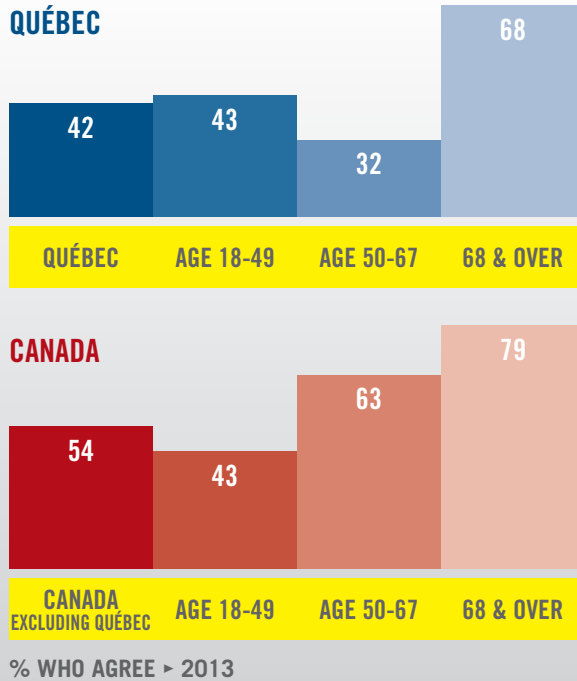
It is evident that consumer behaviour for baby boomers has changed and that the pleasure derived in spending has softened in the face of the need to regain control of one's personal finances on the eve of retirement. However, as we will see later, material concerns are still very real amongst this cohort.

To this extent, the public debate on retirement and personal debt issues, echoed by popular media, as well as the present fragility of the economy, all have contributed to inject a good dose of pessimism (or realism, others would say) in the financial behaviour of baby boomers, especially the youngest among them who are still in the labour market.

Nevertheless, baby boomers are not about to become converts to the most extreme forms of voluntary simplicity. The baby boomers' desire to pass things on is weaker than for other cohorts. Indeed, fewer of them (32%) claim that leaving as much money as possible to their loved ones or to charity when they die is one of their goals in life. We notice also that the desire to leave an inheritance is much stronger for baby boomers in other Canadian provinces. This trend suggests that Quebec baby boomers wish to enjoy their assets while they are alive.

#### DESIRE TO LEAVE AN INHERITANCE

**Q** ▶ *One of my goals in life is to leave as much money as possible to others, like my children, my family or charity when I die*



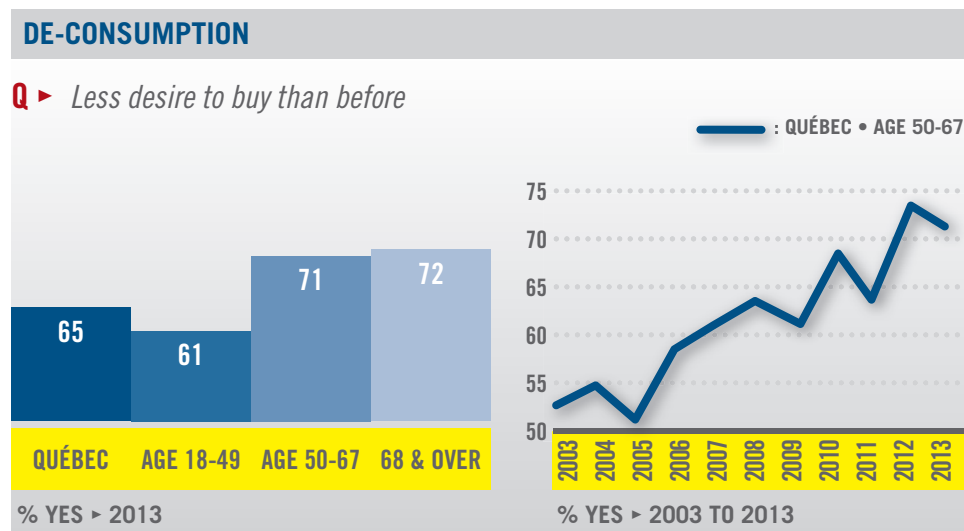
**DE-CONSUMPTION** ▶ Despite the major importance of material conditions, the first trend to stand out from the analysis of the baby boomers' values is de-consumption. This trend is characterised by the desire to adopt a lifestyle in which consumption plays a less significant role. This attitude translates to a trend to want to limit, or even decrease, the acquisition of material goods along with a desire to spend less than in the past.

Seen from another angle, it is also possible that this cohort has reached the saturation point in terms of purchasing material goods and they have discovered new pleasures in hobbies and other activities. As we analyze their internet usage, we see the frequent use of websites related to renovation, DIY projects, gardening and decoration.

INTERNET USE *		
AVERAGE USE (AMONG USERS)	QUÉBEC	AGE 50-67
Hours/weeks	15.9	12.7
WHAT DISTINGUISHES THEM		
Renovation – DIY		149 (23%)
Gardening		148 (14%)
Decoration		125 (17%)
Email		92 (64%)
Trips – Holidays		88 (34%)

\* Regarding Internet use, baby boomers are interested in renovation and DIY by a proportion of 49% higher than the rest of Quebecers, as well as in gardening by a proportion of 48% higher and in decoration by a proportion of 25% higher.

Furthermore, 71% of baby boomers say they feel less like buying than before, compared to 61% among the younger generation. In 2003, 53% of baby boomers said they felt like buying less than in the past which speaks to marked change in their attitudes over the past decade.



This attitude also suggests they experienced less gratification from consuming goods (other than basic household necessities). Indeed, we notice that only 43% of baby boomers say they derive pleasure from consuming goods compared to 57% for the rest of the population.

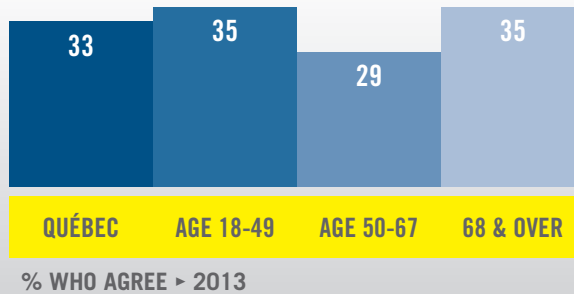
This trend towards frugality is seen in the spending choices of Quebec baby boomers. According to data from Capital One Canada, Quebec's baby boomers spend 23% less on restaurants than the other Quebec cohorts.

Note that de-consumption is a new phenomenon. 15 years ago, a majority (62%) of people between the age of 50 and 67 expressed pleasure in consuming. As we shall see, this general trend is accompanied by a number of corollary behaviour, such as greater attention paid to the utilitarian as opposed to the aesthetic features of products, diminished interest in novelty, as well as a movement away from conspicuous consumption and towards strategic consumption.

Once almost synonymous with the concept of early adopter, the baby boom cohort has apparently given up the chase for the latest new gadget. Only 29% of baby boomers say they like being informed about new products compared to 35% for the rest of the population.

#### PLEASURE IN CONSUMING / LOOKING OUT FOR NEW PRODUCTS

**Q** ▶ *I like to find out right away about new products and services so that I can enjoy them.*

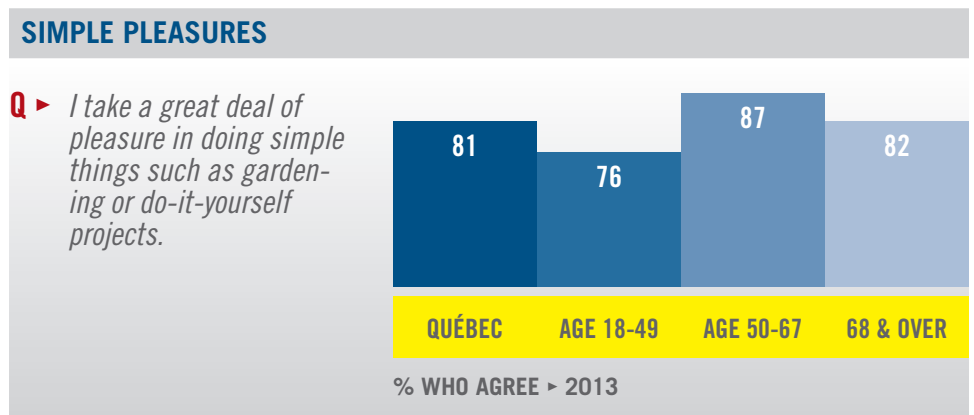


**MORE THOUGHTFUL CONSUMPTION** ▶ Our analysis of the data led us to identify the emergence of de-consumption among baby boomers, to compare it to other cohorts and to track its evolution over time. It has also led us to unearth other trends, especially a transformation in consumer motivations, a general slowing down of the pace and lifestyle with consequences on consumer choice, as well as the emergence of new factors entering into spending decisions.

**THE PRIMACY OF UTILITY** ▶ The way baby boomers consume is also being transformed. They tend to give more importance to utility in their choice of consumer products, and to considering whether or not to even buy them. For 10 years, we have observed their desire to consume become determined more by need for a product, while any symbolic or hedonistic motivation has become secondary. The graph below shows that a minority (38%) favoured utility in 2003, while now baby boomers consume based on utility to the detriment of aesthetics (56%). This suggests that branded consumer products, especially new brands, will face an increasingly uphill struggle trying to sell to baby boomers, unless the brand is clearly associated with an excellent value proposition.

**THE APPEAL OF SIMPLE PLEASURES** ▶ Many baby boomers would like to turn the page on all this consumption by opting more for life's simple pleasures, which the vast majority (87%) say they enjoy significantly. The analysis shows that in their lifestyle they take great pleasure in accomplishing hobbies, such as doing renovations (58%) or fishing (45%); such undertakings take on a symbolic value, giving the feeling of escaping the frenetic pace of life.

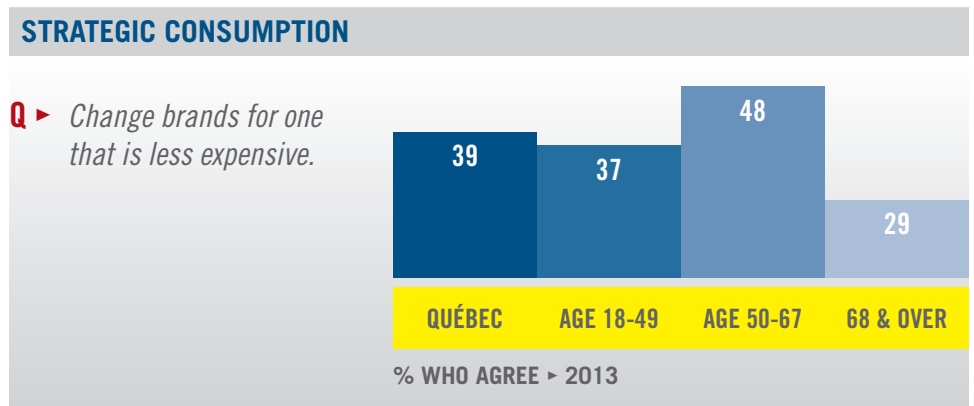
A commonality amongst these activities is they demand more in the way of spare time than financial resources, and that they constitute pleasurable moments irrespective of their impact on relative social status. The growing appeal for generally affordable and simple pleasures is the parallel trend we uncovered earlier, namely, a marked decrease in the enjoyment of consumption for its own sake.



**STRATEGIC CONSUMPTION** ▶ Finally, baby boomers would like to be more strategic in how they consume with a renewed appreciation for the simple things in life. This is a new phenomenon amongst a cohort previously known for their loyalty to established brands regardless of income bracket. Our research reveals that almost half of Quebec baby boomers say they are ready to change product brands for a less expensive brand (compared to 37% for the younger generation and only 29% for the older generation).

The disappearance over the last decade of many large brands that the baby boomers grew up with, and the rapid arrival of new brands during the same period, could also contribute to this changing point of view.

Data provided by Capital One Canada shows us that the baby boomers are 17% more likely to return merchandise than other Quebec-based consumers. For this cohort, this could translate to a diminished satisfaction with their purchasing experience.



Altogether, the picture the data reveals is that of a consumer who is considerably less impulsive, less sensitive to peer pressure and novel attractions, and ready to pay a premium for products aligned with their own values, but no longer for the sake of keeping up with the Joneses or the sheer pleasure of purchasing small luxuries.

What accounts for this desire to move away from consumption among these consumers? We suggest the answer is the approaching retirement horizon, a source of new concerns for a cohort with a decidedly shaky record when it comes to personal finances. This is where we turn our attention in the next section.

# TRENDS IN FINANCIAL PLANNING

**In the section above, we have analyzed and presented data on the underlying consumer attitudes and values among Quebecers aged 50 to 67. We have highlighted the continuing importance of consumption in the eyes of baby boomers, and analyzed both the factors behind their choices and some of the criteria that feature in their spending decisions.**

In this section, we will examine the trends with respect to baby boomers' perceptions and preferences regarding their personal balance sheet, retirement planning and their use of credit. Relevant data comes from Capital One Canada and a survey conducted specifically for this report by CROP with Quebecers aged 50 to 67.

What immediately struck us with this sample of baby boomers is the sharp contrast between the two halves of the group. When it comes to personal finances, survey respondents fall neatly into two groups depending on whether they are retired or still active in the workforce.

This cohort is unique in that it includes a considerable number of people in retirement. Among the baby boomers surveyed, 41% are retired, 51% are still active in the workforce and 8% are in another situation.

While the currently retired chose to retire at a young age (57 years old on average), the non-retired foresee retiring on average at around 63-64 years old. Moreover, 69% of those currently retired benefit from a retirement plan while this proportion drops to 48% among current workers. As we will reveal in some detail in the following pages, this difference accounts for much of the divergence in the answers they provided to our questions regarding their attitudes, fears and aspirations.

## BENEFIT FROM A RETIREMENT PLAN

	RETIRED	WORKERS
	<i>N = 182</i>	<i>N = 155</i>
Yes	69 %	48 %
No	31 %	52 %

**SOCIO-ECONOMIC PORTRAIT** ▶ In a society where the average age at retirement is two years earlier than the Canadian average, a large fraction of Quebec baby boomers are already in retirement. Therefore, baby boomers have a slightly lower average household income than the rest of Quebecers. The average household income of those aged 50-67 is \$59,100 while that of the average Quebecer is \$65,200 or \$6,100 less.

### HOUSEHOLD REVENUE

	QUÉBEC	AGE 50-67
	<i>N = 955</i>	<i>N = 372</i>
<b>AVERAGE REVENUE</b>	<b>\$65,200</b>	<b>\$59,100</b>
Less than \$25,000	20 %	20 %
\$25,000 to \$39,999	16 %	20 %
\$40,000 to \$59,999	20 %	24 %
\$60,000 to \$79,999	17 %	15 %
\$80,000 or more	27 %	20 %

When we ask non-retired baby boomers what the determining factors are in influencing when they will retire, most respond that it will be their health condition (70%). Criteria related to their personal financial situation come in second with a less pronounced weight: 37% of the non-retired say the worth of their investments is a very important factor in determining when they will retire, which is also the same proportion for the criteria of debt. Also, the non-retired seem to be resolved to work as long as possible, as long as their health permits. They may consider working longer due to a number of factors, but we can assume that one reason may be to increase their income and enjoy a more comfortable retirement. It is also worth noting that some of these individuals may remain in the workforce, not because of the financial incentives, but because they enjoy what they do and don't wish to stop.

### CRITERIA DETERMINING AGE OF RETIREMENT

% OF VERY IMPORTANT (VERY IMPORTANT= 5 ON A 5-POINT SCALE)

	NON-RETIRED
	<i>N = 194</i>
Your health	70 %
The amount of your investments	37 %
Total sum of money owed	37 %

Furthermore, over half of the non-retired (59%) say they will need an additional income for their retirement. This additional income will most notably come from part-time work, while 19% of the non-retired say they want to continue working in retirement. This is double the proportion of the retired who have part-time work in their retirement plan (only 10% among the retired).

## NEED FOR SUPPLEMENTARY INCOME FOR RETIREMENT

NON-RETIRED	
	<i>N = 194</i>
Certainly + Probably	59 %
Probably + Certainly not	41 %

What is striking in the data we have collected is that young baby boomers in our sample who are still in the workforce are aware of the need to keep working later in life in order to meet their retirement needs, while older members of the sample already in retirement do not feel the need to re-enter the labour market.

On the other hand, the aspirations of younger baby boomers regarding their standard of living in retirement have not been subject to the same kind of adjustment. Non-retirees are nearly as likely as retirees to plan on travelling abroad in future years. Interestingly, according to data from Capital One Canada, Quebec boomers spend half the amount on airlines than boomers from the rest of Canada. This suggests Quebecois boomers may face some kind of barrier to achieving their number one retirement goal.

Those already in retirement among our sample are nearly four times as likely as non-retirees to make renovating the home their main retirement project. So, not only do older baby boomers seem to have enjoyed better overall retirement conditions, they also seem to have gone further along in adjusting their lifestyle and regaining control of their financial situation.

## PLANS AT RETIREMENT (TOP 10)

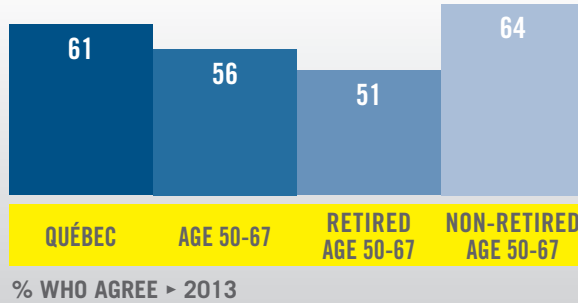
	RETIRED	NON-RETIRED
	<i>N = 182</i>	<i>N = 194</i>
Travel	56 %	53 %
Renovating your house	34 %	8 %
Working part-time	10 %	19 %
Volunteering	10 %	9 %
Engaging in sports/Exercising	9 %	8 %
Taking care of the family	7 %	1 %
Courses – Languages (Spanish, Italian, English, French)	6 %	4 %
Courses – Art (Painting, Music, Stainglass, Crafts, Photo)	4 %	7 %
Enjoying life/ Indulging in a good time/ Taking care of myself	4 %	5 %
Leisure activities – Other (Cinema, Reading, Astronomy, Hobby)	4 %	4 %



**FINANCIAL CONCERNS OF THE BABY BOOMERS** ▶ Many baby boomers are worried about their finances: over half of baby boomers (56%), whether or not they are retired, are afraid they will not have enough money in the future. The non-retired baby boomers are among the most concerned (64% vs. 51%).

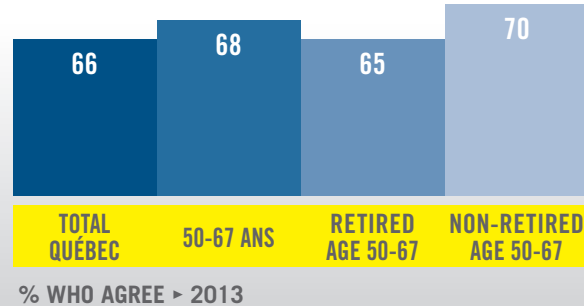
**CONCERNS ABOUT THE FUTURE**

**Q** ▶ *I worry a lot about not having enough money to live comfortably in the future*



Baby boomers have become quite acutely aware of their level of debt over the past few years. Indeed, 68% of them say the financial situation of the past two years has made them even more aware of their debts. The non-retired (70%) are more concerned by this than the retired (65%).

**Q** ▶ *The financial situation of the last two years has made me even more aware of my debts*



Once again, the situation of the baby boomers is not the same across the board, and the first cohort seems to be in a more comfortable situation than the non-retired cohort, who is more concerned. This impression is also reflected in the data that follows.

Despite their worries, most baby boomers (66%) are satisfied with their personal finances. On the other hand, we can confirm that retired baby boomers are much more satisfied with their situation than the non-retired. Indeed, 77% of the retired baby boomers say they are satisfied, while this proportion drops to 60% for the non-retired. This suggests the retired baby boomers are in a more stable financial situation than those who are still working.

### SATISFACTION – CURRENT PERSONAL FINANCIAL SITUATION

	TOTAL QUÉBEC	TOTAL AGE 50-67	RETIRED AGE 50-67	NON-RETIRED AGE 50-67
	<i>N = 1 106</i>	<i>N = 422</i>	<i>N = 164</i>	<i>N = 258</i>
Satisfied	61 %	66 %	77 %	60 %
Not satisfied	38 %	32 %	22 %	38 %
I don't know	1 %	2 %	1 %	2 %

This difference in the level of satisfaction regarding personal finances between the retired and non-retired seems to be explained at least partly by the feeling of control that each of the categories of baby boomers has over their finances in general. Basically, although most baby boomers have a budget (67%), and though there is little difference between the retired and the non-retired (64% vs. 68%), a greater proportion of the retired follow it strictly (73% vs. 64%).

### HAVE A BUDGET

	TOTAL AGE 50-67	RETIRED AGE 50-67	NON-RETIRED AGE 50-67
	<i>N = 376</i>	<i>N = 182</i>	<i>N = 194</i>
Yes	67 %	64 %	68 %
No	33 %	36 %	32 %

### FOLLOW A BUDGET (AMONG THOSE WHO HAVE A BUDGET)

	TOTAL AGE 50-67	RETIRED AGE 50-67	NON-RETIRED AGE 50-67
	<i>N = 245</i>	<i>N = 177</i>	<i>N = 128</i>
A lot	68 %	73 %	64 %
A little	31 %	26 %	35 %
Not at all	1 %	2 %	1 %

Moreover, a significant proportion of non-retired baby boomers (47%) say they have difficulty making ends meet compared to the retired (19%). This trend is also reflected in the indicator for the ease of managing one's budget: 80% of the retired baby boomers do so easily while this proportion drops to 64% for the non-retired.

#### DIFFICULTY MAKING ENDS MEET EACH MONTH

	TOTAL AGE 50-67	RETIRED AGE 50-67	NON-RETIRED AGE 50-67
	<i>N = 376</i>	<i>N = 182</i>	<i>N = 194</i>
Always+ Often+ Sometimes	36 %	19 %	47 %
Rarely	26 %	26 %	26 %
Never	38 %	55 %	27 %

Thus, based on the idea that the higher the financial satisfaction, the easier it is to control one's budget and make ends meet, we can conclude that retired baby boomers are in a better situation in terms of personal finances than the non-retired.

Finally, it is important to emphasize that 73% of the retired baby boomers do not follow a financial plan, compared to 63% of the non-retired. So although they give the impression of being in control and satisfied with their personal finances, few baby boomers are inclined to plan for their future.

#### EASE OF MANAGING PERSONAL FINANCES

	TOTAL AGE 50-67	RETIRED AGE 50-67	NON-RETIRED AGE 50-67
	<i>N = 376</i>	<i>N = 182</i>	<i>N = 194</i>
Easy	70 %	80 %	64 %
Difficult	30 %	20 %	36 %

#### FOLLOWING A FINANCIAL PLAN

	TOTAL QUÉBEC	TOTAL AGE 50-67	RETIRED AGE 50-67	NON-RETIRED AGE 50-67
	<i>N = 1 106</i>	<i>N = 422</i>	<i>N = 164</i>	<i>N = 258</i>
Yes	24 %	31 %	25 %	34 %
No	75 %	67 %	73 %	63 %
I don't know	1 %	2 %	1 %	2 %

**BEHAVIOUR TOWARDS CREDIT** ▶ Almost all (90%) of the baby boomers have a credit card. The retired more often have one (96%), while the non-retired are slightly less likely to use this product (86%). In addition, the retired find it easier to regularly pay the entire balance of their credit card than the non-retired, respectively 78% and 57%.

#### POSSESSION OF FINANCIAL PRODUCTS

	TOTAL AGE 50-67 <i>N = 346</i>	RETIRED AGE 50-67 <i>N = 173</i>	NON-RETIRED AGE 50-67 <i>N = 173</i>
Credit card	90 %	96 %	86 %

#### PAYMENT OF THE CREDIT CARD BALANCE (AMONG THOSE WHO OWN A CREDIT CARD)

Always the full amount	66 %	78 %	57 %
In 3 months or less	13 %	7 %	18 %
In more than 3 months	21 %	15 %	26 %

Although more of them use this financial product, the retired seem to have a better understanding of the proper use of credit.

As already outlined, the retired boomers are generally in a better financial situation than the non-retired which would explain a discrepancy in their credit limits. Their overall average credit limit is \$10,028, with retired boomers securing, on average, a \$1,000 higher limit than those who are non-retired.

#### CREDIT LIMIT ON THE CREDIT CARD

	TOTAL AGE 50-67 <i>N = 346</i>	RETIRED AGE 50-67 <i>N = 173</i>	NON-RETIRED AGE 50-67 <i>N = 173</i>
Average amount	\$10,028	\$10,499	\$9,694

Finally, cards with rewards programs are particularly popular with retired baby boomers, with over half of the retired (60%) having one (compared to 47% of the non-retired). However, compared to the rest of Canada, Quebecois baby boomers are four times less likely to have a travel rewards card, but more than twice as likely to carry a low-rate credit card. These discrepancies suggest that Quebec baby boomers view their credit cards and the role they play in their long-term financial plan much differently than Canadians in a similar age range.

#### CARD WITH A REWARD PROGRAM

	TOTAL QUÉBEC	TOTAL AGE 50-67	RETIRED AGE 50-67	NON-RETIRED AGE 50-67
	<i>N = 1 106</i>	<i>N = 422</i>	<i>N = 164</i>	<i>N = 258</i>
Yes	49 %	51 %	60 %	47 %
No	50 %	48 %	40 %	53 %
I don't know	1 %	1 %	1 %	0 %

The apparently chronic difficulties encountered by baby boomers still in the workforce to settle their full credit card balance every month testify to all the tensions analyzed in this White Paper: how to reconcile material aspirations with the peace of mind that comes from secure retirement conditions? How to overcome the double challenge of reduced consumption and improved savings? The more acute the tensions, the worse the balance sheet, and the more we see a tendency towards later retirement and the need for at least some employment income in their later years.

In a nutshell, the frame of mind of many baby boomers who have not retired yet appears to recognize that they have not prepared for retirement as well as their parents have, and admit a need to retire later than their parents did. Some have made the decision to continue working out of choice, but others could have been thrust into the situation as a result of other factors in life, such as sickness, divorce or job loss. We've learned this group is aware that reduced consumption will only take them so far, and they have come to terms with a solution to their dilemma: delay retirement until they have regained control over their finances.

# CONCLUSION

Baby boomers have long been the poster child for the consumer society. They have attached a lot of meaning to their financial and material conditions. Today, those values clash with the realities of their financial situation on the eve of retirement.

The white paper on baby boomers reveals that today they are torn between materialistic values and a strong tendency toward de-consumption. More than half of baby boomers (56%) say that consumption remains an important symbol that gives meaning to their life. 71% say they feel less like buying than before and the pleasure they derive from consuming goods is lower than before (62% in 1997 vs 43% in 2013)

The tension between materialism and de-consumption is reflected in their perceptions regarding their financial posture at this critical juncture in life. In contrast, previous cohorts were generally more sanguine on the eve of retirement, while successive generations are still too young to lose much sleep over financial insecurity in their retirement years. It is neither a coincidence nor a simple consequence of getting older if this cohort of Quebeckers has changed their consumption behaviour as the economics of retirement started to become a near-term concern.

Although in general they foresee their financial future serenely, 56% of baby boomers fear they may not have enough money in the future, 59% of non-retired baby boomers say they need an additional income for their retirement, and 47% of non-retired baby boomers say it's tough to make ends meet.

The non-retired baby boomers appear to be in a more difficult situation. Fewer of them have a financial plan or have a budget and follow it with any regularity. Although they have become aware of their level of debt over the past two years, a large proportion of them today, however, still have difficulty making ends meet or paying their credit card balance. Given that we are dealing with people in their fifties earning the largest income of their career, often free from mortgage payments and children's expenses, this is a worrisome finding. Whereas they cannot make ends meet in the present time, they still expect to live better once in retirement.

Although they have a real desire to transform and reduce their consumption, we note that they are still driven by their materialist values and they want to fully enjoy the present, sometimes to the detriment of their financial health and almost always at the cost of bequeathing nothing at all to future generations.

# RECOMMENDATIONS

The profile we have sketched of the baby boomers in Quebec suggests that those among them who are still in the labour market do not feel like they are in control of their financial situation, have a negative or weak balance sheet, and do not anticipate relying on enough assets to look forward to a comfortable retirement, much less an early one. At the same time, they have not managed to adjust their consumption behaviour, their lifestyle and their material aspirations to the same degree as their peers who have experienced a few years of retirement. In our sample, they are the most conflicted in terms of attitude, and the most worried when they contemplate reality.

In our views, they need help regaining control over their personal finance and to give themselves a plan, a discipline and a method, something many of them never thought desirable in the past. Furthermore, younger baby boomers still in the workforce are surprisingly receptive to the notion of delaying full retirement and to the concept of progressive retirement with supplementary income. This attitude, largely absent among older Quebecers who grew up with the myth of early retirement, offers employers, institutions and decision-makers an unprecedented opportunity to ride the wave, and thus reap the considerable benefits of keeping experienced workers in the labour market.

**REGAINING CONTROL** ▶ The first measure to prioritize is taking control of one's debts, especially those with higher interest rates, like credit cards. For the 90% of baby boomers who have a credit card, only 66% pay the total balance in its entirety, and this figure goes down for the non-retired (57%). It therefore appears essential to first examine if they have an adequate understanding of credit to make the right decision for their financial situation. If they are unable to pay off their balance every month, they should examine a form of credit with a lower interest rate, or transfer their existing balance to a low interest credit card.

To remedy this, we advocate three simple initiatives, although they require a certain will and rigour to manage. The first is to commit to pay the complete credit debt of one's bill every month by the deadline. This solution is the most advantageous to avoid getting bogged down in high interest payments that postpone the full payment of the credit card balance. Similarly, by making payments – even minimum payments – one can avoid being penalized with a bad credit rating. A third option to consider is consolidating existing debt with a low-interest credit product. In summary, one needs to get into the habit of maximising the payments through regular and attentive money management.

**HAVING A PLAN IS NOT PUNISHMENT** ▶ Although they have been the poster child for consumer society for a long time, baby boomers today tend to want to distance themselves from a lifestyle defined by abundance and consumption of goods that are “not useful”. This trend confronts that of materialism, which still drives them, as 86% of baby boomers grant their financial and material situation importance in giving their lives a sense of meaning.

This contradiction is understandable given the evolution of this particular generation over the decades, and it must be integrated in budget planning, which leaves members of this cohort with a double challenge: developing the sustained habit of following their spending closely; and the bigger one of quickly adjusting their lifestyle in anticipation of the lower income they will enjoy once they retire. This task is made all the more difficult because their continued presence in the workforce incurs spending that retirees can now avoid.

As more than half (54%) of baby boomers say consumption is an important aspect around which they base their lives, it is important to allocate a part of one's budget to pleasures without feeling guilty. One must know when to reward oneself from within the context of their existing budget to promote good financial behaviour without sacrificing long-term financial goals.

In today's complex universe of personal finance, which goes beyond the family budget and must account for a series of actuarial and fiscal considerations, it is highly desirable that disoriented baby boomers turn towards professional help. In many instances, they need help to regain control in the present and they need to plan for a retirement solution that is now just around the corner.

In practical terms, we believe this whole transition needs as much planning as retirement per se. Mixing work and retirement requires some forethought and a thorough appraisal of its advantages and downsides, from a personal as well as a fiscal point of view.

This assessment needs to happen before retirement looms. A consultation with a professional advisor helps people put their affairs in order and provides clarification regarding their financial situation. As earned income is added to pension income, understanding the tax implications involved is a bewildering exercise for most people. This first step leads to others, such as a debt reduction plan based on a realistic and appropriate budget.

**ADJUSTING TO LONGER CAREERS** ▶ As we observed, whether by enthusiasm or fatality, baby boomers still in the workforce anticipate almost naturally giving up on being told when they should retire and are staying in the labour market longer than survey respondents in their sixties, most of whom have already opted for early retirement.

This new trend heralds nothing but good news. In social terms, it will help mitigate the social isolation and self-denigration that could afflict seniors and negatively impact their health conditions. In terms of the labour force, it will prove a good way to hold on to the treasure trove of experience and organizational culture they represent before it is passed on to the younger generation.

Moreover, it will prove an antidote to forecast labour shortfalls and a welcome dose of flexibility for employers, who must be sensitive to the needs of younger workers with family responsibilities.



For those among them benefitting from a defined benefit pension plan, their prolonged stay in the labour market contributes to increasing their assets and decreasing pension plan liabilities. For others who are benefitting from defined contribution plans or other forms of voluntary savings, the prolongation of an active life reduces the required retirement savings accumulation. Finally, from the angle of the Régime des rentes du Québec, the effect should be neutral in theory considering the changes to the reduction or increase of benefits based on the age at which it is requested, between 60 and 70.

In many respects, this is nothing but a natural and welcome adjustment to the increased life expectancy that Quebec has enjoyed over the past decades. The fact that baby boomers are on the verge of coming naturally to this conclusion is very significant. On the other hand, most institutions in Quebec society appear slower and more resistant to proceeding with similar adjustments.

The issue calls for the contribution of many stakeholders: finance professionals, workers, employers and key public institutions. What is called for is a set of two changes in attitudes, and two changes to established practices.

If Quebec society could manage to raise the average age of retirement, the financial pressures that concern both our survey respondents and pension managers would ease considerably.

We also need to move from sudden to progressive retirement. For employers, this is a profitable undertaking, one that preserves institutional memory and adds flexibility to management. One of the striking findings in our survey was the intention of baby boomers still in the workforce to work part-time (19%) since 59% indicated the need for supplementary income during their retirement.

It is crucial that this choice not end up being penalized and discouraged by the attitude of employers, the design of pension rules, or the intricacies of the tax code. Putting in an honest day's work after the traditional retirement age should be compensated to its fair value, without turning senior workers into interns.

In today's economic and demographic circumstances, in Quebec, baby boomers need to adjust and prepare for the next step, but they are not alone in this. It is a challenge that confronts Quebec society as a whole.

# METHODOLOGY AND ASSOCIATED EXPERTS

Analysis in the first section of this White Paper, regarding consumer values, comes from the conclusions of the Panorama survey conducted by CROP. PANORAMA relies on yearly polls that are perfectly representative of the Canadian adult population, and the authors have extracted the relevant data for respondents aged 50 to 67 residing in Quebec.

Data in the section, dealing with the financial profile of baby boomers, has also been collected by CROP on behalf of Capital One Canada. Data was collected online from December 18, 2013 to January 6, 2014 thanks to a web panel. Altogether, 376 questionnaires have been completed by Quebecers aged 50 to 67. Results were calibrated to better reflect the composition of the whole Quebec population.

## INFORMATION WAS ALSO PROVIDED BY CAPITAL ONE CANADA FROM

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