

SUMMARY

Canada's Retirement Puzzle:

Why Private Savings Must
be at the Centre of Reform



Canada's retirement income system was designed around foundational pillars: government-sponsored programs available to all Canadians, namely Canada Pension Plan (CPP), Old Age Security (OAS), and the Guaranteed Income Supplement (GIS); traditional workplace-sponsored pension plans; and individual private savings through RRSPs, TFSAs, and other personal investments.

Private savings make up nearly half of retirement income, but the rising cost of living is putting it out of reach for many Canadians.

Over time, the balance among these pillars has shifted, with nearly half of all retirement income now drawn from private savings.

But with today's affordability crisis, many Canadians are struggling to save. To protect and grow this critical pillar of retirement security for the future, we must evolve current policy to reflect the financial realities people are facing today as they save for their future.

Meanwhile, the policy framework that governs private savings has remained largely unchanged for decades. Many of the rules still reflect assumptions from the past when lifespans were shorter, retirement was more linear, and defined benefit pensions were more common. Outdated thresholds, uneven tax treatment, and regulatory frictions continue to limit participation and erode the long-term value of savings. These barriers don't just affect individuals—they weaken the effectiveness and equity of the broader retirement system.

If private savings are going to carry more of the weight, the policy framework that supports them must be modernized to reflect the realities of today and the increasing economic challenges Canadians are faced with when it comes to saving for retirement.



Why private savings matter more than ever



The role of private savings is no longer supplementary—it's central. Here's what the numbers tell us:

- ✔ Private savings account for nearly half of seniors' retirement income, having grown from 36 per cent in 2005 to 46 per cent in 2023.
- ✔ In 2023, private savings contributed an estimated \$150 billion to GDP, generated close to \$27 billion in tax revenues, and helped the government save \$16.5 billion in GIS payments.
- ✔ Canadians now hold over \$4.5 trillion in private savings invested in capital markets, which is helping to support economic growth.

These figures underscore the vital role of private savings—not just in individual financial health, but in national fiscal and economic resilience.

The gaps in our system: why it falls short

Although critical, private savings are not reaching as many Canadians as they could. There are three structural issues:



Coverage

Too many Canadians aren't saving at all or aren't saving enough. With more than 62 per cent of workers lacking traditional workplace pensions, more responsibility is on individuals to use RRSPs, TFSAs, and other vehicles to invest and save. But participation is uneven. Inaction and lack of awareness of payroll-based savings contribute to the gap.



Adequacy

Among savers, many aren't accumulating enough. Even those who receive the maximum combined OAS/GIS and CPP benefits are eligible for only \$26,016 per year as of 2025 – well below what's needed to maintain living standards in most regions of Canada. Without private savings, the drop in income at retirement is sharp and potentially destabilizing.



Affordability

Being able to afford to save is its own challenge. High personal debt, increased housing costs, and inflation are crowding out savings for many. Nearly one in four Canadians says they couldn't cover a \$500 emergency, and saving for decades into the future isn't even on the radar for many households when they are dealing with today's expenses.

Retirement savings action plan for Canada



By modernizing outdated rules, removing unfair cost burdens, and enabling broader participation, we can help more Canadians build meaningful private savings and strengthen the overall retirement system. To close these gaps and advance purposeful policy reform, we propose a comprehensive Retirement Savings Action Plan anchored in three strategic focus areas:

1 Modernize retirement rules to reflect longer lives

Raise the RRSP-to-RRIF conversion age

Currently, Canadians must convert their Registered Retirement Savings Plan (RRSP) into a Registered Retirement Income Fund (RRIF) in the year they turn 71 and begin withdrawing funds at 72. This rule was introduced when lifespans and working patterns were shorter and does not reflect the realities of today.

Raising the conversion age to 73 would:

- ✔ Provide two more years of tax-deferred growth.
- ✔ Better align Canada with countries like the U.S. (whose conversion age is 73 and will be rising to 75), Australia, and the U.K., which offer greater flexibility as to when retirement savings must be drawn down.
- ✔ Reflect the reality that many Canadians are working later in life or deferring retirement.

Introduce flexible RRIF withdrawals for modest balances

Canadians with RRIF holdings under \$200,000 should have the option to opt out of mandatory withdrawals. This would:

- ✔ Prevent unnecessary taxation and OAS/GIS clawbacks for middle-income retirees.
- ✔ Help retirees avoid selling investments during market downturns just to meet minimum withdrawal rules.
- ✔ Maintain tax fairness—RRIFs with larger balances would still be subject to withdrawal requirements to avoid indefinite tax deferral.



2 Level the playing field for all savers

Eliminate GST/HST on investment fund management fees

Canadians who invest in mutual funds or ETFs currently pay sales tax on the management fees (a blended rate of about 11 per cent). This doesn't apply to individual stock or bond holdings, which are more common among high-net-worth investors.

Removing the tax would:

- ✔ End an unfair penalty on the most accessible and diversified investment products – products that middle-income Canadians rely on most.
- ✔ Improve long-term net returns for millions of savers.
- ✔ Align Canada with global peers like the EU, Australia, and New Zealand, which exempt fund-management fees from value-added tax (VAT).

Reduce regulatory friction

Many regulations are well intended, but their cumulative burden can stifle innovation and reduce access.

Reforms should:

- ✔ Require market-failure analysis before introducing new rules.
- ✔ Shift toward principles-based regulation that preserves investor protection while supporting flexibility and innovation.
- ✔ Ensure, through impact assessments, that new rules do not conflict with broader goals like capital formation, financial inclusion, and savings adequacy.
- ✔ Harmonize fees nationally to reduce costs for industry and investors.
- ✔ Be preceded by a rigorous cost-benefit analysis.

Retirement savings action plan for Canada

Expand access to financial advice

Financial advice is associated with 2x to 4x higher wealth accumulation. As more investors turn to digital and self-directed channels, public policy must evolve to ensure these investors are not left behind.

Policymakers should:

- ✔ Support personalized hybrid advice models (human + digital) that meet investors where they are.
- ✔ Modernize guidance to clarify what forms of guidance and advice are permissible, including for self-directed investors.
- ✔ Encourage the development of scalable advice platforms for middle-income savers.

3 Make saving the default

Enable automatic enrollment, deductions, and escalation of contributions in workplace group RRSPs (and DC plans)

Canada's voluntary retirement savings system leaves too many people behind. International evidence shows that auto-enrollment significantly increases participation and savings rates.

Key steps:

- ✔ Amend federal and provincial legislation to permit “opt-out” enrollment in group RRSPs and DC plans.
- ✔ Implement educational initiatives – in participation with the industry – to help employees understand the benefits and mechanics of automatic savings features to dispel misconceptions and build confidence in participation.

Retirement savings action plan for Canada

Integrate private savings into the national financial literacy agenda

Despite their importance, RRSPs, TFSAs, and other private savings tools are often underrepresented in financial education programs.

To address this:

- Further integrate the role of investing in school curricula and adult learning programs – alongside CPP and OAS – to build financial capability and highlight the connection between early saving habits and retirement savings options.
- Create tailored content for low-income households, newcomers, gig workers, and Canada's youth.
- Clarify the role of private savings in managing tax, estate, and benefit outcomes.



A window for reform

Canada stands at a demographic and economic inflection point. While our retirement income system has served Canadians well, today's affordability crisis is making it harder than ever for many individuals to save. Without policy changes that strengthen and support private savings opportunities, we risk leaving more Canadians behind and increasing the burden on public programs in the years ahead.

The pieces are in place to take action:

- ✔ A growing recognition of the importance of private savings.
- ✔ Public concern about the affordability of retirement.
- ✔ Proven models from other jurisdictions.

Policymakers have a rare opportunity to modernize Canada's retirement savings framework – to update the rules, level the playing field, and make saving easier and more automated.

Canada's current retirement savings system is out of step with today's economy and tomorrow's needs. By modernizing retirement rules, removing regulatory barriers, and encouraging broad participation, we can better prepare Canadians for financial security in retirement and relieve the fiscal pressure on public programs.

It's good economic policy—and essential public policy.

[Read the full report](#)

