



RETIREMENT SECURITY

LET'S MAKE IT WORK *for everyone*

Retirement Security Reform #2 - Increase OAS/GIS Benefits

We also propose a 15% increase to the Guaranteed Income Supplement of the Old Age Security pension to lift all seniors out of poverty immediately.

This proposal is endorsed by Monica Townson, one of Canada's leading pension experts. Townson supports an extension of OAS/GIS benefits to ensure a stronger foundation in Canada's pension system.

Moving forward, since an improved CPP will provide better pension benefits, tax subsidies to RRSPs could be reduced to help finance this increase in Old Age Security benefits paid to all workers. The tiny personal tax cuts introduced in the 2008 Federal Budget should also be repealed to help finance a larger GIS. This would be a positive for the Canadian economy itself, given studies show low-income seniors are more likely to spend extra money on essential needs.

As the table below demonstrates, average monthly benefits offer bare subsistence levels of income:

Recipient(s)	OAS per month	GIS per month	Total OAS/GIS average benefits
Single Person	\$489.54	\$452.61	\$942.15 per month \$11,305.80 per year
Each Spouse	\$430.90	\$283.21	\$714.11 per month \$8,569.32 per year

(Source: Service Canada, July-September 2009)

How Our Plan Would Work:

We propose an increase to GIS benefits to increase the bare minimum pension for low-income seniors.

The costs are minimal: Because of the good work already accomplished through OAS/GIS, closing the poverty gap for seniors is not expensive. It is possible to do so immediately through a modest \$682 million increase to GIS benefits. This is less than 3% of what is currently spent on tax subsidies for RRSPs. Tax subsidies for RRSPs (\$18 billion) now exceed half of what is spent on federal public pensions (OAS/GIS).

This increase could be financed by repealing the puny personal income tax cuts announced in the 2009 Federal Budget, or reducing the yearly limits for RRSPs.

The results are impressive: Our plan would put more each month into the hands of low-income seniors, who would then spend this money on basic needs. This is far better than the puny personal tax cuts announced this year, which offer an annual \$33 for poor Canadians and \$306 for those with average incomes. Boosting the incomes of poor seniors would provide real economic stimulus to Canada's domestic and local economies at a crucial time.

Why This is a Good Idea:

Seniors would have more pension security: As Monica Townson explains, increasing OAS/GIS offers more pension security to seniors, and offers a stronger foundation for Canada's pension system.

This is a pan-Canadian solution to a pan-Canadian problem: Some provinces have suggested their own solutions to address seniors' issues, but these initiatives won't suffice. The OAS/GIS framework can't be matched by any provincial or regional solution.

Can we afford to do this?

Yes. As with our CPP proposals, we can't afford not to do this. If we don't increase GIS, the cost of widespread poverty in retirement will be far worse. Once again, we either pay modestly now or pay far more later. Research suggests it is cheaper and more progressive to pay now.

Won't the amount spent on GIS increase as the "baby boomer generation" retires?

Yes. But this doesn't mean we shouldn't improve OAS/GIS, the foundation of Canada's pension system. The federal government's own research indicates OAS expenditures will rise to 3.1% of Canada's Gross Domestic Product by 2030, the year experts predict one in four Canadians will be over age 65.

Our proposal will increase OAS/GIS expenditures modestly, to barely 3.6% of Canada's GDP. Also, our proposal to improve the CPP means fewer seniors by 2040-2050 will require GIS.

We think this is a reasonable investment to ensure seniors have dignity and respect in retirement. Like our CPP proposal, the results are far worse if we do nothing. We either invest in federal public pensions, a proven tool to reduce senior poverty, or we allow more seniors to suffer.