CARP – 2017 FEDERAL PRE-BUDGET SUBMISSIONS

Summary

CARP is asking for immediate action in four critical areas: investor protection, reductions in hydro rates, caregiver support and increased homecare funding.

Improve Financial Security for Canadians as We Age

Workplace pensions are becoming a relic of the past – two thirds of Canadians no longer have access to a workplace pension plan. Canada ranks poorly among G7 countries in this respect. Only 15-20% of Canadians near retirement have saved anywhere near as much as they will need[1].

In an assessment of investments in 26 countries, Canada came last with a D- grade for the costs of our investments. An engaged Federal government could provide leadership to the provinces to support a pan-Canadian regime that offers meaningful protections and powerful enforcement.

Canadians are living longer than ever at the same time that safe investment returns are at historic lows. Current mandatory withdrawal rates from RRIF's may encourage retirees to spend now and outlive their savings later.

CARP is calling for:

a) The government to follow through with the proposed increases to the Canada Pension Plan

b) A pan-Canadian investment regulator with powerful and effective enforcement

c) The elimination of mandatory RRIF withdrawals

Caregiver Support

Unpaid caregivers, who contribute an estimated $25 billion worth of care annually[2], are not receiving fair treatment. For too long we have failed to alleviate the burden they bear. With the number of seniors expected to double over the next 15 years[3], Canada will be in serious

[1] Broadbent Institute. (February 2016). *An Analysis of the Economic Circumstances of Canadian Seniors* at p. 2

[2] Canadian Public Health Association. (Winter 2015/2016). *Caregiver Burden Takes a Toll on Mental Health.* Located online at [www.cpha.ca/en/about/digest/39-4/11.aspx]

[3] McMaster University Health Forum. (November 2014). *Improving Care and Support for Unpaid Caregivers in Ontario.* McMaster Health Forum Citizen Brief. Located online at

economic turmoil if costs saved by unpaid caregivers are transferred to an already struggling healthcare system.

CARP is calling for the government to:

a) Change the current tax credit to a non-refundable tax so that even those without taxable income can benefit;

b) Expand the compassionate care benefits provided by employment insurance from 26 to 52 weeks. Benefits should be available for caregivers who are providing care to an individual with a significant illness, not just for those caring for the imminently dying;

c) Work with the provinces to implement a unified means-tested caregiver allowance of at least $100 per week;

d) Work with the provinces to increase funding for respite care.

Homecare Funding

Recent squabbles between the Federal and Provincial Governments reveal a fragmented system where political wrangling comes before the health of Canadians. While more funding is needed for the provinces, the provinces must ensure that healthcare systems, plagued with large bureaucracies, spend existing dollars more efficiently.

a. CARP is calling for increased funding for homecare, and
b. Standardized reporting to highlight deficiencies and promote equitable services levels for all Canadians.

Briefing Notes

Improve Financial Security for Canadians as We Age

A. Ensure that promised enhancements to the CPP are delivered

This year, the Federal and Provincial Governments announced a modest increase to the CPP. Over a lengthy nine year period, the income replacement rate will increase from 25% to 33% and the maximum pensionable earnings (the total amount CPP is collected on) will

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[https://www.mcmasterhealthforum.org/docs/default-source/Product-Documents/citizen-briefs/support-for-unpaid-caregivers-in-ontario-cb.pdf?sfvrsn=2] increase to an estimated $82,700. The benefit to Canadians will be substantial and the cost of approximately 2% in additional contributions is minimal.

While more is needed, it is important that these promised benefits be delivered. CARP is calling for the government to follow through with the proposed increases to the Canada Pension Plan

B. Improve protections for investors

A well-regulated investment industry is critical for Canadians to effectively manage their investments and plan for retirement. Recent studies have demonstrated that Canadian investors are highly vulnerable to financial losses due to overconfidence, low financial literacy, blind trust in investment advisors and the search for high yields in a low interest environment.

Unlike working Canadians, retirees do not have the ability to recover from poor investment advice, bad investment products or excessive fees and expenses. Retirees, simply based on their life circumstances, are at risk.

Canadians pay some of the highest fees amongst comparable countries. A recent Morning Star study ranked Canada 26 out of 26 with a D- grade for investment costs and fees. Many of these are hidden or embedded, which investors do not fully understand.

Right now 93% of CARP members polled believe that their advisors are legally required to put investors' interests first. But few financial advisors are subject to a best interest or fiduciary standard. In practical terms, this means advisors can recommend investment products that pay higher returns when equally suitable and lower cost alternatives are available.

As fees are one of the single most important predictors of investment performance over time, the lack of a best interest standard is hurting retirees in their pocketbooks.

CARP recognizes that regulation is largely within the purview of the provinces, however the provinces have been unwilling or unable to protect investors.

Respecting the division of powers, CARP calls upon the Federal Government to assume a leadership role and assist in implementing uniform and meaningful regulation nation-wide. A common regulator would need to provide meaningful protection with powerful and effective enforcement. A watered down national regulator would be more detrimental than the status quo.

C. Eliminate mandatory withdrawals from RRIFs

Canadians are living longer and longer. As a result, their savings have to stretch too. Seniors should be free to determine when and how much to withdraw from their RRIFs. While nothing compels a retiree to spend the money withdrawn from a RRIF, behavioural economics tells a different story; when we have money, we spend it. 73% of CARP members polled called for the elimination of mandatory withdrawals. It is time to empower Canadians, who have worked for their entire lives and put savings aside for retirement, to decide when to use those savings.

CARP accepts that there will be an immediate decrease in taxes with the elimination of RRIF withdrawals. These taxes are simply being deferred however and will be recouped through voluntary withdrawals or estate taxes upon the death of the RRIF holder.

Elimination of mandatory RRIF withdrawals would impact the timing of tax payments, but would ultimately have minimal impact on tax revenue in terms of present value.[4]

CARP calls upon the Federal Government to eliminate mandatory withdrawals from RRIFs.

Support Caregivers

A. Ensure that all informal caregivers experience financial relief through tax credits by making them refundable

The Federal Government offers two tax credits to informal caregivers – the Family Caregiver Tax Credit and the Caregiver Tax Credit. Both credits are minimal. The Federal Government should make these tax credits refundable. Currently, the credits are only deductible from a caregiver's tax otherwise payable. Many caregivers have left their jobs to provide care so have no taxable income. Thus our poorest caregivers do not benefit from current non-refundable tax credits. The Federal Government should immediately move to make these credits refundable.

B. Ensure that informal caregivers who have to care for a loved one with a serious illness have access to the same employment benefits as Canadians who have unexpectedly lost their jobs

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[4] C.D. Howe Institute. (April 2015). *Challenges, Growth and Opportunity: A Shadow Federal Budget for 2015.* Commentary No. 423. Located online at [https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/commentary_423.pdf] at p. 20.

Compassionate care benefits are available to Canadians for a maximum period of 26 weeks, but only to caregivers who provide care to a family member who is gravely ill and who has "a significant risk of death" within that 26 week period. This causes two problems. First, the 26 week period is half as long as the benefit period for a Canadian who has lost his or her job. These benefit periods should both be 52 weeks.

Second, compassionate caregiving benefits are only available to care for someone who is expected to die within 26 weeks. There is no recognition of other caregiving burdens such as emergency care while a loved one undergoes chemotherapy or dialysis. Financial support should not be limited to those caring for the imminently dying.

C. Assume a leadership role with the provincial governments to implement a pan-Canadian caregiver benefit program

In Canada, only Nova Scotia provides direct compensation for informal caregivers. Other countries, like the United Kingdom and Australia, are doing much better. And there is good reason to implement a monthly payment for informal caregivers. While expansion of the EI compassionate care benefits will benefit caregivers, it will only help those who require relatively short periods off work to provide care.

Many caregivers leave the workplace or reduce their hours. 10% of caregivers report having to leave the labour market due to the care they are providing. 15% have to reduce the hours worked. 70% of informal caregivers report providing out-of-pocket financial assistance for the individual in their care. In fact, in 2006, Canadian caregivers spent an average of $12.6 million on care-related, out-of-pocket expenditures.[5] The reality is that informal caregivers make significant financial sacrifices. Canada benefits from these sacrifices to the tune of $25 billion in saved healthcare costs. A modest, yet meaningful, financial payment to informal caregivers is deserved.

CARP calls upon the Federal Government to assume a leadership role with the provinces to to implement a caregiver benefit, similar to that in place in Nova Scotia, at a minimum of $400 per month for low income caregivers providing at least 20 hours of assistance each week.

[5] Torjman, Sherri. (May 2015). *Policies in Support of Caregivers, 2012.* Statistics Canada Analytical Paper – Spotlight on Canadians: Results from the General Social Survey. Located online at [http://www.statcan.gc.ca/pub/89-652-x/89-652-x2013001-eng.pdf]

D. Assume a leadership role with the provincial governments to implement respite care to relieve the burden on caregivers

Many caregivers, particularly those who support loved ones with dementia, end up dying before the person receiving the care. The significant toll on caregivers can be reduced by ensuring quality respite care is available.

Respite care funding should focus on desired outcomes rather than pre-selected inputs. The goal of respite is to provide relief and rejuvenation to those providing unpaid care. There are many different ways to achieve that outcome – a break from care, support in caregiving in the home, education and training, etc.

CARP calls for increases in both the amount of respite care funding and in the variety of respite options available.

Homecare Funding

Access to homecare is essential for Canadians to age in their communities safely, comfortably and independently. Unfortunately, many seniors spend long periods waiting for homecare due to insufficient coordination, substandard management and inadequate funding. The Federal Government has promised $3 billion in federal health transfers that are earmarked for the provinces.

CARP is calling for:

a. Increased funding for homecare, and
b. Standardized reporting to highlight deficiencies and promote equitable services levels for all Canadians.