



## **Renewal of Canada's Monetary Policy Framework (2026)**

### **Summary of oral remarks presented to Bank of Canada**

Stephanie Richardson, Director, Stakeholder Relations Initiatives – Communications dept  
Josianne Ménard, Senior Analyst, Stakeholder Relations – Communications dept  
Wei Dong, Director, Monetary Policy and Financial Studies – Canadian Economic Analysis dept  
Charles Gaa, Senior Policy Advisor – Canadian Economic Analysis dept

### **Canadian Association of Retired Persons (CARP)**

The Canadian Association of Retired Persons welcomes the opportunity to participate in the renewal of Canada's monetary policy framework. CARP represents older Canadians whose financial security is shaped over long horizons by monetary policy decisions. For many of our members, these decisions affect not only short-term affordability but the viability of retirement plans built decades earlier under very different economic assumptions.

CARP supports the objective of low, stable, and predictable inflation. Low interest rates are often understood as broadly positive for the economy, particularly for borrowers and for encouraging investment. For seniors, however, the effects are different. Retirement is the stage of life when Canadians move toward capital preservation and low-risk savings. When inflation and interest rates are held low for extended periods, returns on conservative investments fall as well. For seniors who depend on these instruments to fund daily living, this dynamic can quietly erode financial security, even as headline indicators suggest stability.

Unlike working-age households, retirees cannot offset these effects by increasing earnings or waiting for conditions to normalize. Their budgets are less flexible, their exposure to policy choices compounds over time, and the consequences of prolonged low-rate environments are effectively locked in. What may be cyclical for others becomes permanent for those already in retirement.

Most CARP members understand the 2 percent inflation target. What they struggle with is why their daily experience continues to feel disconnected from

official measures, even when inflation is said to be back under control. Seniors spend a disproportionate share of income on essentials such as shelter, utilities, food, insurance, and health-related costs. These are precisely the categories where price pressures have proven most persistent. When headline CPI returns to target, affordability does not necessarily return for households whose spending is concentrated in these areas.

This is not a failure of understanding. It is a limitation of measurement. The Consumer Price Index is designed to reflect the spending patterns of the average Canadian household. Seniors are not the average household. For more than a decade, CARP has argued that the CPI basket does not adequately reflect the cost structure faced by older Canadians and that relying exclusively on it to assess affordability risks obscuring persistent pressure on fixed-income households.

Statistics Canada's work on a Consumer Price Index for Seniors confirms this reality. Seniors allocate spending differently than the overall population, and shelter costs in particular account for the largest share of divergence between seniors' inflation experience and headline CPI. While the CPI for Seniors has broadly tracked CPI over time, the differences are not trivial for households with limited ability to adjust consumption or income. Small, sustained divergences compound over retirement horizons and translate into real losses in purchasing power.

The concept of a seniors' price index is not new, nor is it marginal. It has been raised repeatedly in public policy discussions and election debates over the past decade as a way to better align benefit indexation and policy evaluation with lived experience. CARP has consistently advanced this argument not as a call to replace CPI targeting, but as a call for transparency. Aggregate CPI remains a necessary macroeconomic anchor, but it is an incomplete lens for understanding affordability across cohorts.

When lived inflation diverges persistently from headline measures, policy can appear successful while households continue to experience strain. Over time, this

creates a credibility gap that no amount of technical explanation can easily close. Clearer, routine communication about cohort-specific inflation pressures, including seniors-focused measures, would strengthen confidence in the framework rather than weaken it.

Interest rate policy over the past decade has also had consequences that deserve recognition. Prolonged periods of very low interest rates materially reduced safe retirement income. Seniors rely heavily on conservative instruments such as GICs to fund daily living. Extended low rates reduced income, accelerated drawdowns of principal, and pushed some retirees toward risks they were ill-equipped to take late in life. These costs were unevenly distributed. While borrowers benefited, savers absorbed the adjustment. A renewed framework should acknowledge that monetary policy choices have distributional effects that persist long after headline objectives are met.

These effects are shaped not only by policy rates but by the structure of Canada's financial system. CARP members increasingly express the view that 'banks' writ large are no longer perceived as partners in household financial success. Strong profitability, complex fee structures, and limited competition have contributed to a sense that gains within the financial sector do not translate into better outcomes for Canadians on Main Street. For seniors relying on low-risk savings and predictable income, this imbalance reinforces the perception that prudent, long-term financial planning is no longer rewarded. This erosion of trust matters. When households believe that the system consistently works against them, confidence in both financial institutions and policy transmission weakens.

Housing has become another area where the gap between policy discussion and seniors' lived experience is widening. CARP agrees with the Bank of Canada that our country faces a structural housing supply problem and that shelter costs are a major contributor to inflation. However, public discourse increasingly frames seniors as part of the problem. Older Canadians are described as "overhoused," and policy proposals regularly suggest that affordability can be improved by

pressuring seniors to move, taxing home equity, or treating the sale of a principal residence as a fiscal opportunity for government revenue.

This framing is misleading and unfair. Older Canadians were encouraged by governments, lenders, and public policy to purchase homes, pay down mortgages, and age in place. Many did so at interest rates far higher than today's and structured their retirement planning accordingly. There should be no moral or policy compulsion for seniors to relinquish housing stability because supply failed to keep pace with demand. Housing affordability challenges reflect misalignment between population growth, infrastructure, and housing supply, not individual household decisions made decades ago.

Demand pressures must also be discussed honestly. Rapid population growth, including immigration levels that outpaced housing capacity, intensified competition in already constrained markets. Recognizing this reality is not a rejection of immigration. It is an acknowledgment that housing policy, infrastructure planning, and population targets must be aligned. Seniors should not bear the cost of that misalignment through displacement or erosion of retirement security.

Finally, CARP urges the Bank to keep financial autonomy firmly in view as monetary systems evolve. Seniors' lived experience consistently shows that when individuals lose direct control over their finances, the risk of abuse increases. Barriers to access, opaque systems, and centralized control disproportionately affect older Canadians. Any future policy discussions must preserve autonomy, consent, privacy, and accessibility as foundational principles rather than afterthoughts.

CARP supports the renewal of Canada's monetary policy framework and the continued use of a credible inflation anchor. At the same time, the framework must reflect the reality that inflation is experienced unevenly, that aggregate measures do not fully capture seniors' lived affordability, and that prolonged periods of low rates and rising shelter costs have lasting consequences for



retirees. A framework that acknowledges these realities will be stronger, more credible, and better aligned with the Canadians who live with its effects.

Contact:

Stella Song, Research & Policy Analyst

Anthony Quinn, President

Canadian Association of Retired Persons

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