



Submission to the Standing Committee on Finance (FINA) in advance of Budget 2026

The Conference for Advanced Life Underwriting (CALU)

April 2026



List of Recommendations

That the federal government:

Recommendation 1: Promptly begin its promised review of the [corporate tax system](#), including a focus on small business taxation.

Recommendation 2: Promptly update [RRSP, RRIF and TFSA rules](#) to better support the financial needs of those saving for retirement and retirees.

Recommendation 3: Provide a temporary 35 percent refundable tax credit relating to the cost of [dental care](#) programs for employees of small businesses to be reviewed for effectiveness after three years.

Recommendation 4: Develop [pharmacare](#) using the same general approach as the federal dental plan: supporting those without prescription drug coverage while leaving workplace benefit plans intact.



Who we are

The Conference for Advanced Life Underwriting (CALU) is Canada’s national association for leaders in the life insurance and financial advisory industry. Along with our partner organization, Advocis, we speak for thousands of life insurance and financial advisors in every part of Canada whose role is to grow and preserve the financial well-being of Canadians and family businesses.

Our recommendations for Budget 2026 are intended to support the federal government’s priority of making life more affordable for Canadians. We offer measures focussed on small business owners, the retirement savings of Canadians of all ages, and health care.

Supporting small business owners

CALU believes that small businesses are the backbone of Canada’s economy. Accordingly, the federal government should help them grow their contribution to Canada’s GDP, employment and affordability through changes to the tax system.

Small business tax reform

In recent years, the federal government implemented several new tax rules governing small business owners and their private corporations including:

- Expansion of the tax on split income (TOSI) rules
- New passive investment rules
- New rules on intergenerational business transfers
- New Employee Ownership Trusts (EOT) regime
- Expansion of the capital gains rollover on a qualifying disposition of small business corporation shares

Considered individually, some of these tax measures may have benefitted certain types of businesses. Collectively, however, they have had – and are expected to continue having – adverse effects on many businesses and the broader Canadian economy. Impacts include the inequitable treatment of different types of businesses; a significant increase in business planning complexities and compliance costs; and disincentives to establishing and growing small businesses in Canada.

Canada’s corporate tax system hasn’t been fully reviewed in nearly 60 years. It is therefore timely for the federal government to undertake a comprehensive review of Canada’s small business taxation to reflect current economic, business and other realities. Doing so would also support the government’s commitment to “Conduct an expert review of the corporate tax system based on the principles of fairness, transparency, simplicity, sustainability, and competitiveness.”

Recommendation 1: The federal government should promptly begin its promised review of the corporate tax system, including a focus on small business taxation.



Enhancing Canada's retirement system

Millions of Canadians rely on and Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs) and Tax-Free Savings Accounts (TFSAs) to save for retirement and provide retirement income. However, recent affordability pressures in Canada have adversely affected both savers and retirees.

Challenges with RRSPs and RRIFs

Many younger people struggle to save for their retirement because of competing financial needs early in their working lives. Conversely, some older Canadians fear losing their retirement savings later in life because of the mandatory RRIF withdrawal requirement by the end of the year in which they reach age 71, regardless of financial need.

Seniors may find their savings significantly diminished due to taxes on required RRIF withdrawals and the loss of taxed sheltered growth within their RRIF. Mandatory RRIF withdrawals can also push some into a higher tax bracket and result in the loss of government benefits such as the Guaranteed Income Supplement (GIS). Requiring RRIF withdrawals during market downturns can also reduce retirement savings.

In June 2023, a report from Finance Canada on RRIFs and minimum withdrawal requirements was tabled in Parliament. While the report did not offer specific recommendations, it contains valuable information on how RRSP/RRIF rules might be modified to best meet the future needs of retirees, indicating that:

- The vast majority of RRSP holders wait until required to convert their RRSP to a RRIF and over 60 percent of those RRIF holders only withdraw the minimum.
- About half of RRIF holders earning between \$50,000 - \$100,000 only take minimum RRIF withdrawals.
- The average retirement age for Canadians has been increasing, particularly for the self-employed, and more people continue to work into their 70's.
- Life expectancies continue to increase, with more retirees living well into their 90's.

Evolution of TFSAs

TFSAs are becoming increasingly important for the retirement savings of Canadians, with individuals now contributing more annually to their TFSAs than RRSPs. Over the coming decades, total TFSA contributions are expected to surpass those to RRSPs, making TFSAs the single most significant component of Canadians' retirement savings.

Unlike RRSPs, current qualifying investment rules prevent TFSA owners from purchasing a non-commutable pay-out annuity within their TFSA and maintain a tax-free status. We believe this issue should be addressed to better recognize the role TFSAs can play in supporting guaranteed lifetime retirement income for seniors.



The way forward

As global and domestic economic conditions increase financial uncertainty, the case for improving the retirement savings options for all Canadians who rely on RRSPs, RRIFs, and TFSAs is growing stronger.

The federal government reacted to past market downturns with temporary adjustments to RRIF minimum payout rules. However, **we believe broader, long-term supports are needed to expand the saving options for both retirement savers and retirees – and in turn make life more affordable for Canadians.**

Recommendation 2: The federal government should promptly update RRSP, RRIF and TFSA rules to better support the financial needs of those saving for retirement and retirees by:

- 3.1 Allowing unused RRSP contribution room to be annually indexed to partially compensate for the loss of tax deferred savings due to delayed contributions resulting from other financial priorities.
- 3.2 Permitting RRSP contributions to continue to age 75.
- 3.3 Modifying RRIF payout requirements by:
 - 3.3.1 Allowing RRIF holders to exclude up to \$180,000 (indexed) from the application of the RRIF minimum payment formula until the individual attains age 85 similar to the purchase of an Advanced Life Deferred Annuity (ALDA).
 - 3.3.2 Deferring the requirement to convert an RRSP to a RRIF to age 75.
- 3.4 As with RRSP maturity options, allowing TFSA holders – upon reaching a specified retirement age (such as 60 or 65) – to purchase a non-commutable pay-out annuity within their TFSA to guarantee lifetime tax-free retirement income.

Strengthening Canada’s health care system

CALU supports the federal government’s broad intention to assist those who need, but cannot afford, dental care or prescription drugs through two recent initiatives – the Canadian Dental Care Plan (CDCP) and pharmacare.

The CDCP is now available to all Canadians who do not have access to dental insurance and have an annual family income less than \$90,000.

Pharmacare legislation was enacted in 2024 with the stated purpose of improving the access and affordability of prescription drugs and related products for Canadians. To date, the federal government has signed bilateral agreements with four provinces and territories to provide universal access to some contraceptive and diabetes medications, with others to potentially follow. The legislation commits the Minister of Health to “continuing to work toward the implementation of national universal pharmacare.”

As will be explained, we have concerns about the potential impact of the CDCP and pharmacare on private insurance plans and, consequently, on public finances and the long-term sustainability of these programs. Most Canadians currently have supplementary health insurance plans, including prescription drug coverage and dental plans, largely through their workplace. These plans make life more affordable for them. We believe that



gaps in dental and prescription medication coverage should be addressed by preserving what works well today for most and avoiding undue strain on public finances.

A) Dental care

We believe the CDCP, particularly as it applies to Canadians of working age (18-64), may inadvertently incentivize some businesses to drop their existing employee dental plans in favour of the CDCP. A survey conducted for the Canadian Dental Association in August 2025 substantiates our concern with 3 in 10 employers reporting being likely to modify coverage due to the CDCP.

This figure may increase over time as the CDCP becomes better known and employers have opportunities to change the dental care plans they offer.

We expect that small businesses will be most likely to discontinue their insurance coverage as they tend to incur higher costs for health and dental benefits and generally provide less generous benefits than larger corporations.

Inevitably, the offloading of private dental coverage to the CDCP will increase costs to the federal purse. Costs will also increase as some businesses that do not currently offer dental benefits will choose not to do so in the future given the availability of a public plan for their employees.

We believe the federal government should mitigate the unintended consequences of the CDCP on working Canadians and the public purse by offering a temporary financial incentive to employers to keep their plans.

The broad objectives of the financial incentive should be to ensure that:

- Small business dental plans are maintained and potentially enhanced.
- More small businesses offer dental coverage as an employee benefit to help their competitive position in the marketplace and the health of their employees.
- Budgeted CDCP program costs are not exceeded.

Recommendation 3: The federal government should provide a temporary 35 percent refundable tax credit in respect of the cost of dental care programs for employees of small businesses to be reviewed for effectiveness after three years. The credit should be designed to support small businesses with employees earning less than the \$90,000 family income qualifying limit under the CDCP.

Qualification would be based on the following criteria:

- **Type of business** – private corporations that qualify for the small business deduction, including farming and fishing corporations.
- **Access to coverage** – employer must offer dental benefits to employees as reported on T4 slips.
- **Duration** – the credit program would be temporary (e.g., three years) with a review at the end of the period.

Under this proposal, employers would continue to pay about 55 percent of the cost of dental insurance for their employees thus saving the federal government from paying 100 percent of the cost if the employer dropped its



dental coverage. It would also likely result in those employees receiving better dental coverage than what will be available under the CDCP.

Precedent for a proposal of this type exists in the United States where the Affordable Care Act – or Obamacare – included incentives and penalties to encourage employers to maintain health insurance coverage for all employees.

B) Pharmacare

The full implementation of universal pharmacare will be a long and complex process with many potential challenges. Still, we support the government’s continued efforts to help those without prescription drug coverage while ensuring that the private plans most Canadians have stay intact, and public funds are used judiciously.

The CDCP should serve as a general blueprint for the future of pharmacare as it fills the coverage gap for Canadians who need it while limiting eligibility to those already covered by private plans. Keeping employer health plans undisturbed helps more Canadians with more health conditions, while ensuring public funds are used to help those without prescription coverage.

Recommendation 4: The federal government should develop pharmacare using the same general approach as the CDCP: supporting those without prescription drug coverage while leaving workplace benefit plans intact.