

**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming
Federal Budget**

**By: Securities and Investment Management
Association (SIMA)**

Recommendation 1: Raise the required age for converting a Registered Retirement Savings Plan (RRSP) to a Registered Retirement Income Fund (RRIF) from 71 to 73.

Recommendation 2: Allow Canadians with RRIF holdings under \$200,000 to opt out of mandatory withdrawals.

Recommendation 3: Enable automatic enrollment, deductions, and escalation of contributions in workplace RRSPs and Defined Contribution (DC) plans.

Recommendation 4: Convene provincial and regulatory bodies to modernize retail investment fund fee methodology, to ensure fees are transparent, predictable, and cost-disciplined.

Recommendation 5: Support a nationally coordinated and effective regulatory approach, including ensuring that new rules are introduced only where there is a clear market failure or evidence of investor harm.

Recommendation 6: Take a coordinated approach to strengthening capital formation, focusing on regulatory modernization, market structure and access, and tax competitiveness, to better mobilize domestic and global capital into productive investment and support Canadian growth.

Private Savings Represent the Largest Source of Retirement Income for Most Canadians

Canada's retirement system is strongest when public programs and private savings work together. Private savings already provide the largest share of retirement income: in 2022, private retirement income supported \$150.3 billion in GDP, driven by \$133 billion in domestic spending from seniors and generating about \$26.6 billion annually in tax revenue. Private savings supports economic growth and reduces fiscal pressure on governments: for the Guaranteed Income Supplement (GIS), private savings boosted seniors' income above eligibility levels, reducing GIS costs by approximately \$16.5 billion per year.

Rather than relying solely on the expansion of public programs, policymakers should prioritize modernizing retirement rules and levelling the playing field for savers. A stronger private savings framework will support Canadians as they plan for retirement, increase flexibility for retirees, enhance fairness across generations, and reinforce Canada's long-term economic resilience.

Recommendation 1: Raise the RRSP-to-RRIF Conversion Age

Raising the RRSP-to-RRIF conversion age from 71 to 73 would allow Canadians to keep their savings tax-sheltered longer, giving them more time to grow their retirement nest egg before mandatory withdrawals begin.

Participation in the labour market among adults aged 65 and older has more than doubled, rising from 6.6% in 1994 to 15% in 2024. Raising the conversion age supports greater financial independence among seniors, while maintaining the policy intent of eventual drawdown for income, not estate planning.

Providing seniors the opportunity to continue saving and defer RRIF withdrawals until age 73 would:

- Provide flexibility and choice for retirees based on their income needs.
- Enable savings to grow for two additional years, resulting in larger retirement assets and lower mandatory withdrawals in the early years of retirement.
- Improve financial security and reduce pressure on public retirement support.
- Preserve fairness while encouraging personal responsibility for long-term savings.

A delay in mandatory RRIF conversion from 71 to 73 means the government receives tax revenue later. This policy is a cost-effective and targeted measure that supports government priorities to strengthen the financial well-being of seniors and adapt retirement policy to today's demographic realities.

Recommendation 2: Introduce Flexible RRIF Withdrawals for Modest Balances

To increase security and provide seniors with more control over their budgeting and financial future, SIMA proposes giving Canadians with RRIF balances at or below \$200,000 the flexibility to manage withdrawals after age 71. SIMA recommends that large RRIFs (i.e. balances of greater than \$200,000) continue to be subject to current mandatory withdrawals to prevent high-net-worth individuals from deferring taxes.

Today, Canadians are required to transfer their RRSP to a RRIF in the year they turn 71, with mandatory minimum withdrawals beginning the following year.

However, seniors are at risk of exhausting their savings in retirement, placing additional pressure on government support programs. Statistics Canada projects that Canada's 65+ population will grow over the next decade as baby boomers retire. Longer lifespans and lower expected returns means retirement savings will need to stretch further – yet, portfolio returns are projected to be up to 3.5 percentage points lower.

Approximately 75% of RRIF holders have balances at or below \$200,000, representing most middle-income seniors. The first-year fiscal cost of this change is projected to be approximately \$540 million, averaging approximately \$1 billion annually over five years.¹ Deferred RRIF taxes are eventually recaptured when withdrawn voluntarily or upon death.

By offering greater flexibility, seniors can better align their RRIF withdrawals with their financial needs and the realities of their personal circumstances.

Recommendation 3: Make Saving the Default

To boost participation in Canada's retirement savings system, the federal government should adopt automatic enrollment, automatic deductions, and automatic contribution escalation in workplace pension plans.

Today, regulatory and structural barriers prevent automatic enrollment in workplace savings arrangements like DCs and RRSPs. As a result, most workplaces rely on opt-in participation models. Consequently, nearly 40% of Canadian employees fail to capitalize on employer matching contributions, forfeiting approximately \$3 billion annually. To modernize and strengthen Canada's retirement savings framework, federal and provincial governments must enable the implementation of automatic features with the right for employees to opt out of workplace contributions. By leveraging behavioural economics and educational initiatives, this approach will significantly boost participation rates, preserve individual choice, and simplify the enrollment process for employers. Altogether, this approach could significantly improve retirement savings outcomes without requiring active decisions from all employees, increasing participation and strengthening the pool of long-term domestic capital available to Canadian markets.

Making Canadian Capital Markets More Competitive

Financial institutions play an important role in ensuring Canada's capital markets foster a competitive economy that allows Canadian companies and projects to grow - creating investment opportunities, driving innovation, supporting job growth, and strengthening retirement savings. The federal government has taken steps to strengthen financial institutions and unlock capital, including through the introduction of the Financial Services Chapter for the Canada Free Trade Agreement, and several consultations and proposed regulatory changes through the Office of the Superintendent of Financial Institutions.

The industry has also taken steps to enhance the competitiveness of Canada's capital markets by lowering investor fees. Between 2014 and 2024, asset-weighted management fees for long-term mutual funds declined by nearly 30%. At the same time, rising regulatory fees have reduced profitability per dollar of assets under management. This has limited the industry's capacity to invest in innovation, expand product offerings, and support new market entrants; ultimately impacting choice, competition, and increasing costs for Canadian investors.

Recommendation 4: Modernizing Retail Investment Fund Fee Methodology

Canada's fragmented and unpredictable fee environment increases costs for investors and limits competition, while also increasing the complexity of operating across jurisdictions. As a result, firms that offer investment products across Canada are subject to multiple fee structures that vary significantly and stack across jurisdictions.

¹ According to Securities and Investment Management Association (SIMA) economic modelling.

SIMA estimates that in 2023, the retail investment fund industry contributed approximately \$193.3 million in Canadian regulatory fees.² In some jurisdictions, regulatory revenues from the retail investment fund industry exceeded total annual regulatory expenditures, raising questions about whether current fee approaches are sufficiently transparent, proportionate, and cost-disciplined.

This fragmentation is inconsistent with federal objectives to reduce duplication, address interprovincial trade barriers, promote productivity, support economic growth, and strengthen Canada's competitiveness.

Fee methodology should be modernized across jurisdictions. A new framework would allow regulators to recover costs while ensuring that fees are explainable, connected to regulatory activity, and supportive of a competitive national capital market.

The federal government can help align provinces and territories by convening discussion among SIMA, the Canadian Securities Administrators, provincial regulators, and relevant ministries through federal-provincial-territorial roundtables and/or the Committee on Internal Trade.

Recommendation 5: Federal Government Should Lead Nationally Consistent Regulation

Across the financial sector, increasing regulatory complexity is contributing to inefficiencies without clearly improving outcomes for Canadians. This harms competitiveness by adding costs to investors while delivering little or no public benefit.

Canada is facing new economic challenges stemming from deterioration in its relationship with the U.S. This presents an opportunity for the Canadian economy to become more globally competitive. The federal government can lead provinces and territories toward more nationally consistent regulation, reducing complexity and red tape for businesses operating across the country. By aligning regulatory approaches across jurisdictions, Canada can reduce unnecessary complexity and barriers to investments, strengthen internal capital flows, and make it easier for businesses to grow and compete, while supporting job creation, competition, and long-term economic resilience.

To support these objectives, the federal government should implement principles for creating effective regulations in the financial sector. This includes resisting new regulations unless there is a clear problem that needs attention by conducting impact analyses to determine whether regulations are achieving their purposes at reasonable costs.

SIMA recommends that the government and regulators advance a nationally coordinated approach to regulations, ensuring that new requirements are introduced only where there is demonstrated market failure, investor harm, or clear public policy objective.

Recommendation 6: Attracting Investment through Capital Formation

Strengthening capital formation is essential to improving Canada's long-term economic growth, global competitiveness, and the strength of its capital markets. Capital formation is not simply about increasing the amount of capital available, but about improving how effectively domestic savings and global investment are mobilized into productive uses, including business expansion, innovation, infrastructure, and commercialization.

Canada's capital markets face structural frictions that limit the efficient flow of capital, including regulatory complexity, barriers to market access, and challenges in scaling firms domestically. Addressing these issues presents an opportunity to better connect Canadian savings — including those held by retail

² Per SIMA economic modelling.

investors — with high-quality domestic investment opportunities, while also making Canada a more attractive destination for global capital.

A coordinated approach to capital formation should focus on three interrelated areas:

Supporting Product Innovation

Expanding investment products available to Canadians can help channel capital into new and underserved areas of the economy. This includes broader access to private markets, infrastructure, and growth-oriented investments through appropriately designed, regulated structures. Product innovation also requires distribution frameworks that allow investors to access these opportunities efficiently and with appropriate safeguards.

Improving Market Structure and Access

Modern, efficient market infrastructure is critical to attracting investment and enabling companies to raise and deploy capital. Reducing regulatory fragmentation, streamlining market processes, improving transparency, and enhancing data accessibility can lower costs, improve liquidity, and make Canadian markets simpler and more competitive for domestic and international investors.

Enhancing Tax Competitiveness

Tax policy shapes investment decisions and where capital is deployed. Targeted measures that support risk-taking, commercialization, and long-term investment — alongside with broader tax competitiveness — can help attract and retain capital in Canada and better connect household savings with productive economic activity.

Together, these measures can help strengthen Canada's capital formation ecosystem by reducing friction, improving access, and aligning incentives. Medium-term reforms, coordinated across governments, regulators and the industry, can help Canada mobilize capital, support innovation, and drive economic growth.

References

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About SIMA

The [Securities and Investment Management Association](#) empowers Canada's investment industry. The association, formerly the Investment Funds Institute of Canada (IFIC), is now the leading voice for the securities and investment management industry, which 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.