



January 17, 2011

Via email: Flaherty.J@parl.gc.ca

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
Finance Canada
140 O'Connor Street
Ottawa, ON K1A 0G5

Dear Minister:

Re: Registered Pension Plans for Self-Employed Individuals

I am writing to you on behalf of the Canadian Bar Association's National Pensions and Benefits Law Section (CBA Section) concerning registered pension plans for self-employed individuals. In 2008, the Canadian Bar Association urged federal and provincial governments and members of CAPSA to support appropriate amendments to pension standards legislation and the federal *Income Tax Act* to extend the self-employed individual's ability to sponsor a registered pension plan.

We are aware that the federal government is currently reviewing many aspects of Canada's retirement system, including the Canada Pension Plan (CPP) and private pensions. We know too that Federal/Provincial/Territorial Finance Ministers studied the same issues at their December 2010 meeting. The CBA Section was pleased to hear that the retirement concerns of self-employed Canadians were discussed at that meeting, as many professionals throughout Canada are self-employed either as sole practitioners or in partnerships. These self-employed Canadians are currently unable to participate in a registered pension plan (RPP).

Providing self-employed individuals the opportunity to participate in RPPs would permit them to better plan for their retirement and reduce the reliance of older persons on tax supported income supplements. That solution would introduce greater flexibility into the retirement income system and would not require increasing or amending the CPP or the QPP.

Allowing self-employed individuals to participate in a RPP would also generate additional capital investment through these funds, which in turn, can be further invested in Canada's economy.

RPPs may also provide a more financially attractive option for the self-employed. As compared to group RRSPs, RPPs may minimize risk while maximizing a return on investments. Management fees associated with group RRSPs are generally higher than RPPs, and RPPs may provide a more secure retirement income with greater insulation against short-term market fluctuations.

While we were happy to hear of the Finance Ministers' recent discussions, we are unaware of any announcement from that meeting to suggest a change in the current prohibition on self-employed Canadians participating in RPPs. Accordingly, the CBA Section urges you to consider amendments to the *Income Tax Act* to permit the registration of pension plans for self-employed individuals. We believe that this would enhance the ability of individuals Canadians to save for their own retirement and could be implemented without any draw on general tax revenues.

We would be pleased to discuss this matter with you further at your convenience.

Yours truly,

(Original signed by Tamra Thomson on behalf of Julie Vandal-Lemoyne)

Julie Vandal-Lemoyne
Chair, National Pensions and Benefits Law Section