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Federal budget 2018: New measures enhance financial security – for some



Finance Minister Bill Morneau announces the federal budget in the House of Commons in Ottawa on Tuesday.

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Seniors worried about the security of their savings and pensions received some modest reassurance in the federal budget.

There's zero in the way of dramatic strokes in this budget in a personal finance sense. It might be the blandest of the 25 or so budgets I have covered from the personal finance and business side. But the government has announced a couple of measures to help

seniors worry a bit less about money, as well as a revamped tax break to help low-income workers.

First, the budget announces an upcoming modernization of Canada Deposit Insurance Corp., which insures eligible deposits in guaranteed investment certificates, savings accounts and other products for up to \$100,000. GICs are widely used by seniors looking for a safe investing haven.

The changes draw on consultations done in 2016 on the future of CDIC. Details on the upcoming changes were not provided, but government officials said the consultations looked at adding registered disability savings plans and registered education savings plans to the list of registered accounts that are covered and adding foreign currency deposits to covered products. This would benefit snowbirds keeping large deposits in U.S.-dollar accounts.

Other reforms could add coverage for guaranteed investment certificates longer than five years. Increasing the current \$100,000 coverage limit for eligible deposits does not appear to be in the government's plans.

The budget also offered a bit of hope for workers and retirees worried about the safety of their workplace pension plan if their employer goes bankrupt. Recognizing that workers and retirees need peace of mind about their retirement savings, the government said it will consult with retirees, workers and companies to address the security of pensions.

The risk to pensions was highlighted in the recent collapse of retailer Sears Canada. The company's defined benefit pension was underfunded when the company failed and, as a result, pension plan members are expected to receive less in benefits than they expected. Government consultations sound like a weak response, but they do signal that pension security is getting some much-needed attention.

On a pure nostalgia basis, seniors will be affected by the government's announcement that it will remove the legal tender status of denominations no longer issued by the Bank of Canada, including \$1,000, \$500, \$25, \$2 and \$1 bills. The point here is to fight counterfeiting and money laundering, but these bills are bound to be found at the back of drawers and safe deposit boxes across the country.

The Bank of Canada will continue to honour these notes and exchange them at face value. However, as of a date yet to be determined, you will no longer be able to use them for payment on goods and services. The Bank of Canada says the number of \$1,000 bills in circulation at the end of last year was 741,638. The Bank of Canada stopped issuing this bill in 2000.

For low-income people in the work force, the budget announced that the Working Income Tax Benefit will be replaced by the new Canada Workers Benefit. The WITB supplements the earnings of low-income workers by letting them keep more of their pre-tax wages. The new program will increase benefits by up to \$170 a year in 2019 for

single parents and couples and increase the income limit where the benefit is completely phased out to \$36,483 from \$32,339 for single parents and couples.

The Canada Workers Benefit remains a refundable tax credit, which means it can result in a tax refund as well as offsetting tax payable. Noting that some low-income people haven't in the past claimed the WITB, the government said it will allow the Canada Revenue Agency to automatically check eligibility for individuals.

The budget also introduced the EI Parental Sharing Benefit, which will provide an additional five weeks of parental benefits in situations where both parents share parental leave. The idea of this new program, which starts in June, 2019, is to encourage more men to take parental leave when a child is born.

One more personal finance measure in the budget is to expand the list of expenses eligible for the medical expense tax credit to include costs related to service animals that help people with severe mental impairments. An example would be a dog helping someone with post-traumatic stress disorder. Some service animal costs are currently covered when their owners are dealing with blindness, deafness and other conditions. The METC is a 15-per-cent non-refundable tax credit.

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