Prosper Canada

2025 Federal Pre-Budget Submission

to the House of Commons Standing Committee on Finance

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Summary of recommendations

Recommendation 1: That Statistics Canada, Finance Canada and the Financial Consumer Agency of Canada expand and publish research into financial trends and disparities with respect to household financial inclusion and wellbeing, especially as it relates to being underbanked, consumer debt, use and impact of high-cost credit, and emergency and retirement saving.

Recommendation 2: That the government sustain its 2024 Budget investment in free financial help for people with low and moderate incomes via ESDC's *Social Development Partnerships Program - Children and Families*. This initiative will connect **1 million** financially struggling Canadians to an additional **$2 billion** in benefits they are eligible for but not receiving, and build their financial capability, security, and wellbeing through financial education and personalized financial coaching and counselling.

Recommendation 3: That the government continue to invest in the *Community Volunteer Income Tax Program (CVITP)* and *CVITP Grant* pilot program to enable community organizations to support people with low incomes to tax file and access critical income benefits they are eligible for but may not be receiving.

Recommendation 4: That the government implement its commitment to get Canadians the benefits they deserve by delivering automatic tax filing for low-income households and seniors, giving priority to provincial/territorial social assistance recipients, the majority of whom live in deep poverty. This will eliminate barriers to accessing critical income benefits – like the *Canada Child Benefit, Canada Workers Benefit, and GST/HST Credit* – that can significantly reduce their poverty.

Recommendation 5: That the government review and reform the *Disability Tax Credit* eligibility criteria and application/requalification processes to remove barriers, eliminate out-of-pocket costs, and create optimal experiences for applicants and recipients.

About Prosper Canada

Founded in 1986, Prosper Canada is a national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. As Canada's leading national champion of financial empowerment, we work with partners in all sectors to develop and promote policies, programs, and resources that measurably improve the financial health of people living in, or at high risk of, poverty.

Since 2015, with partners from all sectors, we have expanded free, high-quality, financial help tools and services that have helped **1.2 million+** Canadians with low/moderate incomes to build their financial health and boost their incomes by **$1.28+ billion**. Services include financial education, tax filing, benefit screening and assistance, and financial coaching and counselling.

In 2025, we launched *Resilient Futures*, a Prosper Canada initiative funded by the Government of Canada's *Social Development Partnerships Program - Children and Families* to provide people with low and moderate incomes with free financial help – tax filing, benefit assistance, and financial coaching/counselling. This initiative will help **one million** struggling Canadians to build their financial wellbeing and connect them to **$2 billion** in additional income benefits.

Rationale

More and more Canadian households are struggling financially.

- **61%** of Canadians with low incomes are struggling with their financial commitments (FCAC).
- Households in the bottom income quintile were the only group whose average wages fell in 2024 (by **-3.3%**) (Statscan).
- These households also spent more than they made, averaging **$34,539** in *negative* savings (i.e., debt) and were the only segment who saw their savings drop (**-2.7%**). (Statscan).
- **29%** of Canadians do not have enough savings to cover unexpected expenses or reduced income for **3** months (Statscan).
- **49%** of households accessed savings to cope with the current economic conditions eroding their long-term financial security (Statscan).
- **27%** of Canadians are short of money at the end of the month, compared to **19%** in 2019 (FCAC).

This situation is exacerbated by current trade disruptions that are expected to reduce employment, increase Canadians' cost of living, and drive greater inequality.

Recommendation 1: *That Statistics Canada, Finance Canada and the Financial Consumer Agency of Canada, expand and publish research into financial trends and disparities with respect to household financial inclusion and wellbeing, especially as it relates to being underbanked, consumer debt, use and impact of high-cost credit, and emergency and retirement saving.*

As Canada continues to grapple with affordability challenges, heightened financial vulnerability, and economic uncertainty, federal priorities and policy would benefit from more robust and disaggregated data and analysis of the financial challenges Canadians are facing.

Over the past 35 years (1990-2025), our household debt-to-income ratio has grown from 89.59% to 173.94% and our household savings rate has fallen from 13.1% to 5.75%. The Bank of Canada continues to identify high household debt as a key financial vulnerability, but little action has been taken to determine what is driving these trends or to reverse them.

Canadians are now paying the price for this inaction.

Despite these growing pressures and risks, the federal government lacks a dedicated policy unit focused on household financial wellbeing. Further, large data and analysis gaps make it challenging to understand who is most affected and why by deepening financial vulnerability and to effectively respond.

Therefore, we are recommending that the federal government expand its research capacity into related financial trends and disparities and publish resulting data and insights so that stakeholders in all sectors can work collaboratively to build the financial stability, resilience and wellbeing of affected Canadians. This is particularly important as it relates to financial inclusion, high-cost consumer debt, and emergency and retirement saving.

Recommendation 2: *That the government sustain its 2024 Budget investment in free financial help for people with low and moderate incomes through ESDC's Social Development Partnerships Program - Children and Families. This initiative will connect* ***1 million*** *financially struggling Canadians to an additional* ***$2 billion*** *in benefits they are eligible for but not receiving, and build their financial capability, security and wellbeing through financial education and personalized financial coaching and counselling.*

Many households are unable to access the financial help they need to achieve financial stability and health. Financial markets and products are increasingly complex, but low financial literacy and/or skills, combined with systemic and institutional barriers, and a large structural gap in the availability of affordable, appropriate and trustworthy financial help for low/moderate-income Canadians, mean many Canadians are left financially struggling.

Systemic and personal barriers also prevent **1** in **5** Canadians with low incomes from tax filing and accessing income benefits and tax credits that are the main income source for **62%** of low-income households.

In Budget 2024, the federal government made a landmark investment to develop a national program to expand free financial help services for people with low incomes to every region in Canada. Supported by a $60 million investment over 5 years through ESDC's *Social Development Partnerships Program – Children and Families*, this initiative is expected to assist one million Canadians with low incomes to build their financial wellbeing and to access $2 billion in income benefits and tax credits they are eligible for, but not yet receiving.

Resilient Futures will fund and equip community organizations across Canada to deliver tailored financial empowerment services, train other organizations, and build partnerships and referral networks to expand the reach and impact of their services, particularly to priority underserved populations – Indigenous Peoples, Black communities, and people living with disabilities, and to people living in rural and remote communities.

Large-scale, community-delivered, financial help pilots in Canada have been independently evaluated and shown to address a critical unmet need, measurably boost incomes, reduce financial stress, and help low/moderate-income clients achieve target financial outcomes. Other countries, including the United Kingdom and Australia, have made similar investments.

Canada needs to maintain its investment in accessible, appropriate and trustworthy financial help services for those who need them most if we are to successfully combat unmanageable debt, low savings, and barriers to accessing government benefits.

Recommendation 3: *That the government continue to invest in the Community Volunteer Income Tax Program (CVITP) and CVITP Grant pilot program to enable community organizations to support people with low incomes to tax file and access critical income benefits they are eligible for but may not be receiving.*

In 2025, CRA's *Community Volunteer Income Tax Program (CVITP)* and Quebec's *Income Tax Assistance - Volunteer Program* helped 850,000+ low-income Canadians to file their 2024 taxes and access **$2.3+ billion** in refunds, credits and income benefits.

CRA's *CVITP Grant* pilot program helps to modestly offset community tax clinic costs and has been universally welcomed – particularly by smaller organizations and those in rural communities that often struggle to fund their tax filing help. Sustaining CVITP grants is critical for these organizations and the communities they serve.

We further encourage CRA to continue investing in collaborative cross-sector efforts to identify and reach non-filers, including program enhancements for key groups that are under-served by the current CVITP model (e.g., Indigenous communities, low-income gig workers), and building more partnerships to reach groups at highest risk of non-filing.

Recommendation 4: *That the government implement its commitment to get Canadians the benefits they deserve by delivering automatic tax filing for low-income households and seniors, giving priority to provincial/territorial social assistance recipients, the majority of whom live in deep poverty. This will eliminate barriers to accessing critical income benefits – like the Canada Child Benefit, Canada Workers Benefit, and GST/HST Credit – that can significantly reduce their poverty.*

Tax filing is a critical gateway for many government benefits, yet low-income individuals often face significant challenges tax filing, including but not limited to language, numeracy, literacy, financial literacy, documentation, mental health, and disability barriers, and the cost of commercial tax filing services. As a result, many individuals miss out on critical income benefits they are entitled to.

Automatic tax filing for people with low incomes and simple tax situations would remove barriers to tax filing and significantly boost benefit take-up, reducing reliance on costly third-party services, and enabling community tax and benefit services to focus on people who have more complex tax situations, are going through benefit reviews and CRA appeals, and/or need help back filing or to apply for benefits outside the tax system.

We, therefore, recommend that the government move expeditiously to implement its commitment to automatic tax filing, beginning with social assistance recipients, including the requisite analysis of any necessary legislative and regulatory changes.

Recommendation 5: *That the government review and reform the Disability Tax Credit eligibility criteria and application/requalification processes to remove barriers, eliminate out-of-pocket costs, and create optimal experiences for applicants and recipients.*

The *Disability Tax Credit* (DTC) can help reduce the taxes for people with severe and prologued disabilities or their caregivers. It is also now the primary eligibility criterion for the *Canada Disability Benefit* (CDB), which provides eligible people with disabilities aged 18-64 years up to a maximum of $200 a month.

Because the DTC is a non-refundable tax credit, many people with disabilities and low incomes have not historically applied and qualified for it. The DTC application process can also be extremely challenging for those who do apply and for healthcare professionals, causing many people to drop out. For the CDB to reach its intended beneficiaries and achieve its poverty mitigation goals, it is critical that the DTC be reviewed and reformed. This process should address the following priorities:

- Pursue opportunities to harmonize eligibility criteria and application processes with provincial income support programs for people with disabilities to reduce excessive time and cost burdens on vulnerable applicants and create streamlined application pathways for individuals already receiving provincial disability supports.

- Expand the list of disabilities/medical conditions that automatically qualify individuals for the DTC and/or exempt them from having to periodically requalify, in consultation with consumers with disabilities, disability organizations, and relevant healthcare professionals.

- Implement the recommendations of CRA's Disability Advisory Committee.

- Explore the potential for a centralized national disability assessment service with one intake process that would connect applicants to appropriate healthcare professionals for assessment, drawn from a roster of willing, trained and compensated providers offering telehealth-enabled virtual assessments.