



Anxiety abounds over pension woes

Relieving some of the tax burden Canadians bear would allow them to put more into savings

By ROY CLANCY, CALGARY SUN

Last Updated: March 27, 2010 11:19pm

It's reassuring Prime Minister Stephen Harper has vowed to sort out serial murderer Clifford Olson's publicly funded pension plan.

But what about the rest of us?

A recent Nanos Poll shows how worried Canadians are about whether the pension money will be there when they need it.

Almost half of respondents weren't confident private company pension plans would deliver payments to pensioners in the future, while 70% believed it was likely those payments would be reduced.

While 56% were more confident about the Canada Pension Plan delivering on promised payments, six in 10 believed CPP payouts would have to be reduced.

"The anxiety of Canadians on pensions churns below the waterline and it runs deep," said pollster Nik Nanos.

These fears are heightened by economic difficulties facing private sector pension plans and the fact only 32% of private-sector workers have employer-sponsored plans.

In fact, Statistics Canada reported Friday only about half of employed Canadians participated in a private retirement savings plan last year.

It's not only those nearing retirement who should fret.

As baby boomers retire over the next decades, the ratio of people left in the workforce will decline dramatically. There are now five people working for every senior, says McGill economics professor Christopher Ragan. By 2040, there will be only 2.5.

If the pension situation isn't sorted out, fewer workers could be forced to carry the can for a growing population of retirees.

Finance Minister Jim Flaherty is planning to consult Canadians this spring about how the pension system should be fixed.

The opposition parties are nipping at his heels to act quickly to protect Canadians' pensions.

Alberta and B.C. have threatened to set up their own voluntary pension supplement unless Ottawa produces a national plan soon.

The finance minister, to his credit, says it's folly to rush the process. "These are changes that are made for at least a generation ... so it's very important we exercise extreme prudence," he said.

The government will look at measures such as beefing up mandatory contributions and adding a voluntary supplement to the CPP, more tax incentives to save and giving the private sector more leeway to manage plans.

While groups such as the Canadian Life and Health Insurance Association and the Canadian Bankers Association say Canada's pension system functions well, there are concerns that retirement savings aren't adequate.

A report by Jack Mintz of the University of Calgary's School of Public Policy suggests most Canadians have a net worth substantial enough to allow for a decent retirement when assets such as housing are taken into account.

But another paper by David Dodge, former governor of the Bank of Canada, finds Canadians aren't putting away nearly enough savings for a comfortable retirement.

Even those who want to save more face obstacles posed by our tax system, says Dodge in his study for the C.D. Howe Institute.

It seems like a no-brainer that relieving some of the taxation burden Canadians are forced to bear would enable them to put more of their income towards savings.

Perhaps that's why the government, facing the largest deficits this nation has seen since the '80s, is spending so much time studying the issue.

In the meantime, boomers aren't getting any younger and succeeding generations need some reassurance their own financial future isn't in jeopardy.

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