

Government Annuities Act

scheme which the government proposes to tie in with the old age pension. It just cannot work.

I know there are a number of schemes which the government proposes to bring in. There is the deferred life plan, the deferred guaranteed plan, the deferred last survivor plan, the individual contract, group contracts and things of that sort.

Mr. Wylie: The deferred starvation plan.

Mr. Johnston: That is about what it will amount to if some other type of legislation is not brought in. It is my judgment that the people who are going to receive the benefit of this combination of annuity and old age pension must have sufficient to give them a decent standard of living. In our income tax forms the government acknowledges the fact that people, if they are married, must have \$2,000 a year to have a decent standard of living, because that is the amount at which the income tax starts; and that, if they are single, they must have \$1,000 a year. The government recognizes the fact that anything below that is too low for a decent standard of living. Otherwise they would have lowered the income tax exemptions. If we are going to take that view, as over 50 per cent of the people in Canada have less than \$2,000 a year if married, or \$1,000 a year if single, we must realize that this 50 per cent are going to need assistance; and the only possible assistance they can get is through some decent form of annuity which can be linked in with the old age pension scheme.

The province of Alberta has annuity legislation which provides for $3\frac{1}{2}$ per cent interest. If the province of Alberta can afford to put out annuities bearing the interest rate of $3\frac{1}{2}$ per cent, is there any logical reason why the federal government cannot do it? I am assuming that there is going to be an increase by this government in the rate of interest on annuities. I cannot see any other reason why they would come out and stress so strongly the fact that this annuity which the government proposes to bring out is going to be co-ordinated with the old age pension plan. I am suggesting to the Minister of Labour, through the parliamentary assistant who is present in the chamber, that the government bring down legislation that will increase the percentage rate on annuities. I am going to suggest that they make that rate at least 4 per cent. There is no logical reason for making it any less than that.

[Mr. Johnston.]

When the provincial government of Alberta can make their interest rate $3\frac{1}{2}$ per cent, surely this federal government can make the rate at least 4 per cent, particularly in view of the fact that the interest rate used to be 4 per cent. All those reasons the government gave for reducing the rate have now been overcome or wiped out. There is therefore no reason from any point of view why the government cannot increase that interest rate and put it back to its original 4 per cent.

I do not think the government is going to lose any money by this legislation. It has been stated that the administration cost is about 1 per cent of the premiums. But if the government does not make possible some form of annuity plan which can be co-ordinated with the old age pension plan, they will have to increase the amount of the old age pension. From the government's point of view, it would seem to me more economical to make an annuity plan so worthwhile that people would put forth every effort to be thrifty, to save and provide for themselves in their old age by buying an annuity, even though it be small, thereby assisting themselves to have a better standard of living when they reach the age of 70. If the government are going to benefit by that legislation they should have no hesitancy in bringing in an annuity plan which will encourage thrift and saving, and which will encourage these people to start buying an annuity no matter how small it may be.

However I look at this problem it seems to me the government is going to benefit; that is, if they increase the interest rate which is to be paid on annuities. I am sure they must realize that as assistance to the old age pension and as encouragement to thrift, the resolution we have before us advocating an increase from \$100 to \$200 will not serve the purpose that was intended. They themselves must do something better than is indicated in the proposed legislation.

We are going to support the legislation. The increase from \$100 to \$200 will benefit some people. It will benefit only those who are comparatively well off. The purchase of an annuity paying \$200 a month will cost a great deal of money. I venture to say that not many members of parliament will be able to buy an annuity paying \$200 a month starting at age 65, much less anyone who is expecting to go on the old age pension. We hope the government will take this suggestion seriously into consideration. I hope the parliamentary assistant, who is sitting