

[FADOQ LOGO]

Brief — 2021 Federal Budget

Prepared for the pre-budget consultations of the House of Commons Standing Committee on Finance

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Recommendations

1. Increase Guaranteed Income Supplement payments by at least \$50 per month per senior.
2. Make good on the Government of Canada's promise to increase Old Age Security benefits by 10% for all seniors who qualify for Old Age Security.
3. Extend a deceased person's Old Age Security payments to their surviving spouse by three months.
4. Lower the deductible of the medical expense tax credit from 3% to 1.5% and make the credit refundable.
5. Ensure that RRSP and RRIF amounts withdrawn for medical reasons are excluded from individuals' taxable amounts.
6. Increase the maximum weekly earnings threshold for caregiver benefits.
7. Extend EI benefits for caregivers to up to 52 weeks.
8. Make the caregiver tax credit refundable.
9. Index the Canada Health Transfer by 6% annually and factor in the aging population of the provinces and territories.
10. Further increase Old Age Security payments when deferred after the age of 65.
11. Introduce a tax credit to encourage experienced workers to extend their careers.
12. Provide greater protection for pension funds.

Supporting those most vulnerable

Réseau FADOQ believes the Guaranteed Income Supplement (GIS) must be enhanced. As of June 2020, those who receive only their Old Age Security (OAS) pension and GIS payments will have an annual income of \$18,358.92.

This amount barely places seniors at Market Basket Measure (MBM) thresholds. The MBM is an economic indicator developed by Statistics Canada to calculate the cost of a basket of goods that provides a basic standard of living. In 2020, the threshold varied from \$17,370 to \$18,821 for a single person, depending on where they live.

Réseau FADOQ recommends that the federal government increase GIS payments by at least \$50 per month per senior.

We also would like to remind the committee that the Liberal Party of Canada pledged during the election to increase OAS benefits by 10% for seniors aged 75 and over. We encourage the federal government to make good on its promise now. We also recommend lowering the age of eligibility for this increase to 65, as to not create two categories of seniors (aged 65 to 74, and 75 and above) and to recognize that a great deal of them face considerable financial hardship.

The financial repercussions of death

The death of a loved one is a tragic event in anyone's life. Not only does it put them in a deep state of mourning, it also forces them to face their financial responsibilities alone.

Currently, "when an OAS beneficiary dies, their benefits must be cancelled. Benefits are payable for the month in which the death occurs; benefits received after that will have to be repaid." Therefore, in the month after someone dies, the financial resources of the surviving spouse are reduced, whereas the financial responsibilities are generally the same.

Our organization recommends that the OAS payments of the deceased be paid to their surviving spouse for a period of three months after their death.

Medical expenses

It is possible, through the medical expense tax credit, to request reimbursement for eligible expenses minus the lesser of the following amounts: \$2,352, or 3% of the net income of the person who is claiming reimbursement of medical expenses that they or their dependants incurred. The balance is then multiplied by 15%, and that number is used to reduce the tax amount payable.

According to the Institut de la statistique du Québec, over half of people aged 65 and over live alone with less than \$24,000 in disposable income.

Réseau FADOQ believes that the Government of Canada must give slightly more financial freedom to those less fortunate by reducing the deductible of the medical expense tax credit from 3% to 1.5%. For someone with an income of \$24,000, this reduction would give them an additional \$360.

Réseau FADOQ also recommends making the medical expense tax credit refundable in order to make it accessible to those less fortunate. Although some amounts can be reimbursed through the refundable medical expense supplement, this supplement has several conditions for eligibility and the refund is capped at \$1,248, which is too often insufficient to cover an individual's actual and cumulative costs.

Lastly, Réseau FADOQ recommends that the federal and provincial governments exclude RRSP and RRIF amounts withdrawn for medical reasons from individuals' taxable amounts, on the condition that they provide proof of payment for those expenses.

Support for caregivers

In 2016, L'Appui pour les proches aidants d'aînés found that, every week, 2.2 million adults in Quebec carry out at least one action associated with the duties of a caregiver. Of those 2.2 million, 630,000 support their loved ones for more than 5 hours per week. Furthermore, according to Janet Fast, 20% of caregivers experience financial insecurity.

The Institut de la statistique du Québec found that 57% of caregivers work another job, and many of them must reduce their work hours, which leads to approximately \$16,000 per year in lost income, according to Janet Fast's data.

In 2015, writing in *Le Devoir*, Nicole F. Bernier stated that Canadian businesses are losing \$1.3 billion per year because of decreased productivity caused by caregivers' realities. In addition, Janet Fast found that the federal government is losing approximately \$641 million per year in tax revenue because caregivers' hours are reduced, and their productivity lowered due to increased absences.

EI currently provides caregivers with up to 55% of their earnings in financial assistance. However, these amounts are capped at \$562 per week, or \$29,224 in annual income. Réseau FADOQ is calling on the federal government to increase the maximum weekly earnings threshold for EI benefits to caregivers so that the amounts delivered better align with the income of EI recipients.

Furthermore, the maximum period for caregiver benefits is 15 weeks. If somebody is gravely ill and very likely to die in the 26 weeks that follow, their caregiver could also qualify for compassion care benefits for that same period. However, global statistics provided by insurance company MACIF reveal that caregivers dedicate on average 4.1 years of their lives to their dependants. Our organization is calling for EI benefits to be extended to up to 52 weeks.

In addition, Réseau FADOQ is calling on the federal government to make the caregiver tax credit refundable. That way, it will become accessible to those less fortunate.

Health transfers

Federal health transfers were \$38.5 billion in 2018–2019. Yet, according to the Conference Board of Canada, provincial and territorial expenditures totalled \$174.5 billion. In other words, 40% of provincial and territorial budgets are earmarked for health care spending but

federal funding accounts for only 22% of this spending. The Conference Board of Canada also projects that, under the current growth rate, “the federal share of health care funding will fall below 20% by 2026.”

To compensate for underfunding in previous years, Réseau FADOQ is calling on the federal government to index the Canada Health Transfer at 6% annually.

Furthermore, Canada’s aging population will impact its public health care spending. According to the Conference Board of Canada, “the cost of health care for the average senior is about \$12,000 per year, compared with \$2,700 per person for the rest of the population.” The Conference Board of Canada projects that the provinces and territories will accordingly face an additional \$93 billion in health care costs, or 1.8% of their total spending, over the next 10 years.

Lastly, the Conference Board of Canada found that “over the next 10 years, 5.1 million Canadians will reach age 65.” And yet, under its current form, the Canada Health Transfer does not take the country’s aging population into account: the formula is based on an equal amount per Canadian. That is why Réseau FADOQ believes the federal government should factor the aging population in the provinces and territories into its transfer in order to increase funding where it is most needed.

Experienced workers

Réseau FADOQ believes that the Government of Canada could encourage experienced workers to keep working by further increasing OAS payments when deferred after the age of 65. The current OAS increase is 7.2% per additional year worked. In comparison, the Quebec Pension Plan increase is 8.4%.

Furthermore, the Government of Canada should introduce a tax credit for experienced workers, similar to the tax credit for career extension introduced and increased by the Government of Quebec for workers 60 or older. Those who receive this tax credit can deduct tax amounts based on their income. Réseau FADOQ is calling on the federal government to introduce a tax credit to support experienced workers who wish to extend their careers.

Lastly, Réseau FADOQ believes it is paramount to better protect pensions by amending the *Bankruptcy and Insolvency Act* and the *Companies’ Creditors Arrangement Act* so that pension funds become priority claims. Alternatively, we recommend that the federal government set up an insurance plan to cover pension funds under its jurisdiction.