

For example, the tax system now provides significantly greater support and flexibility to Canadians building pensions through defined-benefit plans than it does to Canadians building pensions through money-purchase plans such as RRSPs. This inequity penalizes in particular employees of small businesses, farmers, fishermen, professionals and others who are self-employed.

I am proposing changes to put all pension plans on an equal footing for tax purposes, and to allow contribution entitlements to be carried forward from year to year on the basis of total career earnings. As a result, all Canadians will have comparable access to tax assistance. They will be able to save for retirement as their means permit without losing any entitlement to tax assistance. This will recognize that many Canadians, in their early working years, find it difficult to build pensions because they are saving for a home, bearing a heavy burden of family expenses, or investing to build up a business.

The new tax-assistance system will also be indexed by the average industrial wage, to ensure that Canadians are able to build tax-supported pensions that keep up with inflation and with real increases in living standards.

I am also proposing an innovative Registered Pension Account. This will create a tax-assisted individual savings vehicle to which employers and employees can both contribute funds that cannot be withdrawn until retirement. The Registered Pension Account will relieve many small business employers of complex pension administration burdens, as well as allowing employees improved pension portability.

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The new system will provide tax assistance for an adequate pension based on total career earnings. To meet this target, Canadians will be allowed to deduct their own contributions, or contributions made for them by their employer, to any registered pension plan, up to a limit of 18 per cent of total career earnings.

In the first stage of the new system, beginning in 1985, the annual dollar limit for money-purchase plans, including RRSPs, will be increased from \$5,500 to \$10,000. The annual dollar limit will rise to \$12,000 in 1986 and \$14,000 in 1987. Limits on employee contributions to registered defined-benefit plans will be removed in 1985.

With the second stage in 1988, the new system will become fully operational. In that year the annual dollar limit for contributions to all pension plans taken together will rise to \$15,500. The ceiling will thereafter be adjusted annually by changes in the average industrial wage. The fully operational system will allow individuals to carry forward their unused annual deduction entitlements to future years.

*Fifth*, I am also taking immediate action to assist farmers to build better pensions for retirement. Effective this year, a special provision will be introduced to allow farmers to contribute up to \$120,000 of taxable capital gains from the sale of a farm to an RRSP. The amount eligible will be \$10,000 for every year they have farmed the land from 1972 to 1983. This

provision recognizes the special difficulty farmers have had in providing for their retirement during the years they are building up their farm.

[*Translation*]

The new system of tax assistance for retirement saving, together with the changes I propose to the Pension Benefits Standards Act, will increase the capacity of Canadians now working to build stronger pensions for their retirement. By so doing they will help to build a strong foundation for personal economic security, while increasing savings that will support investment and growth over the medium term. This shows once again how public support for private initiative can help Canadians to help themselves, and in the process build a stronger future for all of us.

Finally, the government reaffirms its commitment to ensuring that all Canadians have adequate retirement income. It undertakes to monitor closely the reaction of provinces and the private sector to the proposals for pension reform presented in this budget. The government will be ready to discuss with them whatever additional steps may be required, and their nature and timing.

#### INCREASING SECURITY FOR HOMEOWNERS

Another area which requires attention is the security of homeowners and of prospective homebuyers. I will have three measures to announce.

Mortgage rates have fallen dramatically and have been stable for many months. Lower and stable interest rates, together with growing incomes and government incentive programs, have restored some of the confidence of Canadian homebuyers. In the past few years, however, thousands of homeowners were dealt a serious blow by mortgage interest rates that rose to unprecedented levels. The Canada Mortgage Renewal Program supported more than 20,000 Canadians in financial difficulty when they had to renew their mortgages at very high interest rates. The Canadian Home Ownership Program provided \$3,000 grants to more than 260,000 first-time homebuyers. Over the past two years, the government has provided about \$800 million to help Canadians own a home.

With the return of lower interest rates, and in response to the assistance provided in my April budget, new housing starts rebounded strongly in 1983. But many Canadians who were forced to renew their mortgages at very high rates in 1981 and 1982 continued to experience financial difficulties even after mortgage rates came down.

I am concerned about those Canadians who are trapped in such difficulties. The government has encouraged the co-operation of major lending institutions in assisting them. I have also considered, with my colleagues, the Minister of Public Works and the Minister of Consumer and Corporate Affairs, what additional steps can be taken to increase flexibility in the mortgage market, provide borrowers with better information