

Editorial ? Let people be responsible for their own retirement

At first glance, one might be inclined to think that Premier Kathleen Wynne has her heart in the right place when it comes to the Ontario Retirement Pension Plan (ORPP).

Or does she? Who is really going to benefit from ORPP?

It is a fact that some people are better prepared than others to handle the financial realities after they leave the workforce. But in the case of many who might find themselves struggling, we would submit they have themselves to blame. We all know we are going to get old one of these days, and there are mechanisms available to just about everyone to help people prepare for that reality, financially at least.

There are Registered Retirement Savings Plans (RRSP) which have been around for years and which offer a break on the income tax for those who contribute to them. There are many people out there who do just that. There are other investment vehicles that are available to most that can help as well. People who set aside just a few dollars per month in a good mutual fund, for example, often see a decent return on investment over the years. Those few dollars per month when one is just starting in the workforce can grow into something useful when it comes time to retire.

The point is do we really need the Provincial government mandating retirement savings? And if they follow that plan that's evidently in the works for ORPP, is that really going to benefit a lot of people.

The idea is employees will be expected to see 1.9 per cent of their earnings channelled into this government plan, with employers expected to match the contributions. There's 1.9 per cent chopped from people's take-home pay right at the start, and don't expect the employer to make it up. Indeed, that same employer is obliged to match the contribution. In the end, that could well mean that the raise an employee could have been expecting, hoping for or counting on might just go into a pension fund.

How would cutting people's disposable income encourage them to contribute to RRSPs or make any other kind of investment?

And can we realistically expect ORPP will help the employment numbers in Ontario? We doubt it.

No matter what the government names it, or what steps it takes to sell it, it's still an employment tax. It will hamper the ability of many employers to create new jobs, and might even create problems when it comes to maintaining the jobs that are already there. There is talk that Canada might be in a recession. That hasn't been confirmed yet, although there are certainly efforts to make an issue in the current federal election campaign. Assuming the worst possible scenario, if we are in a recession, is this a good time to even think about taxing businesses that might want to create some jobs? We would think this is the time to do everything to increase employment and get people circulating their money to get the economy moving, not reduce their disposable income.

And there is also the argument on behalf of those who have been saving for their retirement for years; namely why should they be expected to part with more of their hard-earned money to see it going into a plan they probably didn't ask for and are not likely to benefit from? It appears, alas, that there will be no opting out for those people who have already demonstrated they can manage their own affairs.

The Canadian Federation of Independent Business (CFIB) is not too pleased with what's in the works either.

In a news release issued earlier this month, they state that this is going to impact on the employment numbers.

?'Moving forward with the ORPP does nothing to instill confidence among the province's business owners,' said CFIB

Vice-President, Ontario, Plamen Petkov. 'Instead of helping out the people that drive our economy, the government is saddling small businesses with a reckless payroll tax.'

'In the middle of a federal election,' CFIB president Dan Kelly said, 'this feels a lot more like electoral sabre rattling than sound public policy.'

And it seems there are other ways to do it.

Representatives of the Fraser Institute are pointing to Australia's system of mandatory individual retirement saving accounts as something worth examining.

True, according to a paper released this week, employers in Australia are required to contribute 9.5 per cent of ordinary earnings into such an account. We doubt there would be much support around here for requiring contributions on that scale, but something a lot smaller could be considered.

And there are some advantages, such as more flexibility and allowing for premature withdrawals in the case of medical emergencies or financial hardship.

And the money in the person's account becomes part of their estate. Such will not be the case with ORPP.

So it all comes back to the basic question of how many are going to benefit from ORPP.

We submit it will hurt more people than it will help.