



## Budget 2009 - Impact on Seniors

With thanks to the **Common Front for Retirement Security** (CFRS) for providing the following analysis by the **Canadian Association of Retired People** (CARP) of the 28 January budget.

CARP members will welcome the broad based tax relief available to all lower and middle income Canadians, and the home improvement incentives, together with the \$1,000 increase in the age credit. But beyond the re-announcement of the 25% reduction in mandated RRIF withdrawals, there is little in Budget 2009 to address the anxiety facing Canadians who have watched their retirement savings vaporize in the current market chaos.

### **No additional relief for RRIF holders**

The confirmation of the 25% reduction in mandated RRIF withdrawals announced in the November Economic Statement has to be taken as a small nod to the widespread clamor for a two year moratorium on the mandatory withdrawals but it is a far cry from what is needed. And even this little measure caused no end of frustration as people were unable to apply the discount in making their year-end withdrawals. The financial institutions were either not able to program their computers or were unwilling to take the chance that the proposal would not be enacted.

“This has to be a disappointment for those who had hoped that the government would help those who had acted responsibly to provide for their own retirement and got hit with circumstances beyond their control. The moratorium would have deferred tax revenues but if people were allowed to keep their savings in the tax deferred RRIFs until the market recovered, there could be higher tax revenues from the later withdrawals”, said *Susan Eng, Vice President Advocacy for CARP*.

### **RRSP Losses carried back to year-of-death return**

For those who manage to hang onto a substantial part of their RRSP/RRIF portfolio until their death, there's an important measure that will benefit their beneficiaries. Any losses accruing after the annuitant's death and before the investments are distributed to their beneficiaries may be carried back and applied against the RRSP/RRIF amounts included in the year-of-death tax return.

### **General Tax Relief**

Everybody benefits from the increased personal exemption to the tune of \$33. From increasing the thresholds in the first 2 income brackets, a single senior with between \$40,000 and \$80,000

in total income [not including their OAS] will save \$133 and in the upper tax brackets, taxpayers will save \$284.

### **Age Credit - \$150 value**

In addition, the \$1,000 increase to the age credit is worth an additional \$150 but as with the existing age credit, the credit is eroded as total income increases. Seniors with up to \$32,312 will receive the full benefit of the increased age credit. The credit is fully phased out at \$75,032 of income.

“The help for low and middle income seniors will be welcome and targets those most likely to spend the savings but increases to Old Security and Guaranteed Income Supplements would have been even more helpful,” added Eng

### **Housing for Low Income Seniors**

Budget 2009 will provide \$400 million over two years to build housing for low income seniors to be delivered through the Affordable Housing Initiative to be cost-shared with the provinces. These cost sharing agreements already exist to provide low income housing but this should be money targeted at project for seniors.

CARP has long advocated for more affordable housing for low income seniors with an emphasis on assisted living and supportive housing and welcomes the additional funding.

“The greater need in seniors’ housing, however, is supportive services which is not a bricks and mortar issue but requires the cooperation of the health or social services ministries. More assisted living units would be made available if existing stock could be retrofitted and the money applied to the supportive services,” said Eng

A few of the provinces have integrated programs to provide for assisted housing units and this new money should be available to spur on those programs. There is an opportunity for national standards of design and supportive services to be negotiated with the cost sharing agreements.

### **Older Workers**

Older workers will benefit from the added funding to Targeted Initiative for Older Workers [TIOW], the 5-week add-on employment insurance benefits and provisions for long-tenured workers.

The \$60 million added to TIOW over 3 years brings TIOW funding to \$50 million a year when added to the amounts announced in 2008. The TIOW provides a range of employment activities for unemployed older workers and helps them stay in the work force. However, TIOW previously applied only in rural areas and the programs were largely targeted at single industry

communities. Budget 2009 extends the TIOW to vulnerable cities with populations of less than 250,000.

Budget 2009 proposes five extra weeks of EI benefits to a maximum of 50 weeks for the next two years. Older workers will benefit from that extension as well as the measures for long-tenured workers. \$500 million will be provided to extend EI benefits for longer term training and allow earlier access to EI benefits for workers who receive severance packages if they use some or all of that severance for skills upgrading or training.

“The proposed spending and EI changes will help but more can be done to remove barriers and disincentive to workforce participation of older workers. The government should institute workplace protection for older workers starting with introducing legislation to abolish mandatory retirement in all federally regulated industries, as well as those provinces and territories where it remains. In collaboration with the private sector, unions and civil society governments should undertake outreach/educational initiatives to promote the workforce participation of older workers,” said Eng

#### **No new Support for Family Caregivers**

Nothing new was offered to help the estimated 5 million Canadians who undertake caregiving responsibilities for their older relatives and other loved ones. CARP has recommended a comprehensive National Caregiver Strategy that provides financial and tax support that makes it financially feasible for people to take time off work to look after their loved ones, to make sure that their job is waiting for them when they get back and to ensure that the formal health care system facilitates their care giving role. Any of the existing and proposed measures for child rearing could be delivery models for caregiver support. What is needed is political leadership that values the care of older Canadians as much as the care of children.

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