Securities and Investment Management Association
Association des marchés de valeurs et des investissements

Canada's Retirement Puzzle:
Why Private Savings Must be at the Centre of Reform

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SECTION I

Executive summary

Voluntary tax-advantaged savings vehicles, such as Registered Retirement Savings Plans (RRSPs), Tax-Free Savings Accounts (TFSAs), and similar structures, along with non-registered financial assets, collectively termed private savings, have become increasingly vital to Canadians' retirement security. Today, private savings account for $4.5 trillion of Canadian's financial wealth and contribute approximately 46% of total Canadian seniors' retirement income. Furthermore, the total assets held in private savings far surpass the combined assets of the Canada Pension Plan (CPP), the Quebec Pension Plan (QPP), and all other Canadian Registered Pension Plans (RPPs), underscoring the critical role private savings play in securing retirement for Canadians.

Canada's public pension plans and retirement programs, notably CPP, QPP, Old Age Security (OAS), and Guaranteed Income Supplement (GIS), were never intended to fully replace pre-retirement income. Additionally, most Canadians lack access to employer-sponsored RPPs. Consequently, private savings have become essential for sustaining an adequate standard of living in retirement. Private savings effectively complement these public programs, bridging coverage gaps where workplace pension plans are unavailable or insufficient, thereby providing crucial financial stability in retirement.

Private savings provide Canadians with flexibility, personal control, and opportunities for tax-efficient growth. Individuals can tailor contributions and withdrawals from RRSPs, TFSAs, and non-registered accounts to meet their specific financial goals, time horizons, and retirement income needs. Strategic use of these savings vehicles can also optimize eligibility for public benefits and facilitate efficient wealth transfer to family members and across generations.

Private savings are not only vital at the household level, but they are also economically significant for Canada as a whole. In 2023, $133 billion in retirement income came from private sources, supporting an estimated $150 billion in GDP and generating $26.6 billion in tax revenue. In addition, by reducing seniors' reliance on the Guaranteed Income Supplement (GIS), private savings save the federal government nearly $16.5 billion annually.

Private savings also provides essential capital to support Canadian government borrowing and business activities, with households holding approximately $306 billion in government bonds and short-term paper, $422 billion in corporate bonds, and $1.35 trillion in Canadian public equity.

Modernizing outdated rules, eliminating unfair cost burdens, and expanding participation would enable more Canadians to 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:

Executive summary

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%). 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.

- **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.

- **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.

SECTION II

Overview of Canada’s four-pillar retirement system

Canada’s retirement income system is commonly described as having three foundational pillars, however, a more complete understanding includes a critical fourth pillar, which includes non-registered or non-tax-advantaged financial wealth. This section provides an overview of these components, which are further explored in detail throughout the paper. These four pillars together provide the main sources of income for Canadians in retirement:[1]

Table 1: Canada’s Retirement System

Pillar	Components	
Pillar 1: Government-funded basic guarantee	Old Age Security (OAS), Guaranteed Income Supplement (GIS)	
Pillar 2: Mandatory public retirement plans	Canada Pension Plan (CPP), Quebec Pension Plan (QPP)	
Pillar 3a: Workplace retirement plans	Employer-sponsored pensions: Defined Benefit (DB), Defined Contribution (DC)	
Pillar 3b: Voluntary registered savings plans	Registered Retirement Savings Plan (RRSP), Tax-Free Savings Account (TFSA), Registered Disability Savings Plan (RDSP), Registered Retirement Income Funds (RRIFs), Locked-in Retirement Accounts (LIRA)	Private savings
Pillar 4: Non-registered financial wealth	Mutual funds, ETFs, stocks, bonds, deposits, etc.[2]	

[1] The retirement income system in Canada | Financial Services Regulatory Authority of Ontario

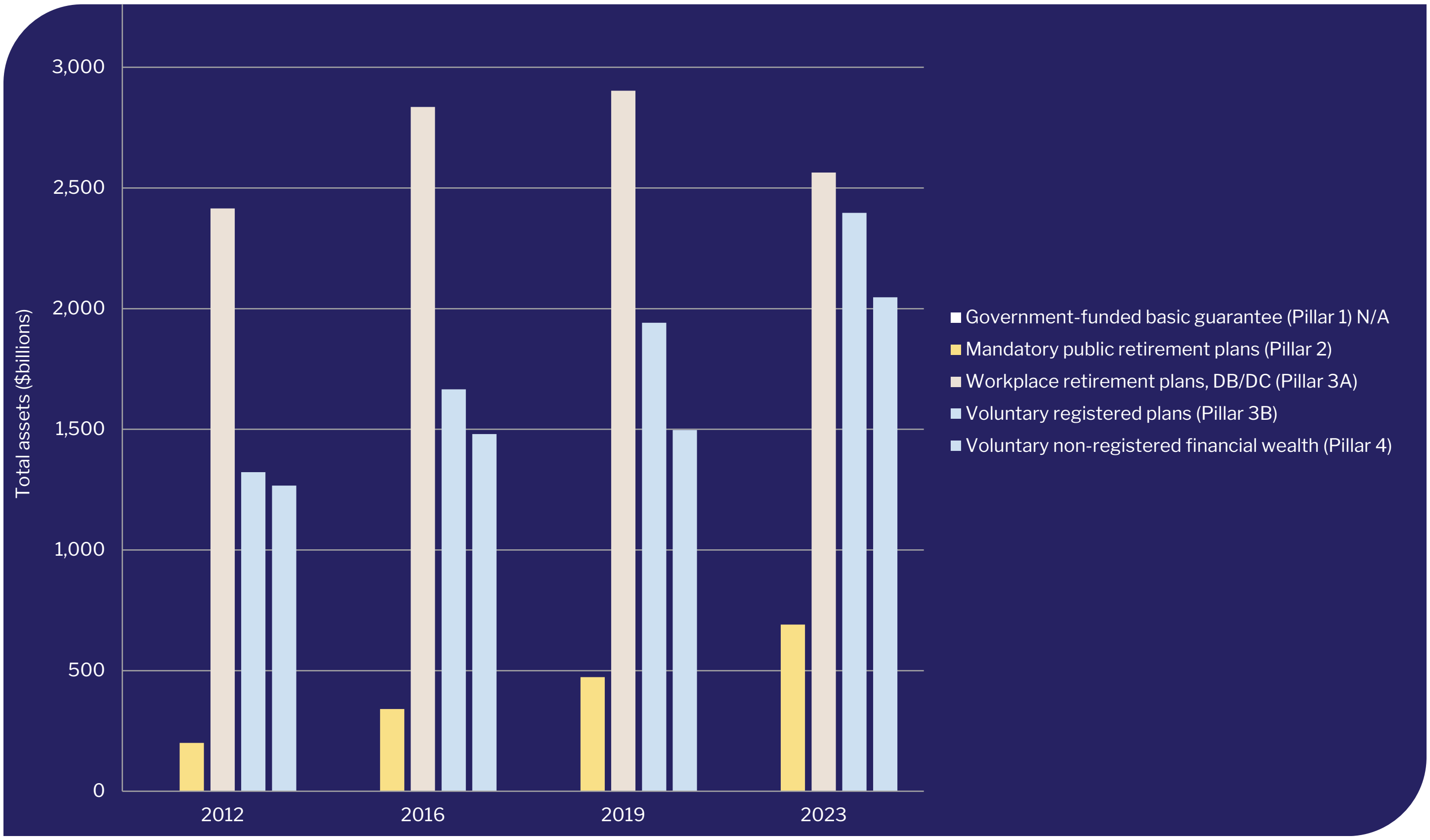
[2] Real estate, equity in business and other non-registered financial assets are other important components of non-registered wealth. They are excluded here as sources of retirement income given that they are often illiquid, have unpredictable income, and are often preserved to pass on to heirs rather than spent down in retirement.

SECTION II

Overview of Canada's four-pillar retirement system

Private savings, within the context of retirement planning, encompass voluntary group and individual registered retirement plans (pillar 3b) and non-registered financial assets (pillar 4). As shown in **Figure 1**, the combined assets in these two pillars amount to $4.5 trillion in 2023, far surpassing the combined assets in Pillars 2 and 3a. In fact, private savings, represent the largest and fastest-growing components of total Canadian retirement.

Figure 1: The four pillars of Canada's retirement system



Notes:

[1] Total assets is defined as assets held by economic family types of all ages in Canada. Economic family types consist of economic families, a group of two or more individuals living in the same dwelling who are related to each other, or persons not in an economic family, a person living alone or with someone who they are not related to.

[2] Pillar 1 (OAS/GIS) is omitted from the figure as it is not applicable.

[3] Pillar 2 includes total assets held by the Canada Pension Plan Investment Board (CPP) and the Quebec Pension Plan (QPP) from 2012 to 2023

[4] Pillar 3A includes assets held by Canadian economic family types of all ages in employer-sponsored Registered Pension Plans from 2012 to 2023

[5] Pillar 3B includes asset held by Canadian economic family types of all ages in Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Locked-in Retirement Accounts (LIRA), and Tax Free Savings Accounts (TFSA) from 2012 to 2023.

[6] Pillar 4 includes assets from deposits in financial institutions, mutual funds, investment funds, income trust, stocks, bonds, and other financial assets from 2012 to 2023. Real estate and non-financial assets are excluded from the figure. In terms of assets, non-financial assets account for $10.61 trillion, where real estate accounts for $9.14 trillion of that and other non-financial assets for $1.47 trillion. Equity in Business accounts for $1.61 trillion.

Sources:

[A] Statistics Canada, Assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas, Survey of Financial Security

[B] CPPIB Annual Report (2012, 2016, 2019, 2023).

[C] CDPQ 2019 Annual Report (2012, 2016, 2019, 2023).

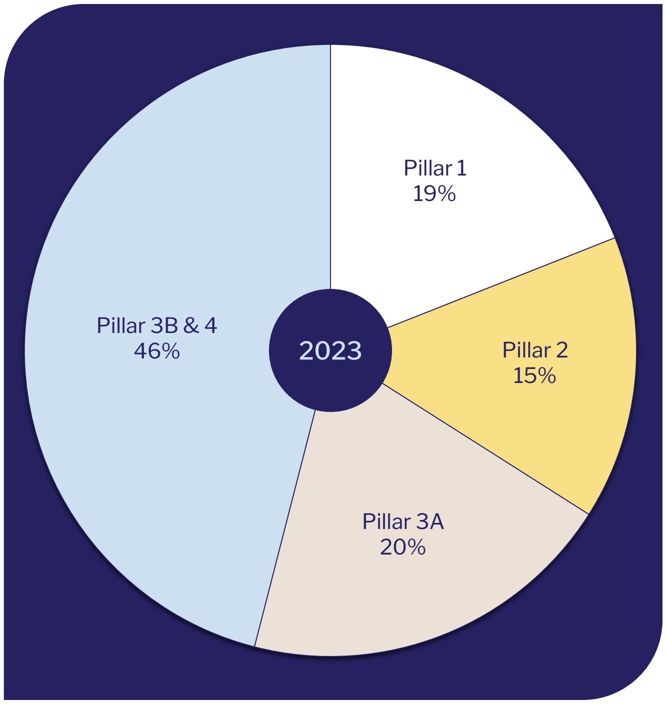
Overview of Canada's four-pillar retirement system

In terms of retirement income, private savings, comprising voluntary registered plans (Pillar 3B) and voluntary non-registered financial wealth (Pillar 4), provide the largest share of Canadians' retirement income. As can be seen in **Figure 2**, private savings contribute 46% of annual income for Canadians 65 years and older.

Notes:

[1] Pillar 1 includes income received from Old Age Security (OAS) by individuals aged 65 years and older in 2023.
[2] Pillar 2 includes income received from CPP and QPP by individuals aged 65 years and older in 2023.
[3] Pillar 3A includes income received from Employer-sponsored Registered Pension Plans by individuals aged 65 years and older in 2023.
[4] Pillar 3B includes income received from Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Locked-in Retirement Accounts (LIRA), and Tax-Free Savings Accounts (TFSA) by individuals aged 65 years and older in 2023.
[5] Pillar 4 includes income received from deposits in financial institutions, mutual funds, investment funds, income trust, stocks, bonds, and other financial assets by individuals aged 65 years and older in 2023. Real estate and other non-financial assets are excluded.

Figure 2: Share of retirement income by pillar in 2023



Sources:

[A] Statistics Canada. Table 11-10-0039-01 Tax filers and dependents, seniors with income by source of income and age.
[B] Statistics Canada. Table 11-10-0016-01 Assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas, Survey of Financial Security (x 1,000,000).
[C] Statistics Canada. Table 11-10-0086-01 Trusteed pension funds, revenues, expenditures and net income, quarterly (x 1,000,000).

Pillar 1: Government-funded basic guarantee

The first pillar offers benefits determined by a person's age and their length of residence in Canada. It encompasses programs such as the Old Age Security (OAS) pension, the Guaranteed Income Supplement (GIS), the Allowance, and the Age Credit.[3] Often considered the cornerstone of the retirement income system, this pillar combines universal and income-tested benefits to establish a basic income level. Its purpose is to help seniors cover essential living expenses like food, housing, heating, and clothing. Funding for the first pillar primarily comes from general tax revenues.[4]

Pillar 2: Mandatory public retirement plans

The second pillar comprises compulsory, earnings-based plans: the Canada Pension Plan (CPP) and, in Quebec, the Quebec Pension Plan (QPP). These pension plans, introduced in the 1960s, were designed to address the sharp decline in living standards that many Canadians faced upon retirement.[5] Both are publicly managed retirement systems financed through mandatory payroll contributions from employees, self-employed individuals, and their employers,

3 *Canada's Retirement Income System*, 2019-40-E (Library of Parliament, 2 July 2020)
4 Ibid.
5 *Ibid.*

supplemented by returns on investments overseen by the Canada Pension Plan Investment Board and the Caisse de dépôt et placement du Québec.[6]

These plans rely solely on contribution and investment income rather than general tax revenues, and participants (employers and employees) deduct their contributions from taxable income.[7] Nearly all working Canadians participate in the CPP or the QPP, as contributions are mandatory for employed individuals earning more than $3,500 annually.[8] Beneficiaries can draw a full pension at age 65, opt for a reduced benefit starting at age 60, or receive an enhanced pension by delaying retirement until between ages 66 and 70.[9] The federal government administers the CPP, while the Government of Quebec oversees the QPP.

Beginning in 2023, employee and employer contribution rates were adjusted to fully fund a retirement benefit equal to 33.33% of pre-retirement earnings, based on annual maximum pensionable earnings of $81,200 as of 2025.[10] In dollar terms, the maximum monthly benefit under CPP/QPP for 2025 is $1,433, totaling roughly $17,196 per year.[11] However, the typical retiree receives considerably less—approximately $900 per month as of October 2024, which amounts to just over $10,800 annually.[12]

The CPP and QPP are recognized as among the most stable public pension systems in the world, with strong long-term outlooks. The most recent reports by the federal Office of the Chief Actuary and the Quebec Actuarial reports find that the CPP is financially sustainable for at least 75 years and QPP for at least 50 years.[13]

Pillar 3: Workplace & voluntary individual retirement plans

Pillar 3 of Canada's retirement income system comprises two components: workplace Registered Pension Plans (RPPs), referred to here as Pillar 3a, and private voluntary savings, referred to as Pillar 3b. Pillar 3b includes group Registered Retirement Savings Plans (group RRSPs), individual RRSPs, Tax-Free Savings Accounts (TFSAs), and other tax-advantaged personal savings vehicles such as Registered Disability Savings Plans (RDSPs).[14] The government encourages Canadians to save for retirement through these vehicles by providing tax advantages.
Overall, Canadian participation in workplace pension plans has shifted over time, with fewer workers now covered by traditional DB plans and more participating in DC plans or relying on group or individual RRSPs.[15] Additionally, group RRSPs, which offer payroll deductions and often include employer matching, along with personal RRSPs and TFSAs, have become increasingly important alternatives, allowing individuals to save independently for retirement.[16]

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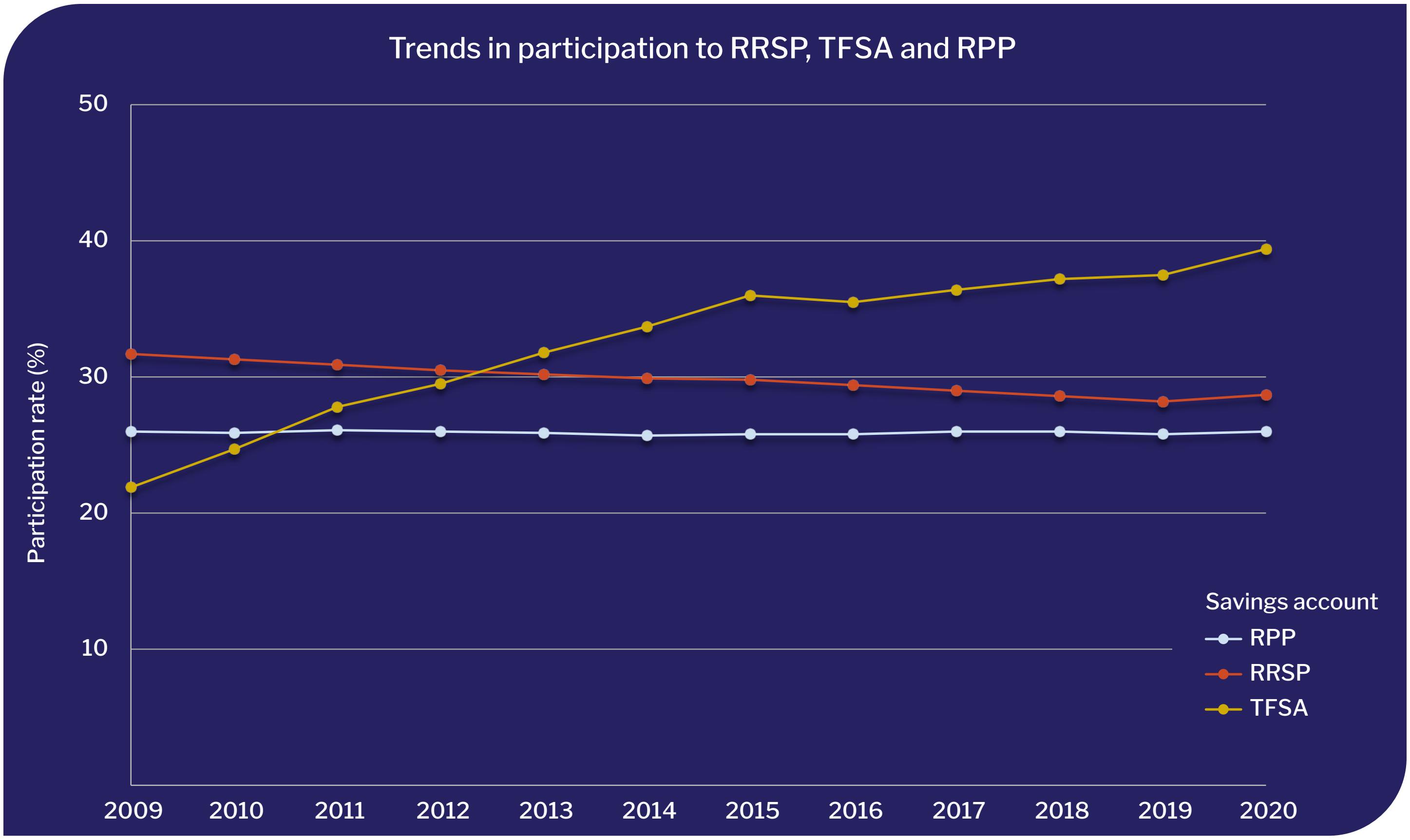
6 "Retraite Québec - Québec Pension Plan".
7 note 3.
8 "Retraite Québec - Actuarial Valuations".
9 "Canada Pension Plan - Canada.ca".
10 "The CPP Max Will Be HUGE In The Future | PlanEasy". The Year's Maximum Pensionable Earnings (YMPE) is $71,300 in 2025, while the Year's Additional Maximum Pensionable Earnings (YAMPE) is $81,200 in 2025. "Canada Revenue Agency announces maximum pensionable earnings and contributions for 2025 - Canada.ca".
11 note 10.
12 In February 2018, the government of Quebec implemented enhancements to the QPP similar to those of the CPP. It introduced higher retirement pensions (the rate at which income is replaced will gradually increase from 25% to 33.33% by 2065) and a gradual increase in the contribution rate from 2019 to 2023, as well as an increase to the maximum annual pensionable earnings until 2025. "Canada Pension Plan – Monthly payment amounts - Canada.ca".
13 "Financial Sustainability of the CPP | Our Performance | CPP Investments"; note 8.
14 note 3.
15 "The Daily — Pension plans in Canada, as of January 1, 2023".
16 "Recent trends in families' contributions to three registered savings accounts".

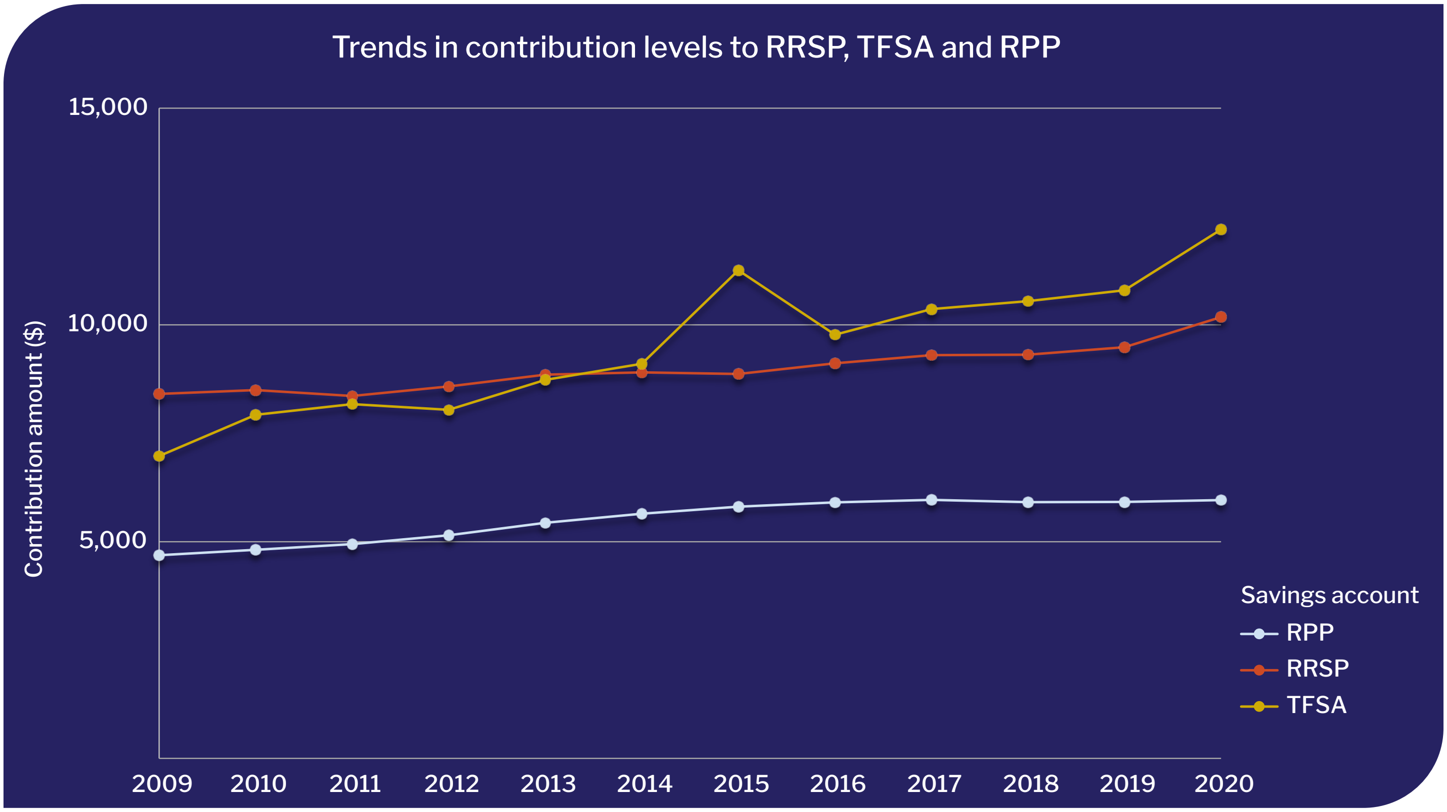
Overview of Canada's four-pillar retirement system

Figure 3 shows the participation rates and average contributions to RPPs, RRSPs, and TFSAs over time. The figure highlights a clear increase in TFSA participation, while participation in RPPs has remained relatively stable, and participation in RRSPs has slightly declined. In terms of average contributions, RRSPs and TFSAs have both experienced significant growth, while contributions to RPPs have increased modestly.[17]

Figure 3: Percentage of Canadian families participating and contributing to registered savings accounts.



[17] "A Registered Pension Plan (RPP), as defined by Statistics Canada, is an employer- or union-sponsored pension plan designed to provide employees with a regular income during retirement. These plans are typically funded through contributions from both the employer and employee, though some plans may be entirely employer-funded. RPPs are registered with the Canada Revenue Agency (CRA) and can be categorized into defined benefit (DB) plans, defined contribution (DC) plans, or hybrid plans." "Definitions".



Note:
[1] Participation rate refers to the percentage of Canadian families (census families) that contributed to at least one of the three registered savings accounts. This is distinct from the percentage of paid workers covered by a registered pension plan.

Source:
[A] Recent trends in families' contributions to three registered savings accounts

Pillar 3a: Workplace registered pension plans (RPPs)

Workplace RPPs are employer- or union-sponsored plans that help employees save for retirement. There are two main types:

1. **Defined Benefit (DB) Plans**:[18] These plans promise a predetermined, guaranteed monthly income in retirement, calculated using a formula based on salary and years of service. Both employees and employers contribute, with the employer typically responsible for at least half of the funding. The plan administrator manages investments, and the risk of investment performance is borne by the employer. DB plans offer predictable, lifelong income and often include features like inflation protection and survivor benefits.

[18] "A Sound Pension System – Handling Risk Appropriately - Bank of Canada".

2. **Defined Contribution (DC) Plans:**[19] In these plans, an employee and employer both contribute a set percentage of salary. The contributions are invested, and the amount an employee accumulates depends on the total contributions and investment returns. In a DC plan, the plan member is responsible for choosing how their contributions are invested from available options offered by the plan. At retirement, the funds are used to generate income, but the amount is not guaranteed—it depends on market performance. Here, the investment risk is carried by the employee, and the final pension amount can vary.

Recent data from Statistics Canada shows that, as of 2023, about 38% of Canadian paid workers were covered by a registered pension plan (RPP).[20] Among those with workplace pensions, DB plans remain dominant in the public sector and their prevalence in the private sector has declined over the past two decades. Overall, membership in DB plans accounted for 68.1% of the total membership in RPPs, 18.4% in DC plans and 13.5% in hybrid DB/DC plans.[21]

Pillar 3b: Group RRSPs and other tax-advantaged personal voluntary savings

This pillar covers all voluntary, tax-advantaged retirement-savings vehicles outside of trusteed pension plans. Canadians can save on their own through individual accounts like RRSPs and TFSAs. RRSP contributions grow tax-deferred and are taxed on withdrawal, whereas TFSA contributions are made with after-tax dollars but grow and can be withdrawn tax-free.

Employers often make it easier for individuals to save by offering group RRSPs. In this arrangement, employees contribute via payroll deductions (often with employer matching). Unlike defined-contribution pensions, employer contributions are discretionary and these plans aren't federally regulated and they allow more flexible withdrawals.

There are also targeted vehicles for specific needs, including the Registered Disability Savings Plan (RDSP), which is a long-term, tax-sheltered savings vehicle for those eligible for the Disability Tax Credit.
Together, these options are flexible, portable, and, especially for Canadians without workplace pensions, provide essential pathways to build financial security beyond retirement.

Pillar 4: Non-registered financial wealth

Pillar 4 of Canada's retirement income system encompasses non-registered individual financial wealth –assets held outside government pension programs and registered savings plans. This includes taxable investment accounts, with deposits, direct holdings of mutual funds, ETFs, stocks, and bonds. Despite its significance, personal financial wealth within Pillar 4 has often been overlooked in retirement preparedness discussions.

Real estate, equity in business and other non-registered financial assets are other important components of non-registered wealth. However, they are excluded here as sources of retirement income given that they are often illiquid, have unpredictable income, and are often preserved to pass on to heirs rather than spend down in retirement.

These Pillar 4 financial assets are not subject to annual contribution limits or special tax shelters, offering Canadians

[19] *Ibid.*
[20] "The Daily — Pension plans in Canada, as of January 1, 2024".
[21] In certain jurisdictions in Canada, employed or self-employed individuals may have access to a pooled registered pension plan (PRPP), a type of pension plan in which employee contributions and optional employer contributions are deposited into an account in an individual's name. The intent of a PRPP is to pool contributions together for investment and cost efficiency purposes. Participation in PRPPs is relatively low across Canada. Quebec has a similar structure known as the Voluntary Retirement Savings Plan (VRSP).

flexibility and liquidity but exposing them to regular taxation on investment income, dividends, and capital gains.[22]

In 2023, Canadians held over $2 trillion in mutual funds, ETFs, stocks, bonds, and other financial assets, outside of registered accounts, reflecting the substantial role that non-registered investments play in personal wealth accumulation.[23]

Bridging the coverage & adequacy gap

The importance of private savings becomes clear when examining the coverage gap left by Canada's retirement income pillars 1, 2, and 3a. The first two pillars, government programs (OAS/GIS), and mandatory public retirement plans (CPP/QPP) are not designed to fully replace pre-retirement income. In addition, pillar 3a, workplace RPPs are not widely accessible, with 62.3% of paid workers without a DB or DC plan in 2023.[24] As a result, private savings are essential for maintaining an adequate standard of living in retirement.

The Old Age Security (OAS) maximum monthly payment as of July 2025 is approximately $735 per month (or about $8,820 annually).[25] In 2025, the maximum Canada Pension Plan (CPP) retirement benefit payable at age 65 is $1,433 per month, or $17,196 annually.[26] Before tax, an elderly couple eligible for the *maximum* CPP benefit in 2024 would receive a combined income of only $52,032 per year. A single senior in a similar position would receive $26,016 per year.[27] These amounts fall short of what is generally required to maintain a comfortable lifestyle, particularly in higher-cost regions, and represent the maximum benefits available to seniors, not the average received by most retirees.

Private savings play a crucial role in closing this income gap. According to Statistics Canada's 2023 Canadian Income Survey, the median after-tax retirement income for senior families was $79,700 in 2023.[28] Notably, private sources, including personal savings, investments, and private pension plans, accounted for 46% of total senior income in 2023, up from 36% in 2005.[29] This highlights the role of private savings in ensuring financial security and stability in retirement.

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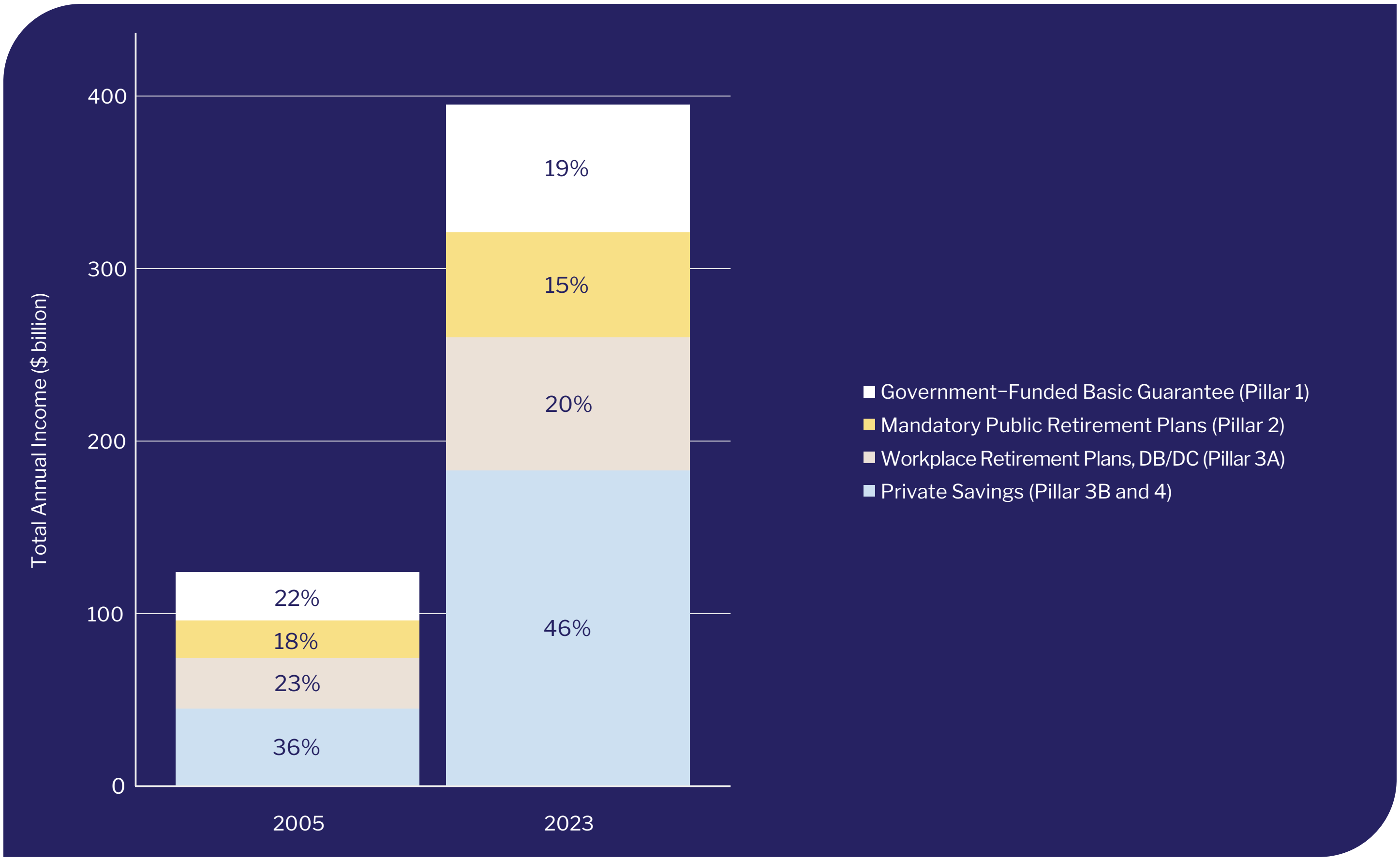
[22] Elise Nelson, "Funding the Future: The Economic Impact of Canada's Investment Funds Industry" (2024) Conf Board Can (Impact Paper).
[23] "Investor Economics Data, Household Balance Sheet" (2023).
[24] "The Daily — Pension plans in Canada, as of January 1, 2024".
[25] *Maximum benefit amounts and related figures - Canada Pension Plan (CPP), 2025 and Old Age Security (OAS), July to September 2025* (Employment and Social Development Canada).
[26] "Canada Pension Plan – Monthly payment amounts - Canada.ca".
[27] These estimates are before tax. Tax rates are based on the province where the household resides.
[28] "The Daily — Canadian Income Survey, 2023".
[29] See Figure 4: Private Savings (Pillars 3b and 4) Bridge the Coverage Gap in Retirement Savings.

Overview of Canada's four-pillar retirement system

Figure 4: Private savings (Pillars 3b and 4) bridge the coverage gap in retirement income



Notes:
[1] Pillar 1 includes income received from Old Age Security (OAS) by individuals aged 65 years and older in 2023.
[2] Pillar 2 includes income received from CPP and QPP by individuals aged 65 years and older in 2023.
[3] Pillar 3A includes income received from Employer-sponsored Registered Pension Plans by individuals aged 65 years and older in 2023.
[4] Pillar 3B includes income received from Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Locked-in Retirement Accounts (LIRA), and Tax Free Savings Accounts (TFSA) by individuals aged 65 years and older in 2023.
[5] Pillar 4 includes income received from deposits in financial institutions, mutual funds, investment funds, income trust, stocks, bonds, and other financial assets by individuals aged 65 years and older in 2023.

Sources:
Statistics Canada, Tax filers and dependants, seniors with income by source of income and age, Assets and debts held by economic family type, by age group, Canada, provinces and selected census metropolitan areas, Survey of Financial Security (x 1,000,000).

It is important to acknowledge that closing the retirement savings gap depends on working households being able to contribute to private savings. However, affordability remains a major barrier. High levels of debt, rising housing costs, and persistent inflation are all contributing to reduced financial flexibility, making it harder for Canadians to prioritize long-term savings.[30] Nearly one in four Canadians report they would be unable to cover a $500 emergency expense.[31] For many households, the affordability of day-to-day living leaves little room to focus on saving for the future.

[30] "The Daily — Rising prices are affecting the ability to meet day-to-day expenses for most Canadians".
[31] "The Daily — One in four Canadians are unable to cover an unexpected expense of $500".

Interaction with other pillars

Private savings provide individuals with flexibility to coordinate their retirement strategies across the interconnected layers of Canada's retirement system, optimizing overall retirement income. Pillar 3b, which includes RRSPs and TFSAs, offers tax-advantaged savings vehicles. As explained in Section II, RRSP contributions are tax-deductible, immediately lowering taxable income, and their investment growth is tax-deferred until withdrawal. TFSAs, by contrast, allow contributions to grow and be withdrawn entirely tax-free, with no taxation on investment earnings or withdrawals.[32]

Consider this example, which illustrates a benefit available specifically to retirees who accumulated savings in tax-advantaged accounts before retirement. A retiree needing additional income beyond OAS and CPP can strategically withdraw funds from a TFSA instead of an RRSP.[33] Because TFSA withdrawals are not taxable, this approach keeps net income lower, thus avoiding OAS clawbacks and maximizing eligibility for GIS.[34] Similarly, synergies can also be leveraged by households, such as through income splitting with spousal RRSPs, where the higher-income spouse contributes to the lower-income spouse's RRSP, potentially reducing the household's overall tax burden in retirement.[35] Overall, if one of the pillars results in a shortfall or fluctuation in retirement income, private savings can help mitigate the associated risks.

This interaction between pillars also plays a risk-mitigation role. If income from one pillar, such as the CPP, proves insufficient or variable, private savings can help stabilize total retirement income. Specifically, relying heavily on any one pillar has its risks. Although the CPP is currently well-funded and resilient to long-term demographic shifts, regional political dynamics could introduce instability. Alberta's periodic proposals to withdraw from the Canada Pension Plan (CPP) and establish its own Alberta Pension Plan (APP) pose a low to moderate threat to the CPP as a pillar of Canadians' retirement.[36] Alberta has argued that it over-contributes due to its younger, wealthier workforce. While its exit might seem unlikely in the near term, its exit could reduce the CPP's funding pool (Alberta workers contribute ~15% of CPP premiums) and potentially force higher contributions or lower benefits for remaining members.[37]

While there are synergies between pillars and strategies to optimize retirement savings vehicles, it is essential to recognize that higher-income households disproportionately benefit from these savings through the tax system. The effects of private savings on different demographic groups are discussed below.

32 "RRSPs and Other Registered Plans for Retirement - Canada.ca"; "TFSA vs. RRSP: Choosing Between the Two | TD Canada Trust"; "Advantages of a TFSA: What you should know".
33 Jamie Golombek, "Retiring right: Understanding the taxation of retirement income".
34 *Retiring right: Understanding the taxation of retirement income*, by Jamie Golombek.
35 "Income splitting | Edward Jones".
36 "The Report | Understanding an Alberta Pension Plan".
37 "Want to boost Albertans' support for leaving CPP? Ask the question differently | CBC News".

Features of private savings

Private retirement savings, comprising registered plans such as RRSPs and TFSAs (pillar 3b), and non-registered financial wealth (pillar 4), include distinctive features that make them a crucial part of Canada's retirement system. They offer benefits such as transparent costs, strong performance potential, flexibility and accessibility, and estate planning advantages. A unique feature of private savings is that they are often associated with professional financial advice, which can help individuals optimize their savings strategies and provide value beyond financial returns, such as improved financial discipline, better decision-making, and greater peace of mind. These private savings complement mandatory public pensions like CPP/QPP, as well as workplace defined benefit or defined contribution plans for Canadians who have them. The following sections highlight key advantages of private savings.

Importance of advice

The effectiveness of private savings depends not just on access, but also on how individuals navigate, contribute to, and manage these savings over time. In this context, financial advice plays a pivotal role in helping Canadians make the most of their private savings.

Research consistently shows that individuals who receive financial advice accumulate significantly more wealth over time. The World Economic Forum's 2024 report and the CFA Institute's 2024 research paper emphasize the evolving and critical role of personalized, ongoing financial advice in optimizing lifetime wealth management.[38] Research conducted by the CIRANO Institute consistently demonstrates that advised Canadian investors accumulate significantly more assets compared to non-advised peers, even after controlling for social and economic factors such as education, income, and financial literacy. Specifically, these studies found that after 15 years, advised investors accumulated between 2.3 and 3.9 times more assets than similar non-advised investors.[39] This substantial wealth accumulation arises primarily from higher savings rates, better asset allocation decisions, including increased exposure to equity investments, and disciplined financial behaviors, such as resisting the impulse to sell investments during market downturns.

Investors with private savings are distinct in that they often benefit from access to financial advice. This is in contrast to public pensions and employer-sponsored plans, where personalized financial advice is not always provided or readily available. As such, private savings can offer a unique advantage when paired with tailored advice that supports informed, long-term financial decision-making.

Advice can cover a broad range of possible activities. Some are required by law, for example, the "Know Your Client" (KYC) rule requires all advisors to understand their clients' personal and financial circumstances and risk profile to help ensure that the advice provided is suitable to their individual needs. The advice people want and need may change as people move through different stages of life. Also, some clients are looking for more basic services, such as help understanding how much money to set aside on a regular basis and in picking suitable investments. Others are looking to establish more complex goals and financial plans, and need advice with respect to educational savings, tax planning or deaccumulation in retirement.[40] Advice also supports new Canadians and individuals seeking to build their financial literacy by offering educational materials on topics such as banking, taxes, and credit, along with personalized solutions for clients from diverse backgrounds.

[38] Hallie Spear et al, "The Future of Financial Advice" (2024) World Econ Forum; Thomas M Idzorek & Paul D Kaplan, "Lifetime Financial Advice: A Personalized Optimal Multilevel Approach" CFA Inst Res Found.
[39] "The Benefits of an Advisor: Investing is Easy Until It's Not · Invested MD"; Claude Montmarquette & Nathalie Viennot-Briot, "The Gamma Factor and the Value of Financial Advice".
[40] "How Financial Advisors Help Newcomers to Canada".

Features of private savings

The value of working with an advisor is also rooted in the rigorous training and certification they undergo to provide qualified and trustworthy advice.[41]

The Pollara Investor Survey consistently demonstrates that Canadian investors have a remarkably high level of trust and satisfaction in their financial advisors.[42] In the 2024 survey, 94% of mutual fund and ETF investors reported being satisfied with their advisors, with 22% describing themselves as completely satisfied. Investors not only value the financial expertise provided but also the peace of mind and trusted relationship advisors offer.[43]

Looking forward, the delivery of financial advice is expected to evolve in ways that could significantly enhance how Canadians engage with private savings. This is particularly relevant given the recent growth of Canada's do-it-yourself (DIY) online brokerage sector, which currently holds over $1 trillion in assets but is not permitted to provide personalized financial advice. As more Canadians take retirement planning into their own hands, scalable, technology-driven solutions, including artificial intelligence, have the potential to bridge this gap by delivering tailored advice and self-help tools to individuals managing their own private savings. Recognizing the significant growth in the DIY segment and seeking to foster greater access to online advice, the Canadian Investment Regulatory Organization (CIRO) has initiated consultations aimed at enhancing non-tailored advice through digital tools and resources available to DIY investors. The industry has recommended permitting self-help tools for financial planning to help empower DIY investors to manage their private savings.[44] If designed effectively, these innovations could help users make more informed choices about contribution timing, asset mix, and tax optimization across different account types. However, existing research shows that successful advice is personalized, responsive to individual questions, goals, and life circumstances, and built on a foundation of trust to support private savings outcomes.[45]

Flexibility and accessibility

Private savings, whether registered (pillar 3b) or non-registered (pillar 4), play a critical role in providing flexibility, tax efficiency, and control over retirement income. A unique feature of fourth-pillar savings, such as non-registered investment accounts, is the absence of contribution limits and income thresholds, offering unmatched flexibility for tailoring investments to personal financial circumstances and goals.[46] These assets, which can include diverse financial investments, such as deposits, mutual funds, ETFs, stocks and bonds, enable investors to accumulate wealth aligned precisely with their preferences.

Unlike defined benefit pensions, which provide taxable income over which retirees have little control, private savings offer greater control over the timing of withdrawals and taxation. For instance, although RRSP holders must convert their plans by the end of the calendar year in which they turn 71– typically into a RRIF or annuity – they retain discretion over withdrawals beyond the required minimum amounts.[47]

[41] "Personal Financial Planner (PFP®) | Canadian Securities Institute".
[42] "IFIC and Pollara Release 2024 Canadian Mutual Fund and ETF investor survey results » Pollara Strategic Insights".
[43] *Ibid.*
[44] *IFIC submission on CIRO Request for Comment - Non-Tailored Advice in the Order-Execution Only Channel* (The Investment Funds Institute of Canada, 28 February 2025).
[45] Anatomy of Advice (Brondesbury Group, 2017).
[46] Jeremy Kronick & Alexandre Laurin, "The bigger picture: How the fourth pillar impacts retirement preparedness" (2016) 457 CD Howe Inst Comment.
[47] "Options for your own RRSPs - Canada.ca"; "RRSP Withdrawal Rules and Taxes | Sun Life Canada".

By strategically timing these withdrawals, retirees can effectively manage taxable income, minimize overall taxes, reduce OAS clawbacks, and spread taxable income efficiently over multiple years.[48] Similarly, non-registered assets allow even greater liquidity and withdrawal flexibility, further enhancing retirees' ability to optimize their financial position in retirement.

Estate benefits

Estate benefits are another significant advantage of pillar 3b retirement savings. Assets held in RRSPs, TFSAs, and other private accounts can be fully transferred to heirs (subject to tax treatment as described below) in sharp contrast to the Canada Pension Plan and Quebec Pension Plan, which provide very limited estate benefits. Similarly, defined benefit pension plans typically offer only partial benefits[49] to a surviving spouse. Private savings, therefore, offer a more flexible and straightforward approach to inheritance planning.

In every province and territory, except Quebec, in the case of TFSAs, a successor holder (i.e., spouse or common-law partner) can be named, allowing the account to continue without tax implications.[50] If the named individual is not a spouse or a common-law partner, the funds can be received tax-free,[51] but the account must be closed.[52]

Additionally, registered accounts with designated beneficiaries can pass outside the estate (in all province except Quebec).[53] Naming beneficiaries allows for the direct transfer of assets upon death, bypassing probate, reducing legal and administrative costs, providing some creditor protection (since the assets do not form part of the estate and may not be accessible to estate creditors), maintaining privacy, and avoiding intestacy rules that apply when a will is absent.[54]

For RRSPs and RRIFs, although the value is generally taxable upon death, taxes can be deferred if the account is transferred to a qualifying beneficiary (i.e., spouse, common-law partner, financially dependent child or grandchild).[55] Naming such a beneficiary allows the assets to pass directly to the survivor without immediate tax consequences. In addition, comparing the RRSP model (third pillar) with the CPP model (second pillar), the RRSP allows a spouse to continue receiving the full income, and any remaining assets can be passed on to the estate.[56] In contrast, the CPP model offers limited survivor and estate benefits, particularly if the surviving spouse is already receiving the maximum CPP payments.[57]

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[48] "RRSP Withdrawals: Timing is Everything - Wealth Management, Financial Planning, Retirement Planning | Steward Group | Cambridge Ontario"; "RRIF Withdrawal Strategies to Maximize Your Retirement Income · Invested MD".

[49] Death benefits typically involve a survivor benefit paid to a spouse or other eligible beneficiary, along with potential lump-sum payments to the deceased's estate. The specific details vary depending on the plan's rules and applicable legislation. Common scenarios include a survivor pension (often 50% of the deceased's unreduced pension) and potential lump-sum payments to the estate or succession of the deceased, potentially equal to a multiple of the deceased's pension or a percentage of the Year's Maximum Pensionable Earnings.

[50] "What happens to your TFSA upon death | BDO Canada".

[51] Only the value of a TFSA at the date of death (DOD) is eligible to be received tax-free by a beneficiary. Any investment growth or income earned in the account between the DOD and the actual payout to the beneficiary is considered taxable income to the recipient (or to the estate, depending on the circumstances).

[52] Mackenzie Investments, "Estate Planning Options for Tax-Free Savings Accounts".

[53] "How To Minimize Taxes on Registered Accounts in Estate Planning".

[54] "Wealth transfer options for consideration - RBC Wealth Management".

[55] "Answering your questions about RRSPs and RRIFs when the owner dies | Manulife Investment Management".

[56] "Death of an RRSP Annuitant - Canada.ca".

[57] "Survivor's Pension - Canada.ca".

Case study: Estate and retirement benefits of private savings

This case study illustrates the significant advantages of private retirement savings as both a retirement income tool and an estate planning tool. Two Canadian women, Anika and Nadia, both earn annual salaries of $75,000 (constant in real terms) over 45 years of employment (ages 20–65). Both pay the mandatory CPP contributions based on 2025 rates and limits. However, Anika contributes an additional 6% of her salary ($4,500 annually) into an RRSP, which grows at a 5% net annual return. Both retire at age 65 and die at age 84. Both of their spouses have their own full CPP pensions.

Anika, by contributing an additional $4,500 annually into an RRSP over her 45-year working career, accumulates $754,583 by retirement, allowing her an additional $40,000 annually in retirement income. Consequently, Anika enjoys approximately $31,000 more per year in retirement income compared to Nadia, who relies solely on the maximum CPP benefit of about $17,200 annually. Furthermore, by the time Anika passes away at age 84, she leaves behind a substantial estate of $594,434, significantly exceeding Nadia's minimal CPP death benefit of $2,500.

Summary table: Comparative estate outcomes

Outcome	Nadia (CPP only)	Anika (CPP + RRSP)
Retirement annual income (65-74)	$33,949	$66,019
Retirement annual income (75-84)	$34,831	$66,901
Annual income for surviving spouse	$0 (already has full CPP)	Variable (~$29,722 at 5% withdrawal from $594,434)
Estate value at death (Age 84)	$2,500	$594,434 (RRSP principal partially intact)

This case demonstrates how private retirement savings vehicles, such as RRSPs, offer substantial benefits not only in terms of enhanced retirement income but also in estate planning. By making additional modest contributions, individuals can significantly increase financial security for their spouses and provide meaningful legacies for their heirs, benefits that are severely limited under mandatory public programs like CPP.

All this is not to argue for abolishing the CPP or meant to undermine the other aspects of Canada's strong social insurance programs. However, it is important to point out that private investments have a unique value proposition as retirement savings vehicles. It is worth noting too that private saving, such as RRSPs, offer a degree of flexibility that public plans do not and can be used to make a down payment on a home, fund educational pursuits, or be withdrawn to deal with unexpected events.

See Appendix B.1.

Features of private savings

Fees and performance

While large public pension plans are often perceived as low-cost, data from 2019 to 2024 shows that the investment expenses of defined benefit pensions, defined contribution plans, and private savings vehicles (such as mutual funds and ETFs) are broadly comparable. The expense ratios for pension plans ranged between 0.43% and 1.27% annually, defined contribution plans were at around 0.6%, and private savings products average around 0.63%.[58]

On performance, net returns from private mutual fund portfolios have also generally aligned with those of large pension plans over the 2019–2023 period. Pension plans showed somewhat greater resilience during downturns, likely due to their ability to access illiquid private markets and adopt long-term strategies, but private portfolios remained competitive overall. Further detail on fees and returns can be found in **Appendix C**.

Canada in a global context

Canada's pension system is widely regarded as among the world's most robust, though important opportunities for improvement remain. According to the 2024 Mercer CFA Institute Global Pension Index, Canada receives a "B" grade, with an overall score of 68.4 (17 out of 48) above the global average but behind top performers such as the Nordic countries, Israel, and Australia.[59]

A defining strength of the Canadian system is a mix of public and private components. Its structure combines foundational public programs—Old Age Security (OAS), the Guaranteed Income Supplement (GIS), and the Canada and Quebec Pension Plans (CPP/QPP) with workplace pensions and individual private savings options such as RRSPs and TFSAs. This diversified architecture helps reduce reliance on any single pillar and provides income security across a broad range of income levels. The model's success has enabled Canada to avoid the anticipated funding crises faced by many peer countries.[60]

One of the key strengths of the Canadian model is the ability of private savings to complement public benefits. While public pensions provide essential baseline protection, especially for low- and moderate-income seniors, voluntary savings vehicles have become increasingly important in filling the retirement income gap for middle- and higher-income Canadians. In fact, when it comes to private sources of retirement spending, meaning income from employer pensions, RRSPs, TFSAs, and other non-government sources, Canada ranks fifth in the OECD.[61] Even more striking, Canada ranks 1st in mutual fund holdings as a share of household wealth, underscoring the central role that pooled investment vehicles play in Canadian household financial strategies. This high level of market participation speaks to both the accessibility of investment products and the importance of financial markets in supporting long-term retirement savings.

Despite its relatively strong international standing, Canada faces several opportunities to improve the role of private savings in its retirement income system. These are explored in the policy recommendation section below.

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58 Pension Plan Reports (2019 to 2024).

59 Despite Israel and Australia's higher rankings, Canada has a lower Gini coefficient among seniors than both Australia and Israel indicating more equal income distribution in retirement. "Mercer CFA Institute Global Pension Index 2024".

60 "Pension crises 'will start to bite' over next decade, WEF risk report finds - European Pensions".

61 "Pension spending | OECD".

Features of private savings

Economic value of private savings

Private retirement savings, including RRSPs, TFSAs, and non-registered financial assets, are a cornerstone of Canada's retirement income system. In addition to supporting the financial security of millions of Canadians, these savings make a direct contribution to Canada's GDP, generate public revenue, provide essential capital to support Canadian governments and business activities, and reduce demand for government income support programs.

Private retirement income supported approximately $150.3 billion of Canadian GDP in 2022, reflecting a GDP multiplier of 1.13 as used by the Conference Board of Canada.[62] This output was underpinned by $133 billion in domestic spending drawn from private savings which accounted for 46 percent of the $308 billion total retirement income received by 2.6 million senior census families.[63] This income was spent on things such as housing, healthcare, financial services, and the retail sector.[64]

This economic activity, in turn, generates substantial tax revenues – on the order of $26.6 billion annually – for federal and provincial and municipal governments.[65]

One of the less visible but highly consequential benefits of Canada's private retirement savings system is its role in reducing the federal government's expenditures on income-tested benefits, particularly the Guaranteed Income Supplement (GIS).

The GIS is designed to provide additional support to low-income seniors. It is income-tested, meaning that recipients with higher retirement income from other sources receive reduced or no GIS benefits. In this context, private savings, including RRSPs, TFSAs, and non-registered investments, play a powerful role in lifting millions of Canadians above the GIS eligibility threshold. In doing so, these private resources reduce the number of GIS recipients and, by extension, the government's annual GIS outlay.

According to the most recently available data, about 2.4 million seniors, 31.5% of Canada's 7.6 million seniors in 2023, received GIS payments averaging $7,120 annually, totaling approximately $17.1 billion in federal spending.[66] As detailed above, private retirement savings now account for roughly 46% of total retirement income for seniors. Without these savings, the GIS recipient rate could rise to 62%, mirroring the share of workers without a workplace pension, and federal GIS expenditures would nearly double to $33.6 billion.[67] This suggests that private savings reduce GIS costs by almost $16.5 billion annually, a substantial fiscal benefit that enables the government to focus GIS support on low-income seniors who need it most.[68]

Private savings also provide essential capital to support Canadian government borrowing and business activities. At the beginning of 2025, Canadian households, either directly, or through investment fund holdings, held $1,351.2 billion in Canadian equity, $421.5 billion in Canadian corporate bonds, and $305.6 billion in Canadian government bonds and

62 See Appendix B.2 and note 22.
63 See Appendix B.2.
64 See Appendix B.2.
65 See Appendix B.2.
66 "Actuarial Report (18th) on the Old Age Security Program as at 31 December 2021 - Office of the Superintendent of Financial Institutions".
67 See Appendix B.2.
68 For the detailed methodology, see Appendix B.2; note 66.

short-term paper, according to Statistics Canada's National Balance Sheet Accounts.[69] These investments represent a critical mechanism by which household savings are channeled into capital markets, underscoring the broader economic value of retirement savings beyond individual financial security.

In effect, private savings play a multifaceted role in Canada's retirement income system: they provide essential income for individuals, fuel business activity and capital markets, generate tax revenue, and significantly reduce pressure on public programs like the GIS. As policymakers look to strengthen retirement security, it is vital to recognize that supporting private savings is not only a means of improving individual outcomes, it is also a fiscally responsible policy that contributes to Canada's broader economic resilience.

[69] The data presented are based on the National Balance Sheet Accounts with the following filters applied: Geography - Canada; Sector - Households; Valuation - Market Value; Categories in Net Financial Assets - Canadian short-term paper, Canadian bonds and debentures, Equity and investment fund shares (including listed shares and mutual fund shares only), and Equity and investment fund shares (including mutual fund shares only); Reference Period – Q1 2025. "National Balance Sheet Accounts" .

Policy recommendations

Raise the RRSP-to-RRIF conversion age from 71 to 73

Canada's retirement policies must evolve to reflect longer lifespans and changing work patterns. Canadians are increasingly working beyond traditional retirement ages, and many are still earning income or saving well into their 70s. The Labour Force Survey data captures this change: in 1994, 6.6% of adults aged 65 and older in Canada participated in the labour market, and by 2024, this figure had increased to 15%.[70] However, Canada's existing Registered Retirement Income Fund (RRIF) withdrawal rules, mandating annual withdrawals starting in the calendar year in which someone turns 72, increasingly conflict with modern retirement realities.

Raising the RRSP-to-RRIF conversion age from 71 to 73 would give older Canadians two additional years to grow their savings, delay taxation, and make more informed decisions about their retirement income strategies. This change better aligns policy with the demographic trend of Canadians living and working longer, allowing them additional years of tax-sheltered growth. By deferring the conversion age, seniors can accumulate greater savings, thus enhancing their financial security and independence in later years. Current policy forces withdrawals that may exceed actual financial needs, unnecessarily accelerating taxation and reducing retirement security.[71]

Introduce flexible RRIF withdrawals for modest balances

Mandatory withdrawals can prematurely deplete savings, leaving seniors financially vulnerable and potentially increasing dependence on government support mechanisms. Current RRIF withdrawal rules can force seniors to draw down their savings prematurely, particularly when they may still be working or when markets are volatile, potentially incurring unnecessary taxes or locking in losses.

To address this, it is recommended that the federal government introduce greater flexibility into RRIF withdrawal policies, specifically exempting accounts with balances of $200,000 or less from mandatory withdrawals in the calendar year in which they turn 72. This threshold effectively targets middle-income seniors, encompassing approximately 75% of current RRIF holders, and ensures that flexibility is provided to those who most require financial stability during retirement.[72] The exemption would enable retirees to strategically manage withdrawals, which is particularly beneficial during market downturns when forced liquidations could lock in financial losses.

Historical precedents, such as temporary reductions in withdrawal rates during economic downturns like the 2008 recession and the 2020 COVID-19 crisis, demonstrate the value and feasibility of providing such flexibility. A permanent exemption would offer a stable, predictable policy environment, reducing administrative burdens and the need for ad-hoc adjustments during future economic challenges.

Importantly, maintaining mandatory withdrawals for RRIF balances above $200,000 preserves tax fairness and prevents tax deferral abuse among higher-income individuals. This targeted approach aligns policy with contemporary retirement patterns, enhancing the overall financial resilience of Canadian seniors without significantly impacting government revenue in the long term.

70 "Chapter 25 - More older adults are working for pay and retiring later - The Vanier Institute of the Family".
71 "Canada's retirement savings framework needs to change: SIMA | Investment Executive".
72 Amin Mawani, "The Impact of Mandatory RRIF Withdrawals on Seniors' Income Security" (2024) 72:2 Can Tax JournalRevue Fisc Can 293–314.

Policy recommendations

Eliminate GST/HST on investment fund management fees

Canada's tax treatment of investment fund management fees is inequitable and undermines public policy goals aimed at encouraging long-term saving. Investors in mutual funds and exchange-traded funds (ETFs) face significantly higher GST/HST burdens than those using other financial products.[73] While direct investments in stocks and bonds are not taxed, and GICs bear only minimal tax, investment funds are subject to an approximate 10.9% sales tax on management fees in 2023.[74] Investment funds are the savings vehicle of choice for Canadian investors – in 2023, Canadians held a total of $1.936 trillion in mutual funds and $382 billion in ETFs.[75] This resulted in investors paying approximately $2.9 billion in GST/HST on investment fund holdings, costs that are embedded in fund expenses and that ultimately reduce investor returns.[76] This tax structure penalizes individuals who invest through pooled products, disproportionately impacting middle-class investors who rely on mutual funds and ETFs as a pathway to professionally managed, diversified portfolios. These investors often access funds through advisors who are compensated by embedded commissions, which are taxed through the fund's MER. Unlike wealthier investors who may hold individual stocks and bonds or have discretionary accounts, both of which are taxed more favorably, modest investors cannot easily avoid this additional cost. The result is a regressive tax structure in which those with fewer resources face higher relative costs.

It is recommended that the federal government eliminate GST/HST on management fees for all investment funds, including both mutual funds and ETFs. This would help restore tax neutrality among financial products and bring Canada in line with international best practices. Other jurisdictions, including the EU, Australia, and New Zealand, provide partial or full VAT relief for investment funds, recognizing that taxing management fees erodes long-term savings. The proposed change is a fair, efficient, and fiscally responsible reform that would support retirement readiness, especially for the Canadians who need it most.[77]

Reduce regulatory burden to promote long-term retirement security and economic growth

Canada's securities industry is under mounting strain from an accumulation of regulatory initiatives, both proposed and implemented, that, while well-intentioned, are increasingly burdensome in scope, pace, and complexity. Prudent regulation is essential to protect investors and ensure market integrity. However, the layering of new rules without adequate assessment of cumulative impacts is placing significant pressure on compliance, technology, and business operations.

This rising regulatory burden imposes not only substantial direct costs but also steep opportunity costs, diverting capital and talent away from innovation, digital infrastructure, and service improvements. These are the very areas required to support Canadians' long-term retirement goals and maintain a vibrant, competitive investment ecosystem.

73 "The Excessive Taxation of Mutual Fund Management Fees – IEDM/MEI".
74 The 10.9% blended sales tax rate is based on the combined provincial distribution of mutual fund and ETF assets in 2023. It assumes ETFs are held in the same proportions across provinces as mutual funds. The rate is calculated by weighting applicable provincial sales tax rates according to the distribution of fund assets. "Investor Economics Data".
75 "2023 Investment Funds Report" Invest Funds Inst Can.
76 The estimated sales taxes paid on mutual funds amount to $2.754 billion. Adding the $126 million in sales tax paid by ETFs (not adjusted), the total reaches $2.88 billion, which rounds to $2.9 billion. *Ibid*.
77 SIMA began advocating for this reform as part of a broader effort to ensure equitable tax treatment across investment vehicles. However, despite recognizing the merits of the proposal, some members expressed resistance due to operational complexities and implementation concerns. Overcoming these challenges will require continued dialogue and coordination to advance a solution that balances fairness with feasibility.

Policy recommendations

Lowering regulatory and operational burdens makes it easier for new firms not only to enter the market but also to stay in it. This sustained participation encourages healthy competition, which drives innovation and expands the range of financial products and services available. For individuals planning for retirement, this translates to more choices, better value, and access to innovative solutions that can improve long-term financial security.

Recent research from the C.D. Howe Institute has emphasized that Canadian regulators do not consistently evaluate the impact of regulation on competition and innovation.[78] Internationally, Canada's position has also eroded: in the World Bank's Ease of Doing Business rankings, Canada fell from 4th in 2007 to 22nd in 2019—the most recent year available—highlighting declining competitiveness.[79]

To ensure that securities regulation better supports long-term economic productivity and retirement outcomes, we recommend the following actions:

- Incorporate Competitiveness and Growth as a Core Regulatory Lens – Regulators, consistent with the mandates of the Ontario Securities Commission (OSC) and the Canadian Securities Administrators (CSA),[80] should formally integrate competitiveness, capital formation, and innovation as central criteria when evaluating new or amended rules. This would help align investor protection with the broader need for a dynamic and productive capital market.

- Mandate Market Failure Analysis for New Rules- Before implementing new regulation, regulators should require a market failure analysis to confirm that the issue is clearly defined, significant, and warrants intervention through new rules in the absence of other available approaches. This ensures new rules are necessary, proportionate, and not duplicative—an approach consistent with best practices outlined by the C.D. Howe Institute.

- Broaden Impact Assessments Beyond Traditional Cost-Benefit Analysis - Regulatory evaluations should account for:
    - The cumulative burden of existing rules
    - Interactions with other regulatory frameworks, and
    - The capacity of firms, especially small and mid-sized firms, to comply.

- Favour Principles-Based Regulation Over Prescriptive Rules - A shift toward principles-based regulation (as seen in upcoming liquidity risk management rules) would better accommodate innovation and industry adaptability while maintaining investor protection.

- Rationalize Regulatory Fees – Currently, each province and territory in Canada maintains separate fee schedules for registrants, adding unnecessary cost and complexity for monitoring and compliance. Aligning these local filing and registration fees at a national level would streamline processes, reducing costs for both the industry and investors.

[78] "The Good, the Bad and the Unnecessary: A Scorecard for Financial Regulations in Canada – C.D. Howe Institute".
[79] "Canada's performance as measured by the World Bank's ease of doing business index".
[80] "OSC announces initiatives to enhance access to capital for early-stage businesses in Ontario | OSC"; "CSA publishes 3-year Business Plan focused on competition and investor protection - Canadian Securities Administrators".

Policy recommendations

Unlock automatic enrollment & escalation in workplace savings

Canada's retirement savings system has significant potential to boost both participation and adequacy by adopting automatic enrollment, automatic deductions, and automatic contribution escalation in workplace pension plans. However, various regulatory and structural barriers currently hinder the widespread adoption of these features. While some large employers have successfully implemented auto-enrollment and auto-escalation in their Defined Contribution (DC) pension plans, through burdensome methods due to legislative barriers, the majority of workplace savings arrangements—including DC plans and group Registered Retirement Savings Plans (RRSPs)—still rely primarily on opt-in participation models.[81]

Provincial payroll deduction legislation often necessitates explicit employee consent for automatic deductions, creating friction that hampers broader implementation of automatic enrollment programs. As a result, nearly 40% of Canadian employees fail to fully capitalize on employer matching contributions, forfeiting, in one estimate, approximately $3 billion annually in available employer contributions.[82]

International experiences underline the significant positive impact of automatic enrollment. In the United Kingdom, the implementation of an automatic enrollment mandate in 2012 significantly boosted workplace pension participation rates from 47% to 79% within a decade.[83] Similarly, the United States' SECURE Act 2.0 (2022) mandates automatic enrollment in most new 401(k) plans at a 3% initial contribution rate, incrementally increasing annually up to 10%.[84]

To modernize and strengthen Canada's retirement savings framework, federal and provincial governments must coordinate changes to the applicable policies and legislation to enable the implementation of automatic features with the right for employees to opt-out of workplace contributions. Under this model, employees are automatically enrolled in a retirement savings plan by their employer but retain the choice to opt out. By leveraging behavioral insights, this approach will significantly boost participation rates while preserving individual choice and simplifying the enrollment process for employers.

If and when implemented, governments and industry stakeholders, including companies that offer plans and industry associations that support them should also consider educational initiatives aimed at informing employees of the benefits and operational details of automatic retirement savings features, addressing common misconceptions and encouraging participation where appropriate. By making retirement contributions the default choice, policymakers could leverage established behavioral economic principles, significantly improving retirement savings outcomes without requiring active decisions from all employees.

Embed private savings in Canada's financial literacy agenda

SIMA recommends that financial literacy programming, including school curricula, more fully incorporate the role and value of private retirement savings. Financial literacy strategies should explicitly emphasize the role, value, and long-term benefits of private savings, such as RRSPs, TFSAs, and non-registered investments, within Canada's multi-pillar retirement system. This approach would ensure that individuals better understand how private savings complement

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81 "A look at the landscape for automatic features in Canadian pension plans | Benefits Canada.com".
82 *Ibid.*
83 "Workplace pension participation and savings trends of eligible employees: 2009 to 2022 - GOV.UK.
84 "Text - H.R.2617 - 117th Congress (2021-2022): Consolidated Appropriations Act, 2023 | Congress.gov | Library of Congress".

public pensions (CPP/QPP), workplace pension plans (RPPs), and government income support (OAS/GIS).[85]

Too often, government and regulatory communications focus heavily on risks, fees, and comparative returns, without sufficient attention to the fundamental advantages of private savings. As detailed in the report, these include flexibility, accessibility, portability, and estate planning benefits. A clearer narrative that underscores these features, alongside actionable information, can empower individuals to build long-term financial resilience in a system where private savings are playing an increasingly central role.

At the same time, improving retirement outcomes for all Canadians may require more inclusive and targeted financial education. Low-income individuals, newcomers, and gig economy workers face distinct barriers to saving, including irregular income, limited access to employer-sponsored plans, and lower financial literacy. Tailored outreach, that emphasizes the specific advantages of vehicles like TFSAs, particularly their role in avoiding benefit clawbacks for low-income seniors, could yield significant impact. Research shows that many low-income seniors continue to save in RRSPs rather than TFSAs, inadvertently triggering reductions in GIS upon withdrawal.[86] To be effective, financial education must be accessible, non-judgmental, and culturally appropriate.

The Financial Consumer Agency of Canada's National Financial Literacy Strategy (2021–2026) does stress the importance of reducing barriers, improving clarity, and making information actionable.[87] SIMA supports these goals and recommends that future initiatives within this framework, explicitly incorporate the role of private savings as a critical component of retirement planning.

Promote the value of financial advice amid technological change

Policymakers and industry stakeholders should actively recognize and promote the proven economic value of financial advice, highlighting its established benefits—including improved savings behaviors, better asset allocation, and increased wealth accumulation.[88] With approximately 50% of investors now engaging in self-directed investing,[89] the role of traditional financial advice is poised for significant evolution.[90] More investors are turning to digital platforms and social media "finfluencers" for financial information. This is especially true for younger investors. For those under 35, 53% have self-directed investments, compared to just 27% for those 55-64 and 21% of those over 65.[91]

Given these emerging trends, it is crucial for policymakers to acknowledge this shifting landscape and encourage innovation that blends the strengths of human advice with digital technology. In the short term, regulations should provide clearer guidance on permissible non-tailored advice tools within order-execution-only platforms, while also supporting educational initiatives that help investors critically assess online information sources. Looking ahead, regulatory frameworks should consider how even tailored advice and product recommendations might be delivered at scale through online channels, without compromising investor protection or existing standards.

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85 While some provincial and territorial school curricula include concepts of investing and personal finance, a thorough review reveals that there is no obvious focus on the role of private savings in retirement planning.
86 *Are Low-Income Savers Still in the Lurch? TFSAs at 10 Years*, by Richard Shillington, in *IRPP Insight*, 27.
87 "Make Change that Counts: National Financial Literacy Strategy 2021-2026 - Canada.ca".
88 *Financial Advice in Canada* (The Investment Funds Institute of Canada, November 2022).
89 *Canadian Mutual Fund & Exchange-Traded Fund Investors Survey* (Pollara Strategic Insights, 2024).
90 "Social Media and Retail Investing: The Rise of Finfluencers | OSC".
91 *2024 Investor Survey* (CIRO OCRI, May 2024).

To support this evolution, policymakers and industry stakeholders should continue investing in research that tracks investor behaviors and outcomes across both digital and traditional advice channels. This evidence-based approach will ensure that policy remains relevant, effectively balancing investor protection with innovation, and fostering a dynamic financial advice sector capable of meeting the diverse needs of investors in a digitally driven era.

Reframe the TFSA to encourage long-term investing

The Tax-Free Savings Account (TFSA) has successfully enabled many Canadians to save on a tax-free basis since its introduction in 2009. However, evidence shows that many Canadians often use TFSAs primarily as deposit accounts, holding low-yield instruments like cash and GICs. According to a recent survey, cash remains the dominant asset, with 56% of Canadians holding cash in their TFSAs and nearly one-third (29%) keeping at least three-quarters of their TFSA in cash.[92] This heavy reliance on cash suggests a significant knowledge gap especially considering that close to half report using their TFSA for retirement savings. While 73% of Canadians believe they're familiar with TFSAs, only 49% realize these accounts can also contain investments beyond cash.[93]

One contributing factor to the conservative use of TFSAs may be the account's very name: "Savings Account." This label may inadvertently suggest to users, particularly those with lower level of financial literacy, that it is intended exclusively for safe, low-return savings rather than long-term investment products such as stocks, bonds, mutual funds, or ETFs. Financial experts suggest that renaming the account to better reflect its broader investment capabilities could significantly influence behavior.[94]

A collaborative public-awareness initiative, led jointly by government and the financial services industry, can transform the TFSA from a perceived cash-only repository into a dynamic investment vehicle. By communicating through broad, accessible channels that outline the full range of eligible assets, including stocks, bonds, mutual funds and ETFs, and demonstrate how a diversified portfolio can bolster long-term returns, stakeholders can empower Canadians to not only preserve savings tax-free but also actively grow and protect their wealth for retirement.

92 "BMO Savings Study: Cash is King in TFSAs, as Many Canadians Miss Out on Higher Returns from Longer-Term Investments - Jan 11, 2022".
93 *Ibid.*
94 "Morningstar Canada: Investing Advice & Market News".

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APPENDIX B
Calculations

Appendix B.1 - Case study

Detailed Assumptions, Calculations, and Income Projections for CPP and RRSP Scenarios

Assumptions

- Anika and Nadia:
  - Earn annual salaries of $75,000 (constant in real terms) over 45 years of employment (ages 20–65)
  - Pay the mandatory CPP contributions based on 2025 rates and limits
  - Retire at age 65 and die at age 84
  - Both of their spouses have their own full CPP pensions

CPP scenario (both Anika and Nadia):

- Mandatory CPP contributions at maximum levels.
- Maximum annual CPP benefit at retirement (2025 figures): approximately $17,196 (indexed).[95]

At death, no additional survivor benefit is payable as the spouse already receives a full CPP benefit. Negligible estate value beyond a small death benefit ($2,500).[96]

RRSP scenario (only Anika)

- Additional annual contributions: 6% of $75,000 = $4,500 per year for 45 years.
- 5% annual net return on contributions.
- Post-retirement withdrawals: $40,000 annually (from age 65 onwards), slightly exceeding the 5% return, leading to partial principal drawdown.

Contributions and accumulated assets

CPP contributions (mandatory)

- Same for both: Maximum contribution annually ($8,860.20 combined employer/employee in 2025).[97]

Additional RRSP contributions (Anika only)

- $4,500 annually for 45 years totals $202,500.
- Investment growth at 5% net return accumulates exactly to $718,650.70 by retirement at age 65.[98]

[95] "Quick Reference Tax Card" Sun Life.
[96] note 26.
[97] For 2025, the maximum CPP contribution is $4,034.10 for employers and $4,034.10 for employees. The maximum CPP2 contribution for each (employer and employee) is $396.00, making the combined additional maximum $792.00. "Year's Maximum Pensionable Earnings under CPP for 2025 increases to $71,300 from $68,500 in 2024 - UAPP".
[98] Future Value = 4,500 x [((1.05^45)-1)/0.05]. With FV: Future value, P: initial principal, r: annual return, t: time in years.

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Income at Retirement

CPP pension (both Anika and Nadia):

- Approximately $17,200 annually.[99]

RSP withdrawal (Anika only)

- $40,000 annually, slightly exceeding 5% of initial principal.

Additional income (OAS and GIS):

- OAS (Ages 65-74): $8,819.4 annually[100]
- OAS (Ages 75-84): $9,701.4 annually.[101]
- GIS (Nadia only): $7,929.36 annually (based on lower income).[102]
- GIS (Anika): $0 (higher income disqualifies Anika from GIS).

Total annual retirement income (including OAS and GIS):

- Anika (Ages 65-74): $66,019.4 (CPP + RRSP + OAS)
- Anika (Ages 75-84): $66,901.4

(CPP + RRSP + OAS)

- Nadia (Ages 65-74): $33,948.76 (CPP + OAS + GIS)
- Nadia (Ages 75-84): $34,830.76 (CPP + OAS + GIS)

Estate and survivor benefits (at death, age 84)

CPP scenario (Nadia)

- Surviving spouse receives no additional CPP survivor benefit as they already have a full CPP pension.
- Estate receives a maximum CPP death benefit of $2,500. No residual value to pass to children or heirs.[103]

RRSP scenario (Anika)

- Surviving spouse inherits the remaining RRSP balance exactly $594,434.3 at death.
- Spouse continues receiving annual income from remaining balance.
- At spouse's subsequent death, remaining principal exactly $594,434.3 fully available to heirs or children as estate inheritance.[104]

[99] $1,433 monthly retirement pension. "Old Age Security payment amounts - Canada.ca".
[100] $734.95 monthly payment. *Ibid.*
[101] $808.45 monthly payment. *Ibid.*
[102] $660.78 monthly payment, assuming an annual net income less than $41,184. *Ibid.*
[103] *Ibid.*
[104] FV = [P * (1 + r)^t] – [W * ((1 + r)^t – 1) / r] = 1,815,994.5 – 1,221,560.2. With FV: Future value, P: initial principal, r: annual return, t: time in years, W: annual withdrawal.

Appendix B.2 - Economic and fiscal value of private retirement savings in Canada (2023)

GDP calculation

- As of 2023, the total retirement income of senior census families was $308 billion, for a total of 2.7 million census families.[105]
- Of this total, 46% is estimated to come from private sources, such as RRSP withdrawals, TFSA earnings, and income from mutual funds, stocks, and bonds held in non-registered accounts.
- This means $141.7. billion in retirement income was generated in 2023 from private savings alone.
- Reduced by 8.7 billion for spending abroad brings domestic spending to $133 billion.[106]
- Economic Contribution to GDP - to estimate the macroeconomic impact of this income, we apply a GDP multiplier of 1.13, consistent with previous Conference Board of Canada modeling for the investment funds industry.[107] This multiplier reflects the total value of output supported by each dollar of income, including direct, indirect, and induced effects.
- $133 billion × 1.13 = $150.3 billion in GDP.
- This means private retirement income supported approximately $150.3 billion in Canadian GDP in 2023, through spending on housing, healthcare, retail goods, financial services, and more.

Tax calculation

Fiscal impact: tax revenue and program savings

- Assuming a blended effective tax rate of 20%[108] (covering personal income tax, consumption taxes, and indirect business taxes), we estimate that private savings-generated GDP contributed approximately:
  - $133 billion × 0.20 = $26.6 billion in tax revenue.

GIS savings calculation

- According to the federal government's 18th Actuarial Report on the Old Age Security Program:
  - Approximately 2.4 million seniors, or 31.5% of Canada's 7.6 million seniors in 2023, received GIS payments.[109]
  - The average annual GIS benefit was approximately $7,120.[110]
  - This resulted in total federal GIS expenditures of about $17.1 billion in 2023.[111]
- As shown above, private retirement savings represents 46% of total senior income.

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105 "Sources of income of senior census families by family type and age of older partner, parent or individual".
106 Spending abroad is calculated by summing the total (all trips purposes) from all four quarters of 2023. ""The Daily — National Travel Survey, fourth quarter 2023"; "Statistics Canada. Table 24-10-0045-01 Travel by Canadian residents in Canada and abroad by trip purpose (x 1,000)".
107 note 22.
108 Approximate average Canadian tax revenue by source (personal, property and value added). OECD Centre for Tax Policy and Administration. Revenue Statistics 2024 - Canada, in Better Policies for Better Lives (OECD).
109 "18th Actuarial Report on the Old Age Security Program as at 31 December 2021" (2021) Off Supt Financ Inst Can; "The older people are all right - Statistics Canada".
110 note 109.
111 *Ibid.*

APPENDIX B

Calculations

- Counterfactual scenario: in the absence of private savings:
  - Many more seniors would fall below the GIS eligibility threshold.
  - A reasonable counterfactual assumes the GIS recipient rate would rise to 62%, matching the share of working Canadians not covered by a workplace pension plan.[112]
  - These individuals would likely retire with only CPP and OAS income, which is typically insufficient to disqualify them from GIS.

- Under this counterfactual scenario:
  - The number of GIS recipients would rise to over 4.7 million seniors.[113]
  - At the current average GIS benefit, total GIS expenditures would rise to approximately $33.6 billion.[114]

- Estimated fiscal impact:
  - The presence of private savings reduces federal GIS spending by nearly $16.5 billion annually.[115]

[112] note 20.
[113] 7.6 million seniors x 62% (share of working Canadians not covered by a pension plan) = 4.7 million seniors.
[114] 4.7 million seniors x $7,120 (GIS approx. benefit).
[115] Counterfactual GIS – actual GIS = $33.6 billion – $17.1 billion = $16.5 billion.

APPENDIX C

Fees and performance

Understanding fees

A common perception is that large public pensions are "low-cost" compared to retail investment products. In reality, all retirement income vehicles incur costs, and the differences are a matter of degree. As with mutual funds and ETFs, both defined benefit and defined contribution pension plans pay management fees, incur operational and administrative expenses, and face transaction costs when buying and selling securities.

When comparing investment management costs, analysis of data from 2019 to 2024 shows broadly comparable expense ratios across major Canadian public pension plans, defined contribution plans, and private savings vehicles.

The Canada Pension Plan Investment Board (CPPIB)—which manages CPP assets—reported annual expenses around 0.88% of assets in 2024, with recent years showing fluctuations between approximately 0.83% and 1.05%. Similarly, the Ontario Teachers' Pension Plan (OTPP) has maintained its costs between 0.66% and 0.84% of assets.[116]

Certain large public-sector pension plans have demonstrated lower costs; for example, the Healthcare of Ontario Pension Plan (HOOPP) has averaged expense ratios around 0.57%, and Quebec's CDPQ has managed expenses within approximately 0.44% to 0.64%. Conversely, newer and smaller entities, such as the University Pension Plan (UPP) reported higher initial expenses in 2022 (at 1.15%) likely reflecting early-stage costs associated with establishing scale. Even the Public Service Pension Plan (PSPP) which covers federal employees, reported expenses of 0.79% of assets in 2023.[117]

Overall, pension plan expenses across various Canadian models tend to fall within a range of about 0.5% to 1.3% annually.[118]

This data indicates that fees for private savings, as transparently disclosed through regulatory documents, align closely with these pension plan costs. The combined asset-weighted expense ratio for ETFs and F-series mutual funds (which exclude distribution and advisory costs) has remained around 0.65% in recent years.[119]

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[116] Collectively referred to as the "Pension Plan Reports (2019 to 2024)": *2024 Annual Report - CPP Investments* (Canada Pension Plan Investment Board); *2024 Annual Report - OTPP* (Ontario Teachers' Pension Plan); *2024 Annual Report - HOOPP* (Healthcare of Ontario Pension Plan); *2024 Annual Report - UPP* (University Pension Plan); *2024 Annual Report - CDPQ* (Caisse de dépôt et placement du Québec); *2024 Annual Report - PSP* (Public Sector Pension Investment Board); *2023 Annual Report - CPP Investments* (Canada Pension Plan Investment Board); *2023 Annual Report - OTPP* (Ontario Teachers' Pension Plan); *2023 Annual Report - HOOPP* (Healthcare of Ontario Pension Plan); *2023 Annual Report - UPP* (University Pension Plan); *2023 Annual Report - CDPQ* (Caisse de dépôt et placement du Québec); *2023 Annual Report - PSP* (Public Sector Pension Investment Board); *2022 Annual Report - CPP Investments* (Canada Pension Plan Investment Board); *2022 Annual Report - OTPP* (Ontario Teachers' Pension Plan); *2022 Annual Report - HOOPP* (Healthcare of Ontario Pension Plan); *2022 Annual Report - UPP* (University Pension Plan); *2022 Annual Report - CDPQ* (Caisse de dépôt et placement du Québec); *2022 Annual Report - PSP* (Public Sector Pension Investment Board); *2021 Annual Report - CPP Investments* (Canada Pension Plan Investment Board); *2021 Annual Report - OTPP* (Ontario Teachers' Pension Plan); *2021 Annual Report - HOOPP* (Healthcare of Ontario Pension Plan); *2021 Annual Report - UPP* (University Pension Plan); *2021 Annual Report - CDPQ* (Caisse de dépôt et placement du Québec); *2021 Annual Report - PSP* (Public Sector Pension Investment Board); *2020 Annual Report - CPP Investments* (Canada Pension Plan Investment Board); *2020 Annual Report - OTPP* (Ontario Teachers' Pension Plan); *2020 Annual Report - HOOPP*; *2020 Annual Report - CDPQ* (Caisse de dépôt et placement du Québec); *2020 Annual Report - PSP* (Public Sector Pension Investment Board); *2019 Annual Report - CPP Investments* (Canada Pension Plan Investment Board); *2019 Annual Report - HOOPP* (Healthcare of Ontario Pension Plan); *2019 Annual Report - OTPP* (Ontario Teachers' Pension Plan); *2019 Annual Report - PSP* (Public Sector Pension Investment Board).

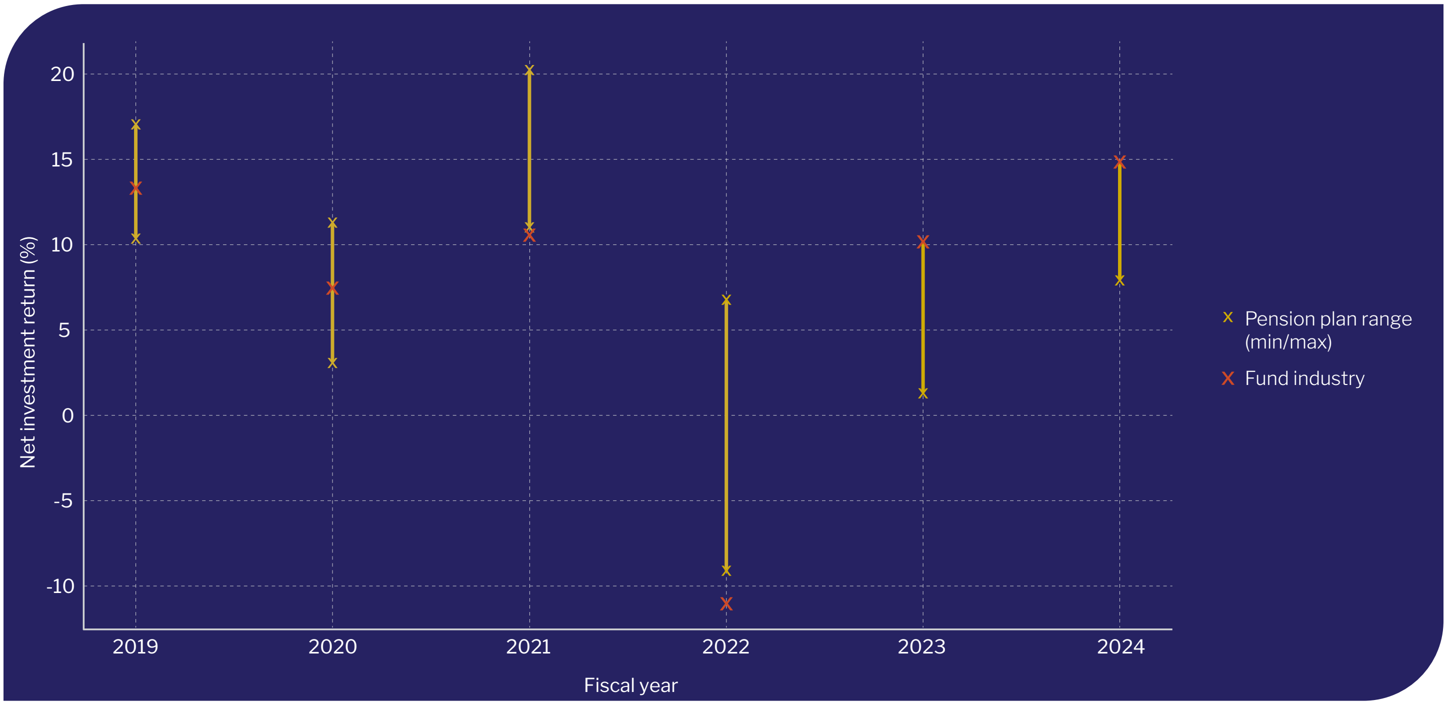
[117] Pension Plan Reports (2019 to 2024).

[118] Pension Plan Reports (2019 to 2024).

[119] The Securities and Investment Management Association Data.

Fees and performance

Figure 5: Expense ratios vs. fund industry 2019-2024



Notes:
[1] The expense ratio is calculated by dividing total expenses by total assets. Both figures are taken directly from the annual pension plan reports of CCP, OTPP, HOOPP, UPP, CDPQ, and PSPP.
[2] The minimum and maximum expense ratio values represent the lowest and highest values from the combined data of CCP, OTPP, HOOPP, UPP, CDPQ, and PSPP.

Sources:
[A] Pension Plan Reports (2019 to 2024).

[B] The Securities and Investment Management Association Data.

Commission-based mutual fund series were excluded from this analysis because their expense ratios include additional costs – those for distribution and advice – that are not incurred by defined benefit (DB) pension plans. Including commission-based mutual fund series would therefore overstate the cost comparison, since DB plan expenses do not include intermediary compensation. The value of these fees and their contribution to wealth accumulation is explained below in the section, Importance of Advice.

Performance

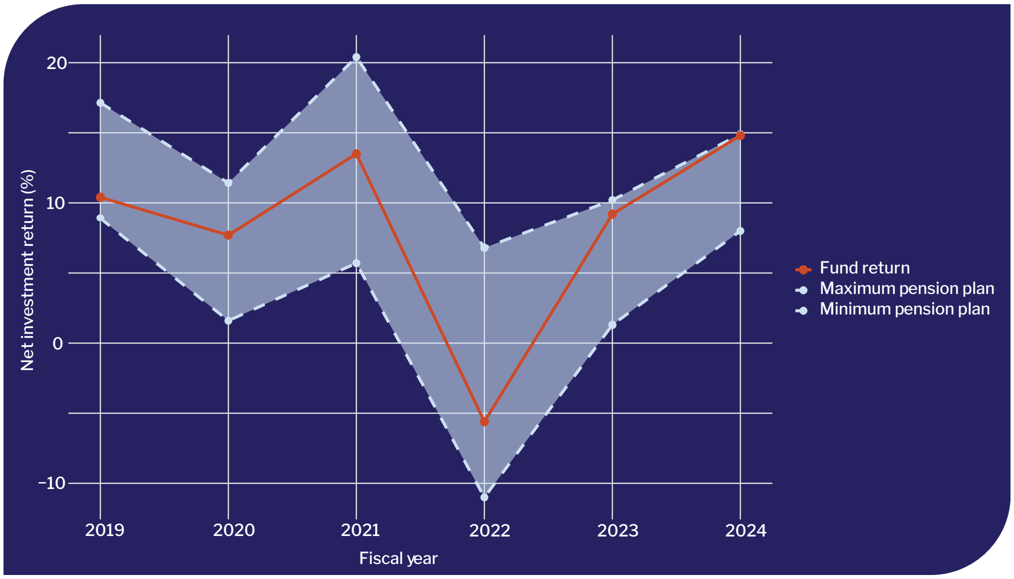
To evaluate the performance of private retirement savings versus large public pension plans, a comparison was made of annual net returns over several years. Private portfolio performance was approximated by the net returns of the entire mutual fund universe, covering equity, fixed income, balanced, and money market funds, serving as a proxy for individual private portfolios, net of management fees. DC plan returns are not publicly available for comparison and so were not included.

Overall, the fund industry's net returns closely tracked the range exhibited by large public pension plans across the 2019–2023 period. It is also noteworthy that pension plans did generally demonstrate greater resilience in downturns, perhaps benefiting from reduced liquidity requirements of open-ended funds and their more expansive investment strategies with significantly greater exposure to private markets.

Annual returns comparison (2019–2024):[120]

- 2019: The fund industry returned about 13.4% net of fees, while the pension plans ranged from 8.9% (CPPIB) to 17.1% (HOOPP). Most pension plans performed similarly or slightly below the proxy for private portfolios, showing competitive retail returns.
- 2020: Amid COVID-19 volatility, funds averaged 7.5% net, with pension plans varying from 1.6% (PSPP) to 11.4% (HOOPP), placing private returns within this range.
- 2021: Markets rebounded strongly; the funds industry returned about 10.6% net, while pension plans ranged from 5.7% (UPP) to 20.4% (CPPIB). Private returns generally aligned with or trailed top pension performers.
- 2022: In a bear market, funds lost about -11.0% net, whereas pension plans showed more resilience, ranging from -9.1% (UPP) to a positive 6.8% (CPPIB), benefiting from diversified and private market exposures.
- 2023: Markets recovered, with funds gaining around 10.2% net and pension plans ranging from 1.3% (CPPIB) to 10.2% (UPP), reflecting varied risk strategies. Private returns closely matched DB plan recoveries.
- 2024: Markets continued improving, funds averaged 14.9 net and pension plans varying from 8.0 (CPPIB) to 14.8 (PSPP). Once again, private returns closely matched pension plans.

Figure 6: Investment return comparison: pension plans vs. fund industry



Notes:
[1] Net investment return data is collected directly from the annual pension plan reports of CCP, OTPP, HOOPP, UPP, CDPQ, and PSPP.
[2] The minimum and maximum net investment return represent the lowest and highest values from the combined data of CCP, OTPP, HOOPP, UPP, CDPQ, and PSPP.

Sources:
[A] Pension Plan Reports (2019 to 2024).
[B] The Securities and Investment Management Association Data.

While comparing large public pension plans and retail investment funds may not be entirely direct, or a fair apples to oranges comparison, due to their distinct structures and offerings and mandates, these comparisons demonstrate that the costs and performance of professional asset management—whether for individual retail investors or Canada's largest public pension plans—are broadly comparable. From a public policy perspective, this suggests that neither approach should be disproportionately favored or disadvantaged based solely on cost or performance considerations.

120 Pension Plan Reports (2019 to 2024).

SIMA Securities and Investment Management Association
AMVI Association des marchés de valeurs et des investissements

About SIMA

SIMA empowers Canada's investment industry. The association, is the leading voice for the securities and investment management industry. The industry oversees approximately $4 trillion in assets for over 20 million investors and participates in the Canadian capital markets. Our members—including investment fund managers, investment and mutual fund dealers, capital markets participants, and professional service providers—are committed to creating a resilient, innovative investment sector that fuels long-term economic growth and creates opportunities for all Canadians.