May 7, 2010

Mr. Chris Forbes
Federal-Provincial Relations and Social Policy Branch
Department of Finance
L'Esplanade Laurier
15th Floor, East Tower
140 O'Connor Street
Ottawa, Canada K1A 0G5

Dear Mr. Forbes:

The Canadian Medical Association (CMA) is pleased to participate in the Government of Canada's consultation on ensuring the ongoing strength of Canada's retirement income system. Ensuring sufficient income in retirement is a concern for CMA's more than 72,000 physician members and the patients they serve. With the aging of the Canadian population and the decline in the number of Canadians participating in employer-sponsored pension plans, now is the time to explore strengthening the third pillar of Canada's government-supported retirement income system: tax-assisted savings opportunities. Two areas in need of government attention are tax-assisted savings vehicles for high-earning and self-employed Canadians, and vehicles available to help Canadians save to meet future continuing care needs.

Like the Canadian population at large, physicians represent an aging demographic — 38% of Canada's physicians are 55 or older — for whom retirement planning is an important concern. In addition, the vast majority of CMA members are self-employed physicians and, as such, they are unable to participate in workplace registered pension plans (RPPs). This makes physicians more reliant on Registered Retirement Savings Plans (RRSPs) relative to other retirement savings vehicles. As we saw during the recent economic downturn, the volatility of global financial markets can have an enormous impact on the value of RRSPs over the short- and medium-term. This variability is felt most acutely when RRSPs reach maturity during a time of declining market returns and RRSP holders are forced to 'sell low'.

The possibility that higher-earning Canadians, such as physicians, may not be saving enough for retirement was raised by Jack Mintz, Research Director for the Research Working Group on Retirement Income Adequacy of Federal-Provincial-Territorial Ministers of Finance. In his *Summary Report on Retirement Income Adequacy Research*, Mr. Mintz reported that income replacement rates in retirement fall below 60% of after-tax income for about 35% of Canadians in the top income quintile. This is due to the effect of the maximum RPP/RRSP dollar limits, which is why the government should consider raising these limits.

The CMA supports exploring ways to expand tax-assisted options available for retirement saving, particularly measures that would allow organizations to sponsor RPPs and Supplementary Employee Retirement Plans (SERPs) on behalf of the self-employed.

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Such changes could allow the growing ranks of self-employed Canadians to benefit from the security and peace of mind already available to Canadians with workplace pensions. CMA members favour a voluntary approach, both for employers/plan sponsors in deciding whether to sponsor such plans and for potential plan participants in choosing whether or not to participate.

Just as the government should explore ways to modernize the rules governing registered pension plans to account for today's demographics and employment structures, so too should it explore ways to help Canadians save for their continuing care — including home care and long-term care — needs. When universal, first-dollar coverage of hospital and physician services—commonly known as 'medicare' — was implemented in Canada in the late-1950s and 1960s, health care within an institutional setting was the norm and life expectancy was almost a decade shorter than it is today. With Canadians living longer and continuing care falling outside the boundaries of *Canada Health Act* first-dollar coverage, there is a growing need to help Canadians save for their home care and long-term care needs.

The attached backgrounder highlights the pressing need for greater support for home and long-term care in Canada, as well as some principles and options for governments to help Canadians pay for these services. It should be noted that the introduction of Tax-free Savings Accounts (TFSAs) in the 2008 federal budget created a new savings vehicle to support Canadians' continuing care needs. The CMA was pleased to see its introduction.

Government action on these two related issues would benefit all Canadians. Expanding retirement-saving options for physicians would provide a strong incentive for physicians to stay in Canada. Similarly, by helping Canadians save for their own continuing care needs, governments could contribute to the health of elderly citizens and ease the demand on unpaid caregivers and government-funded continuing care.

Ensuring that Canadians have the tools at their disposal to save for their continuing care needs and that Canada's physicians have the right tools to save for retirement are important issues for the CMA. Canada's physicians have long been active on these issues and government action on these files would benefit all Canadians. We are pleased to take part in Finance Canada's consultations and would welcome any further opportunities to participate.

Sincerely,

Anne Doig, MD, CCFP, FCFP
President

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