

Increased pension contributions only partly offset by lower RRSP savings

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A new report by Statistics Canada says automatic increases in registered pension plans are most helpful to people who don't save much in registered retirement savings plans.

The report found that for workers with annual earnings near the Canadian average, a \$1 automatic increase in registered pension plan contributions resulted in an average reduction in registered retirement savings plan contributions of 55 cents.

But for workers who did not save much in an RRSP, the \$1 automatic increase in registered pension contributions increased net savings by about 95 cents.

Meanwhile, for workers who save regularly for retirement, the \$1 automatic increase was largely offset by a similar reduction in RRSP contributions.

The Statistics Canada report looked at personal income tax data from 1991 to 2010 to see if increases in registered pension plans increased retirement savings or redirected savings that would have been made elsewhere.

The researchers were unable to assess how an automatic increase in registered pension contributions affected other forms of savings.