What the budget means for seniors

A closer look at changes to OAS, GIS and spending on seniors housing

by Janet Gray

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For the first time in Canadian history, there are more seniors over the age of 65 than there are children under the age of 15. What this means is that, over time, there will be fewer Canadians working to support the overall population. Seniors issues are only going to grow in importance.

With that in mind, let's dig into what happened in this budget related to seniors. Some of it we already knew, some of it adds up to real change and some omissions are worth noting.

The OAS reversal

As already announced, the eligibility ages of the Old Age Security program will be restored. Budget 2016 proposes to cancel the provisions in the Old Age Security Act that would have increased the age of eligibility for OAS and Guaranteed Income Supplement benefits from 65 to 67 and Allowance benefits from 60 to 62 over the 2023 to 2029 period.

Restoring the eligibility age for OAS and GIS benefits to 65 will put thousands of dollars back in the pockets of Canadians as they become seniors. These benefits are an important part of the retirement income of Canadians, particularly for lower-income seniors.

Vulnerable seniors depend on this support, and without it, face a much higher risk of living in poverty.

This announcement by the government is basically undoing something that wasn't due to happen until 2023. The former government put it in place and the current government took it away. Aside from adding some bureaucratic paperwork, no one was impacted by this, although it was certainly hanging over the heads of investors and their planners. Most of them will be thrilled by this reversal, even if they have to amend their financial plans to reflect this.

Guaranteed Income Supplement

In Canada, the retirement income system has been successful in reducing the incidence of poverty among Canadian seniors due mainly to Canada Pension Plan (CPP) and OAS. However, of those who do struggle to make ends meet in retirement, single seniors are hardest hit. They are nearly three times more likely to live in low income than seniors generally. For that reason, the federal budget offers an increase to the GIS.

The federal budget promises to top up this monthly non-taxable benefit for low-income OAS recipients, by up to $947 annually, improving the financial security of about 900,000 seniors across Canada. It doubles the current maximum GIS top-up and represents a 10% increase in the total GIS benefits available to the lowest-income single seniors. A few other key facts about the supplement increase:

- It represents an investment of over $670 million per year
- The graduated benefits are based on income threshold of $4,600
- The benefits will be phased out at income of $8,400 or more
- Going forward, they will be calculated based on individual (not combined) incomes

That last point is especially meaningful to senior couples who have to live apart for reasons beyond their control and who will see an even greater increase in their GIS benefits. This enhancement will help to defer the higher costs of living of maintaining two residences and reduce the risk of increased poverty.

This proposed increase supports those seniors who rely almost exclusively on OAS and GIS benefits and may therefore be at risk of experiencing financial difficulties. It allows low-income single seniors more freedom of choice with their finances, while knowing they will receive a guaranteed monthly benefit that will increase with inflation over time.

However, Statistics Canada has indicated that the Low Income Measure (LIM) for a single senior is $22,000 per year so there is still more work to be done on this in order to bring these 900,000 low income seniors to a reasonable, liveable income.

Here are a few scenarios that illustrate the impact of the changes:

- *Lynn is a 74-year-old resident of Montréal, Quebec, who lives alone. With no income apart from OAS and GIS benefits, she struggles to make ends meet. The increase in the GIS top-up benefit for single seniors proposed in Budget 2016 will provide Lynn with an additional $947 per year.*
- *Charles is a 68-year-old widower residing in Edmonton, Alberta. Charles receives annual CPP benefits of $5,000 along with OAS and GIS benefits. The increase in the GIS top-up benefit for single seniors proposed in Budget 2016 will provide Charles with an additional $848 per year.*
- *Heather and David have been married for 40 years. David, age 77, receives annual CPP benefits of $3,000 and OAS and GIS benefits of over $12,500. Heather, age 62, has annual earnings from her part-time job of $6,000 and receives over $5,800 in Allowance benefits. Taken together, the OAS program provides Heather and David with over $18,300 in annual income support. David requires long-term care and Heather and David must live apart. Budget 2016 proposes to allow David and Heather to receive their GIS and Allowance benefits based on their individual incomes, recognizing the higher costs of living that Heather and David would face living apart.*

As a result of the proposed change, David would receive over $14,300 in OAS and GIS benefits. Heather would receive about $8,300 in Allowance benefits. Taken together, the OAS program would provide annual income support of about $22,600, an increase of more than $4,000 from current levels.

Affordable housing for seniors

Canada's senior population is growing, and many seniors now find it difficult to afford housing that is suitable, or that allows them to easily stay in their homes as long as possible.

Budget 2016 proposes to provide $200.7 million over two years, starting in 2016–17, to support the construction, repair and adaption of affordable housing for seniors. While funding will be provided under the Investment in Affordable Housing initiative, provinces and territories will not be required to cost-match these investments. This investment is expected to help improve housing conditions for more than 5,000 low-income senior households.

This initiative helps seniors to age at home which is exactly what the majority of seniors prefer but with many seniors still living in the own homes, this program will need to be more fulsome and last longer than two years to offset the impending lack of affordable and accessible housing for this demographic. The provinces and territories will need to step up with their investments to augment this new federal funding.

Seniors will also be interested to know that there are commitments to improve client services at the Canada Revenue Agency. The CRA will reduce their telephone wait times, new and more easily understood correspondence, and more liason with local volunteer groups that provide help to low income Canadians with their tax returns. This is a welcome announcement from the CRA.

What's missing from the budget?

Seniors' groups have been asking for a national pharmacare program to ensure cross-Canada price equity and availability, extended compassionate leave and a national caregivers program, as well as a national home care strategy to allow seniors to age with dignity in their homes. So, while we're a little further down the path–there is more room to go.