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To: House of Commons Canada - Standing Committee on Finance

From: Karen Diamond CFP R.F.P and Daryl Diamond CFP CLU CHFC

Sent by email to: finapbc-cpb@parl.gc.ca

Re: a 2017 pre-budget consultation proposal affecting seniors

A 'Living Alone' tax credit could correct tax and benefit discrimination against single seniors.

Executive Summary

Our tax system discriminates against singles of all ages but in particular, against single seniors. Two ways in which it does so:

- 1) The federal tax system does not recognize that fixed costs apply to every retired household, regardless of whether there is a couple or a single living there. The same basic level of income is required in both cases. Quebec has a Living Alone credit which recognizes this.
- 2) A couple enjoys the doubling up of tax credits and government benefits and can employ income splitting strategies to minimize the tax burden in retirement. A single senior has none of these advantages.

Single seniors may already be disadvantaged in the amount of retirement savings they have been able to accumulate to provide for their needs, putting them at further risk in retirement. They should not also be penalized by the tax system for being single.

An additional basic federal tax credit should be available to all seniors living alone in retirement. The Province of Quebec has already addressed this issue somewhat with their credit. A Federal tax credit should do the same.

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Detail

We are retirement income specialists who work with retired Canadians to plan and execute their personal retirement income strategies. Via the daily hands-on administration of each client's income and investment plan, and by also preparing their tax returns, we are on the front line to witness the impact of tax measures, which include the identified inequity for single seniors when compared to a senior couple.

Whether living as a couple or a single, the basic costs of a 'household' are largely fixed - e.g. rent, maintenance costs, condo fees; utilities, property taxes, insurance, etc.. These are significant costs of living. Only a portion of living expenses are variable and dependent on the number of people being supported by household income. In relative terms, a couple does not require twice the income of a single person because they are 'sharing' costs.

A quick calculation shows that a couple age 65+ can have household income of approximately \$42,000 without having to pay any federal tax, but a single taxpayer age 65+ would have to pay more than \$3300 on the same income.

When both spouses are 65+, a couple doubles up on many tax credits and benefit payments coming into the household. Two Personal Amounts, two Age Amounts, two Pension Credits, and income-splitting measures allow their household to enjoy a larger basic income than a single before Federal tax is payable. (Similarly with Provincial tax.) Furthermore, a couple would receive two OAS payments and possibly two maximum Canada Pension Plan payments where only one of each would be available to a single or a widowed survivor. A single person doesn't have all the benefits to create the same level of basic income, yet the basic costs of living are much the same.

A retired single person may already be financially constrained by virtue of having a smaller retirement nest egg than a couple has been able to accumulate. This is especially true in the case of the current generation of retired single women, who statistically had fewer earning years (if any) than men and who typically earned less money than men when they *were* working. There may also have been a marriage breakdown along the way. Women who stayed home with family for many years typically end up disadvantaged after divorce due to their reduced capacity to recover from the financial setback via their earning power, and/or from bearing the brunt of the total costs of raising the children because they were the custodial parent and tended to provide all the 'extras.'

A larger basic tax-free zone is required for single retirees, male or female, to recognize the lack of economic benefit that is derived from having a spouse – the extra tax credits, the income-splitting advantages and the extra income from our income security plans. Such a credit could be applied with consideration for number of claimants at each address – e.g. one credit per household -- claimed by one or split-able between eligible occupants.

Respectfully submitted,

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Diamond Retirement Planning Ltd. is a Winnipeg-based financial advisory firm, specializing in the structure and delivery of retirement income for individuals across Canada since 1993. Daryl Diamond is a frequent speaker, media contributor and guest, and the author of *Your Retirement Income Blueprint, 1st and 2nd ed.*, a Canadian best-seller on the subject of retirement income planning. He is a consultant to investment fund companies, life insurers, and professional organizations, providing insight and education for advisors in this specialized area of financial planning.