Editorial: Whatever else happens, Canadians need to start saving money again

June 20, 2016 – *The Globe and Mail*

People who lived through the early 1980s tend not to recall that era of double-digit unemployment, inflation and mortgage rates with much wistfulness.

Those years did constitute a golden age in one respect, though. Canadians socked away more money than ever before or since – 19.9 per cent of net income in the second quarter of 1982.

Today the figure is under 4 per cent, at the low end of G20 countries, and trending downward. Making it worse, the growth in Canada's household debt leads the industrialized world. Canadians simply aren't saving enough, and something needs to be done.

This is important for many reasons. Here's one: Economic growth is increasingly a function of consumer spending, itself a function of folks' willingness to go into debt. History and macroeconomic theory both dictate that interest-rate increases are inevitable in the medium term. So what then?

Ontario Premier Kathleen Wynne argues there is an urgent need for government to act on retirement savings by increasing public pension payouts, a contention disputed by pro-business lobbies and some provincial finance ministers.

It's true there are consequences to higher payroll taxes in the form of increased pension contributions, but the balance in this debate should favour those Canadians – perhaps as many as six million of them – who face the prospect of financial hardship in their retirement.

People used to be able to put money away thanks to the forced savings of paying down a mortgage. But, because of rising housing prices in major cities, this is available to fewer and fewer young people. Meanwhile, the number of employees paying into private or public pension plans is decreasing.

Ms. Wynne and others believe the best option is to expand the Canada Pension Plan, a position supported by three in four Canadians, according to a recent poll. Simpler and, perhaps, better alternatives may exist. Governments can coerce but they can also nudge (think: tax-free savings accounts).

But while there is a need to debate the question of what to do, the real issue is the urgency. At this point, the specifics of the answer matter less than the imperative to find one.