

PART A: Introduction – What is a RRSP?

A RRSP (Registered Retirement Savings Plan) is a private savings plan to which a person can voluntarily contribute money, in order to build up a supplementary income source for their retirement years. People don't pay taxes on the savings in their RRSP accounts, or on any interest that is accumulated, unless or until they withdraw funds from it. However, depending on the nature of their RRSP account, a person may be able to withdraw funds from it to purchase a home without paying taxes. When a person saves money in a RRSP, they are given a "tax break." This means that people can deduct their RRSP savings from their income, allowing them to avoid paying income taxes on the funds they contributed to their RRSPs.

PART B: The Project – Analyzing the Federal Policy on RRSP Contribution Limits

The federal government policy on RRSP contribution limits (i.e., the maximum amount one can contribute to a RRSP) has promoted an increase in these limits for some time. According to Canada Revenue Agency data, RRSP contribution limits have risen consistently from \$13,500 in 2002 to \$22,970 in 2012, with plans to increase the limit to \$23,820 in 2013 (see <http://www.cra-arc.gc.ca/tx/rgstrd/papsapar-fefespfer/lmts-eng.html>). To some people, this seems like a fair policy that could benefit all Canadians. However, others have raised concerns that not everyone is benefitting equally from this policy and that important social inequities are being overlooked. For example, in 2005 Ellen Russell, a Canadian economist, made the following statement in an article in which she analyzed some consequences of the then Liberal government's policy to continue to increase RRSP limits in the 2004 federal Budget:

Giving [the rich] a tax break on their RRSPs and registered pension plans will cost the government \$180 million per year in forgone tax revenue when [the policy to increase RRSP limits] is fully implemented. This is money we won't have to spend on other things—like the public programs that do make a difference in women's [and men's] lives.

Suppose you are a part of a team of financial experts who have been called before a Parliamentary committee that is reviewing the increase of RRSP contribution limits in order to give an analysis of the impact of this policy on Canadians. Formulate an analysis of this policy by responding to the following three questions.

1. In your opinion, is the current policy of RRSP contribution limits socially just?

Provide mathematical and/or statistical evidence to support your position; make sure to consider the impact that the RRSP limit policy has on different *demographic groups* (i.e., groups differentiated by gender/sex, ancestral heritage/race, educational attainment, etc.) of Canadian citizens and residents.

Note: CANSIM is Statistics Canada's socioeconomic database, which is publically available. The following video explains how to choose and refine categories of data:
<http://www.statcan.gc.ca/about-apercu/video/cansim-eng.html>.

Independent economic policy agencies also provide reports involving statistical data related to a wider range of demographic groups. One such agency is the Canadian Centre for Policy Alternatives (<http://www.policyalternatives.ca>).

2. Using data on page 1 of the Canada Revenue Agency link given above, represent the data (without using a table) for RRSP contribution limits from 1991 – 2013. Focusing on the current trend, beginning in 2002, what function best models the trend and why? Using this function, what would be the future RRSP contribution limits in 2023 and 2063?
3. Provided the policy on RRSP contribution limits continues, and assuming the mathematical model you determined in question 2 is reliable, what do you believe will be some of the social consequences for different demographic groups in the future as a result of this policy?

PART C: Additional Information for Instructors Only
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Provoking Questions:

1. What are all of the major tax brackets in Canada? *Note: One need to expand the given tables in Stat Can to see a wider range of tax brackets in Canada.*
2. What tax-bracket would you need be in to benefit the most from an RRSP?
3. What percentage of the Canada's tax-paying population, are currently in the above tax bracket?
4. What are possible social inequities that may support income inequalities among different demographic groups?
5. Public programs can mean anything from health care to social services. Is it equitable for public programs to be supported by government revenue? Why or why not?

Examples of CANSIM tables (by title and table number):

See this link for a full list of CANSIM tables relating to "Income, pensions, spending and wealth"

<http://www5.statcan.gc.ca/cansim/a33?RT=TABLE&sortBy=id&themeID=3868&spMode=tables&lang=eng>

1. Distribution of total income of individuals, 2010 constant dollars [**Table 202-0402**]
2. Average female and male earnings, and female-to-male earnings ratio, by work activity, 2010 constant dollars [**Table 202-0102**]
3. Registered Retirement Savings Plan (RRSP) contribution, by contributor characteristics annual (percent unless otherwise noted). [**Table 111-0039**]

References:

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Pinto, L. & Coulson, E. (2011). Social justice and the gender politics of financial literacy education. *Journal of the Canadian Association for Curriculum Studies*, 9 (2), 54-85.

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Yalnizyan, A. (2008). *Budget 2008: What's in it for women?* Canadian Centre for Policy Alternatives. Retrieved from http://www.policyalternatives.ca/documents/National_Office_Pubs/2008/Budget_2008_Whats_in_it_for_women.pdf

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