

SUBMISSION TO ORPP CONSULTATION

February 11, 2015

Prosper Canada – Who we are

Prosper Canada is a registered 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 for Canadians living in poverty, we work with government, business and community partners to develop and promote financial policies, programs and resources that transform lives and foster the prosperity of all Canadians.

Recommendations with respect to the proposed ORPP

- 1. In addressing retirement incomes for low-income Ontarians, the primary goal should be to ensure all seniors have an income that is adequate to meet their basic needs and affords them a life of dignity and full social inclusion. Income replacement alone at retirement is not an adequate goal for people currently living in poverty.**

70% -- or even 100% -- of a poverty level income is not an adequate income for any Ontarian. We need to set our sights higher when it comes to ensuring that all Ontario seniors are able to live with a modicum of basic comfort and dignity and participate fully in community life.

While the proposed ORPP will improve the retirement income of some low-income households, individuals who are not ORPP eligible (e.g. unemployed, self-employed, recent newcomers and refugees etc.) will be left behind. Consequently, it is important that the government pursue other avenues to ensure an adequate income for those who are not able to access comparable benefits through other channels (e.g. international pension agreements). The ORPP is an important step forward, but should be seen as part of a broader, comprehensive strategy to ensure adequate retirement income for all Ontarians.

For the reasons above, we encourage the government to consult with Ontarians on what a fair and adequate minimum income for seniors should be and to integrate this goal into its poverty reduction strategies and advocacy *vis à vis* the improvement of federal benefits for seniors.

- 2. In seeking to improve retirement incomes, we should not undermine or reduce the ability of low-income Ontarians to meet their basic needs today. In other words, it is not acceptable to create financial hardship now in order to improve low-income people's incomes later in life.**

We agree that it is desirable to set the ORPP earnings exemption at \$3,500 to maximize alignment with the CPP and to minimize cost and administrative burden for employers. However, this threshold means that many Ontarians in low-income households will see their already meagre take-home earnings further reduced, resulting in decreased ability to meet basic needs, absolute as well as relative deprivation, loss of dignity, and social exclusion.

With the rise of partial, part-time and precarious employment, more and more low-income earners and households rely on multiple jobs with irregular hours and wages, leaving them subject to volatile swings in their income from one month to the next. This makes it extremely challenging for families to manage their expenses, plan and save. Given that almost one quarter of Canadian families have no financial savings at all, it is reasonable to assume that these families also have little or no emergency savings to fall back on to smooth income peaks and valleys and to handle emergencies and unforeseen expenses.

In this context, new ORPP contributions are very likely to cause significant further financial hardship to low-income households that are already struggling to make ends meet. We, therefore, urge the government to ensure that the ORPP contributions of individuals living in low-income households are fully offset through other means.

This can be achieved through transfer mechanisms like the Ontario Trillium Benefit that can be expanded to include monthly ORPP contribution reimbursements for Ontarians living in households with incomes below a designated poverty threshold (adjusted for family size). Regardless of the mechanism used, it is critical that offset transfers flow to these households on a monthly, rather than annual basis, as families with few resources cannot afford to wait a year to replace lost income.

3. Income benefit gains achieved by low-income Ontarians through the introduction of the ORPP should accrue 100% to beneficiaries and not be offset by subsequent reductions in GIS, GAINS, or other public benefits.

We fully support the government's proposed plan to engage the federal government to ensure income gains achieved through the introduction of the ORPP are not offset by reductions in GIS and other benefits and encourage the Ontario government to make the same guarantees with respect to GAINS and other provincial benefits linked to income levels.

4. Efforts to boost retirement income for low-income Ontarians through the ORPP should be accompanied by efforts to help low-income families build their incomes, employment earnings, savings and assets during their working years.

Low-income individuals and households typically experience a mix of barriers that prevent them from accessing all the income available to them and making optimal financial choices for their future. These barriers vary from person to person but may include:

- *Low financial literacy* compounded by literacy, numeracy and language challenges
- Mainstream *financial information, products/services, and advice that don't meet their needs*
- *Predatory fringe financial services* that further erode their financial stability
- *Difficulty accessing public income benefits* through tax filing or other channels
- *Public policies that impede positive financial behaviours* (like saving) *or fail to incentivize them* to the same extent as other citizens.

Despite this, there are few sources of help available to low-income families struggling with these issues. Frontline government and community service providers generally lack the mandate, knowledge, and capacity to help low-income people surmount financial barriers and build their financial capability. These barriers can be reduced or eliminated, however, by providing low-income households with access to financial empowerment supports that enable them to: ¹

- Access neutral, relevant, *financial information, education and advice*
- Boost their incomes through *help tax filing and accessing other benefits*
- Connect to *safe and affordable financial products and services*
- Access *savings and asset building opportunities*.

There is strong evidence that these financial supports can help low-income households to improve their: incomes; ² savings, debt levels, and credit scores; ³ and their employment and earnings. ⁴ Innovative new savings vehicles like tax-time savings accounts ⁵ and prize-linked savings ⁶ have also been shown to enable low-income households to start saving – for their emergency needs and longer term goals like education and retirement.

Financial empowerment interventions are a proven, cost-effective way to fill a critical gap in our social supports for low-income households and have been shown in cities across the United States – and on a smaller scale here in Ontario – to enable low-income households to tangibly improve their incomes, credit scores, savings and debt levels, as well as their employability, housing stability, and mental health. ⁷

We would be pleased to work with the government to integrate similar supports into Ontario's Poverty Reduction Strategy, as a necessary and useful complement to the ORPP.

5. The government can further strengthen its efforts to help Ontarians plan and save for their retirement by making it easier for them to access clear, comprehensive information and advice on the full range of government benefits available to them and the nature and amount of financial benefits (federal and provincial) they are entitled to when they retire.

Too often, families that want to plan and save for the future are discouraged by both the sheer abundance of information available to them and, paradoxically, the difficulty in finding information that is relevant to their needs and the financial decisions they are trying to make. This problem is particularly acute for low-income households, as most freely available financial information and advice is designed for middle and higher earners, and the public benefit programs low-income households rely on are typically complex and difficult to navigate and understand.

Online financial information, benefit screening, and decision-support tools that tailor the information they produce to different users are a highly effective way of helping people to overcome these challenges.

Even with these, however, most people require expert assistance to plan effectively for their retirement. Currently, however, we know that few professional financial planners are trained to work with low-income families; mainstream financial advice is often irrelevant or even wrong for their needs; and families lack the resources to pay for more tailored advice from qualified sources. Other jurisdictions (UK, USA, Australia) have filled this critical gap by investing in free financial

counselling services for low- and modest-income households, delivered through Citizen’s Advice Bureaus, neighbourhood Financial Help Centres, etc. While the delivery models vary, all assist clients to set financial goals and help them develop and follow concrete action plans to achieve them that result in tangible improvements in their financial outcomes.

We encourage the government to make use of these new technologies and financial information and coaching approaches to help low-income Ontarians to access income benefits they are eligible for and the information they need to plan financially for their future.

Prosper Canada has piloted a number of online financial information, screening and planning tools⁸ and will be launching two financial coaching pilots in Ontario this spring. We would be pleased to provide more information on these and other initiatives to the government.

Conclusion

We appreciate the opportunity to share our thoughts with the government on the proposed ORPP and how the government can further strengthen the current and future financial wellbeing of low-income households in Ontario through this and complementary financial empowerment approaches.

A large part of our work as an organization is helping service systems and organizations in all sectors to build proven financial empowerment approaches into their businesses in ways that:

- Are sustainable
- Help them achieve their goals
- Tangibly increase the financial well-being of low-income people they serve.

We would be pleased to provide further information on our suggestions above and welcome opportunities to work with the government to move these ideas forward.

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¹ Prosper Canada, *Financial Empowerment – Improving financial outcomes for low-income households*. 2014.
<http://prospercanada.org/getattachment/77fecc22-dff1-4a22-9d90-1f6746c9436b/Financial-Empowerment-Improving-Financial-Outcomes.aspx>

² Resources for Results, *Pathways to Social and Economic Inclusion: An evaluation of the Financial Advocacy and Problem-Solving (FAPS) Program, Final Report*, 2014.

³ NeighborWorks America, *Scaling Financial Coaching: Critical Lessons and Effective Practices*, 2013.
<http://www.citi.com/citi/foundation/pdf/news100713.pdf>

⁴ NYC Department of Consumer Affairs. *Building Financial Counseling into Social Service Delivery: Research and implementation Findings for Social Service Programs*.

⁵ See for example New York City's SAVE USA program.

http://www.nyc.gov/html/ofe/downloads/pdf/SaveUSA_Implementation_Brief.pdf

⁶ See, for example, *Save to Win*, a large-scale prize linked savings program in the U.S.

http://www.d2dfund.org/research_publications/save_win_impact_2009_2013

⁷ Prosper Canada, 2014

⁸ <http://prospercanada.org/Resources/Online-Tools.aspx>