11. Restore TFSA Limits to Encourage Retirement Saving

Issue

Improving the current system of retirement saving would increase the rationale to save, improve access to capital, and flexibility for deployment of capital, thus spurring significant economic growth.

Background

Enhancements to the Registered Retirement Savings Plan (RRSP), including the Home Buyers Plan and Life Long Learning Plan have expanded the use RSPs. New plans such as Registered Education Savings Plans (RESPs), Registered Disability Savings Plans (RDSP), and Tax-free Savings Accounts (TFSAs) have been developed to help Canadians fund other needs such as education, care for the disabled, and for other uses.

With an aging population and subsequent reductions in the personal income tax base, the funding of an individual's retirement and social services is becoming more of a responsibility of Canada's employers – the business owner. Each of these existing plans comes with its own rules and complexities. They are costly to offer to administer, costly to offer to employees, and are frequently not used to their full potential.

TFSAs give Canadians a flexible and cost-effective funding mechanism that encourages Canadians to self-fund many of the financial needs that currently are paid through ad hoc government programs or not funded at all. However, the TFSA had its efficacy greatly diminished when the contribution limit was reduced from $10,000 to $5,500 in January 2016.

In addition to retirement savings, TFSAs give Canadians the flexibility to save for:

1. Investing in a personal business
2. Home purchases
3. Home renovations
4. Childcare
5. Temporary loss of employment
6. Disability

Increasing TFSA limits would increase savings, improve capital deployment and utilization, and reduce government and investment administration overhead costs. It would also allow Canadians greater flexibility to use their savings as their unique and individual needs require.

Recommendation

That the federal government restore Tax Free Savings Account annual contribution limits to 2015 levels.