



**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming
Federal Budget**

August 2020

Recommendations

Recommendation 1

That the Government reinstate the 1997 Canada Pension Plan Death Benefit rate to the amount of \$3,580.

Recommendation 2

That the Government apply an annual index to the CPP Death Benefit in order to keep pace with inflation.

Recommendation 3

Provide a mechanism for Canadians to assign the CPP Death Benefit to licensed funeral service providers to offset expenses and reduce unnecessary administration costs.

Recommendation 4

That the Government increase the EFA limits to the amount of \$25,000 for funeral services and \$30,000 for cemetery services.

Recommendation 5

That the Government amend section 148.1 of the Income Tax Act, in respect to the EFAs, to include an automatic annual indexation that would take effect every year based on the previous year's Consumer Price Index.

Introduction

During any public health crisis, funeral professionals have stepped up in their role as frontline workers. For the COVID-19 pandemic, this meant liaising with frontline healthcare workers to ensure that the deceased of the virus were safely, respectfully and properly cared for. Across Canada, despite a shortage of personal protective equipment and significant losses in revenue, funeral professionals responded to the health crisis in order to provide dignified burials and cremations to the deceased of COVID-19.

As the economy begins to reopen and restrictions on gatherings are lifted, it is likely that funerals and celebrations of life will resume with social distancing guidelines put in place. This will help funeral providers to resume their businesses, however the economic downturn caused by the COVID-19 pandemic has had large financial impacts on Canadian seniors. With stock markets crashing and many seniors losing their retirement savings, their situation has become more precarious. While the one-time payments through the Old Age Security (OAS) and Guaranteed Income Supplement (GIS) has helped seniors in the short-term, their long-term prospects are likely not going to recover for years.

The Funeral Service Association of Canada (FSAC) has been at the forefront over the past years of advocating the Government of Canada to make key changes to support seniors. With their savings significantly reduced due to the COVID-19 pandemic, it is more necessary than ever for the government to support seniors in the short and long-term. Seniors need to be able to save for the length of their retirement, but many also are looking to save for their own funerals, as they do not want to leave the financial burden on their family. We propose the following recommendations to help seniors save and to support their end of life arrangements in order to provide for a dignified funeral.

Canada Pension Plan Death Benefit: Helping Canadians with End of Life Arrangements

FSAC is deeply concerned about the current cap on the Canada Pension Plan (CPP) Death Benefit. CPP underwent major reforms in 1997 where premiums were increased and benefits subsequently decreased. The reduction was intended to ensure the fund would be sustainable for future generations. On January 1, 1998 the maximum CPP Death Benefit was reduced from \$3,580 to \$2,500. Unfortunately, the death benefit cap has been fixed at a maximum rate of \$2,500 for nineteen years and erodes every year due to inflation. This must be updated to meet the basic needs for end of life arrangements in Canada, especially now that the savings of Canadian seniors have been dramatically impacted.

The main CPP monthly benefit is indexed to inflation to preserve beneficiaries' purchasing power. The death benefit, meanwhile, has lost over 37% of its real value since 1998. This has and continues to lead families to receive less from the government while forcing them to make uncomfortable choices and compromises after the death of a loved one.

The need for death care services touches every single Canadian. Our multi-cultural and diverse society necessitates a final tribute that celebrates and honours the deceased in a way that is fitting for the individual, their family, their cultural beliefs and community. While we commend the Government and its provincial partners for setting the benefit at \$2,500 for any Canadian, no matter their contribution to CPP, it is simply still not enough to help low-income families and seniors with end of life arrangements.

Allowing Canadians the option to assign the lump sum CPP Death Benefit directly to licensed funeral service providers will also allow for a more efficient and less burdensome administrative process. This is

of most importance when no estate, administrator or executor exists during a time-sensitive period for Canadian families and communities.

Recommendations

In order to provide relief to Canadian families with the financial burden of funeral and end of life services and ensure dignified treatment for all Canadians, especially following the COVID-19 economic downturn; FSAC recommends that the Government of Canada:

- **Reinstate the 1997 CPP Death Benefit rate to \$3,580.00.**
- **Apply an annual index to the CPP Death Benefit to keep pace with inflation.**
- **Provide a mechanism for Canadians to assign the CPP Death Benefit to licensed funeral service providers to offset expenses and reduce unnecessary administration costs.**

Eligible Funeral Arrangements: Encouraging Canadians to be Adequately Prepared

Every year thousands of Canadians contribute to Eligible Funeral Arrangements (EFAs) in order to be prepared for end of life arrangements. Funeral and cemetery pre-planning is encouraged for Canadians because it allows for the final wishes of the deceased to be fulfilled and helps prevent emotional overspending by the family. EFAs are especially important to many seniors, who look to save money in order to prevent the financial burden of their end of life arrangements to fall onto their families.

EFA limits have not increased since 1995. The current system allows for the following amounts to be contributed to a prearrangement per individual for whom a funeral or cemetery service is needed:

- \$15,000 if the arrangement includes only funeral services for the individual;
- \$20,000 if the arrangement includes only cemetery services for the individual;
- \$35,000 for arrangements covering both funeral and cemetery services

In 1995, these amounts allowed for Canadian families to adequately save for funeral and cemetery services. However, since then, the cost of services has risen annually with inflation, while the amount in individual accounts now often surpasses the allowable prearrangements described above.

A survey taken in 2017 of funeral homes across the country found that the average adult funeral costs around \$6,000. However, this average does not incorporate significant costs associated with funeral services, such as; cemetery monument or marker costs, miscellaneous third-party disbursements for items such as catering and receptions, obituary notices and death certificates. Moreover, the EFA limits does not meet the spending expectations of all Canadians; while the average adult grave costs \$5,000, prices could be as low as \$252 but could also be as high as \$34,000 depending on the region or city in Canada. This shows that the current limits simply do not cover all the costs that some Canadians may incur.

It is also important to note that many new Canadians while embracing their new culture, often hold dearly past cultural traditions. In this regard, this segment of society prefers a more traditional funeral and cemetery service and consequently, often spending more than the existing levels. This restriction penalizes them from the way in which they want to honour their loved ones.

The funeral services price index increases at a faster rate than the Consumer Price Index (CPI). If the standard CPI 1995 rates were to be taken into account, the \$15,000 allowed for funeral services would increase to \$21,676. Notably, if the estimated funeral arrangement CPI are taken into account, the

\$15,000 allowed for funeral services would have increased to \$36,175 since 1995. EFA limits need to be increased in order to assist and encourage Canadians to prepay for their funeral and cemetery expenses. As the finances of seniors have been impacted, it is important for them to have as many tools available to them as possible to make their savings go further. EFAs support seniors as the income derived in the arrangement does not count towards the contributor's income. Increasing EFA limits therefore helps to support seniors at a time of need.

Recommendations

To encourage Canadians to be adequately prepared for end of life arrangements, FSAC recommends that the Government of Canada:

- **Increase the EFA limits to \$25,000 for funeral services and \$30,000 for cemetery services. The larger amount for cemetery services is influenced by monument and markers which generally are larger expenses.**
- **Amend section 148.1 of the Income Tax Act, in respect to EFAs, to include an automatic annual indexation that would take effect every year based on the previous year's CPI.**

About FSAC

The Funeral Service Association of Canada (FSAC) is the leading national association for funeral professionals representing funeral homes, cemeteries, crematoriums and suppliers from across Canada. We provide approximately 85% of death care services for Canadians.

One of the most important aspects of the funeral service profession is caring for the deceased in a dignified manner and guiding the bereaved through the many decisions that must be made when a death occurs. FSAC has been providing advocacy, leadership and education to funeral service professionals for nearly 100 years. We have enjoyed a good working relationship with the Federal Government and its many departments on issues concerning Canadians.