

Income Tax

future. The RRSP is far from a perfect technique, but under the present system it is a good form of saving. When this type of plan came in during the war, the principle was that if you paid into your RRSP you would defer your income tax on the amount you contributed to the plan as an inducement. That inducement, provided over the last 30 odd years, has resulted in close to 20 per cent of our Canadian wage earners participating in this form of individual saving for their future. The type of inducement the Department of Finance can provide to the Canadian people, as individuals, to look after their own individual futures has to be marked out as a success.

● (1650)

I do not intend in my remarks today to lay down what I think is a better system. I am speaking primarily to the minister in the hope that when he brings in his next budget he will improve on what he tried to do in his last budget in so far as registered retirement savings plans are concerned. I said that I approved the raising of the maximum from \$2,500 to \$3,500, for a very good reason. I do not accept the position of the NDP that his only helps rich people. This type of program is already subscribed to by approximately 20 per cent of the working people of our country. In this group of working people I include not just the man who works for wages on an hourly, weekly or monthly basis; I also include the self-employed farmers of this country. I know something of the variability of income of people who are self-employed in the farming business. For years and years they went along with a net income of \$2,000 per year or thereabouts, and with that amount of net income they were not able to participate too widely in plans such as this.

However, in the last three or four years, particularly in 1974 and 1975, farmers realized net income went up very dramatically in every province except Ontario, and farmers were faced with a peculiar problem which RRSPs allowed them to handle. The income of the farmer is generally very low when compared to that of the working man in the city or to that of the small businessman. When a farmer does get two or three good years and earns money beyond his immediate needs, he is able to put it into a form which will be useful to him on his retirement. Many thousands of self-employed people, particularly in the agricultural sector, have used this plan in the last two or three years.

I will now go on and discuss what the obvious next step should be, but I want to make it very clear that the opportunity for self-employed people to put aside up to \$5,500 is good for this country. It is good for the individual in that he is setting some money aside with the knowledge that he saves income tax in the current year but that down the road when he wants it and does not have any more income from his self-employment he can draw it back and pay income tax on it then.

My requests to the minister is the same request other hon. members have made. For ten years I have known, as an individual, that the weakness in the registered retirement savings plan comes about when the money is taken out. Under

the act it has to be taken out in the form of an annuity, and this seems fine until it is found out what these annuities yield. I know from personal experience. I got the shock of my life, when I tried to turn an RRSP into an annuity, when I realized all the sacrifice I had made to put my \$700 or \$800 per year into this plan, and then realized what I was going to get out of it. I could not live on that amount.

My interest has been personal, and from talking to many hundreds of people who have retired in the last six or eight years and who suddenly were caught up with inflation, I found out that the amount of money they had hoped to live on comfortably to the end of their lives—\$5,000, \$6,000 or \$7,000 per year—turned out to be inadequate in view of the inflation of the last three or four years.

There is nothing more touching to a member of parliament than to get letters from people who have done all we have asked them to do, who have worked hard all their lives, saved their money and put it away with the expectation that the amount they would have as a result of their own effort, plus the things which are available universally, would give them a moderate standard of living until they died. This observation applies particularly to the working man. Most working men want to achieve in their lifetime a job well done, to own their home, to raise their children and to save an amount of money which, on top of the pension from their company, will be sufficient so they can live what they think is a reasonable, comfortable life without worry in the last 10, 20 or 30 years.

For these reasons the question is obvious. Since it is not really possible at this stage in this bill to get the minister to move amendments—because I know the time it would take—I ask the minister and the experts in his department to give serious consideration to preparing two or three alternative plans which could be put into the act to deal with the payment when a person wants to take out his registered retirement savings for legitimate retirement purposes.

Several alternatives have been suggested, and I am going to list two or three of them. The first one is the simplest. Since the inducement was given to the individual to put money aside in his big earning years to look after his personal needs in his retirement years—and only then would the government tax him on the money received as income—I think that principle should be held to, but held to in a way which gives the individual some choice. The first choice is obvious, to set up a special fund, which can be done at any bank, any credit union or any financial institution in Canada which allows the holding of this money, and every time the individual takes money out of that account, whether it be every month, every year or whatever, a form could be sent to the Department of National Revenue, and this should be counted as income.

There would be no bookkeeping required on the part of the Department Finance. There would be no extra administration required. This would be a simple device, and believe me, the banks and credit unions would like the business. This individual account would leave the individual maximum freedom to draw down his money as he sees fit, and if he does not need it in the first two or three years, he would not draw it down. The