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Canadian investors unprepared for rising interest rates: CIBC

The majority of Canadian investors don't realize ***how damaging rising interest rates can be to their retirement portfolio****, a new poll from CIBC Asset Management has found.*

The poll was conducted by Leger and found that 58% of investors surveyed didn't know rising rates could cause some investments to lose value. That number climbed to 65% for baby boomers (those between the ages of 55 and 64 years).

"Nobody knows exactly when and how fast interest rates will rise, but Canadians need to understand the risk this poses to their retirement funds and plans," said Steve Geist, president, CIBC Asset Management Inc.

As interest rates rise over the coming years, the value of bond prices will fall, since bond yields move inverse to bond prices. Rate rises in the next few years are viewed as inevitable by many analysts as central banks around the world, including the U.S. Federal Reserve, prepare to rein in their ultra-accommodative monetary policies.

It's no surprise that many Canadian investors haven't given this much thought, considering these policies have spelled big returns for bonds in the past few years.

But the majority of those surveyed also don't seem to be thinking about changing their portfolios to protect themselves: 54% of those surveyed said they won't change their retirement strategy before interest rates rise, with the number rising to 62% for baby boomers.

"Canadians understand the impact that rising rates have on household expenses, such as mortgages and loans," Mr. Geist said. "But, it's equally important for Canadians, especially those approaching retirement and preparing to draw income from their portfolios, to be aware of the impact that rising rates can have on their investments."

The poll surveyed 1,503 English and French-speaking Canadians over the age of 18 who have a retirement portfolio. It was conducted through a web survey in December 2013.