



ANALYSIS

Federal budget 2018: Seven changes that could affect your finances



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PUBLISHED FEBRUARY 27, 2018UPDATED FEBRUARY 27, 2018

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Savers, conservative investors, low-income families and workers with company pension plans are all affected by measures in the federal budget. Here's a rundown of seven key points:

Modernizing deposit insurance

Following up on public consultations in 2016, the federal government is poised to announce improvements to Canada Deposit Insurance Corp. 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 of longer than five-year terms. Increasing the current \$100,000 coverage limit for eligible deposits does not appear to be in the government's plans.

Introducing the Canada Workers Benefit

Replaces the Working Income Tax Benefit, which supplements the earnings of low-income workers by letting them keep more of their pre-tax wages. The new program will increase benefits by as much as \$170 a year in 2019 for single parents and couples and will increase the income limit at which the benefit is completely phased out to \$36,483 from \$32,339. 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 have not claimed the WITB in the past, the government said it will allow the Canada Revenue Agency to automatically check eligibility for individuals.

Pension protection

In apparent response to the collapse of Sears Canada, the government will consult with retirees, workers and companies to address the security of pensions. The bankruptcy of

Sears will result in the company's pensioners receiving lower benefits than they expected. The Sears pension plan was underfunded, and the bankruptcy process prevented it from being topped up.

EI Parental Sharing Benefit

Starting in June, 2019, provides an additional five weeks of parental benefits when parents share parental leave. The idea is to encourage more men to take leave.

The end of big bank notes

To fight counterfeiting and money laundering, the government 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 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 the payment of 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. It stopped issuing this bill in 2000.

Medical expenses

The medical expense tax credit will be expanded 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.

Consumer protection in banking

The federal Financial Consumer Agency of Canada is getting a boost from the government to strengthen its oversight of bank sales practices and to defend the interests of consumers against the banks.

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