

# GROWING Together

13th Series

## PAY YOURSELF FIRST!

### The Ethics of Retirement Planning

In 1996 the first members of the “baby boom” generation turned 50. Many of them now focused on how they were going to finance their retirement just fifteen years away—or sooner.

To learn how to do so, many turned to *The Wealthy Barber*. Since publication, David Chilton’s book has sold more copies more quickly than any other Canadian book. It provides practical advice on how to save and invest for a prosperous retirement. His #1 rule is “Pay yourself first”: deducting monthly savings from your pay cheque before planning your monthly expenses.

Another reason even twenty year olds are newly concerned about retirement planning is the widespread myth that the Canada Pension Plan is or will be insolvent. According to the government sponsored National Council of Welfare, this plan, started in 1966, currently pays out over \$21 billion annually and in 1995 earned an average of 11% on its investments. While it was never designed to be fully funded like private pension plans, it need not disappear unless governments disappear. As the the 1997 agreement between the federal and provincial governments illustrates, CPP can only be changed by an Act of Parliament and the agreement of seven provinces representing two-thirds of the Canadian population. As anticipated, the new agreement raises the contribution rate to ensure that it will never go broke.

A third reason for the panic is that more than 55% of all paid workers in Canada have no company pension plan whatsoever. According to Statistics Canada, while people working for a government agency are much more likely to belong to a pension plan, almost 70% of paid workers in the private sector have been excluded.

Anxiety over the prospect of a retirement in poverty has caused many middle and upper income Canadians to make contributions to Registered Retirement Savings Plans (RRSPs). In 1993, 26% of tax payers made these contributions, but the largest single group was made up of people who had the least need, those already earning over \$50,000. Lower income Canadians, with the most risk of living a retirement in poverty, are also the least likely to have RRSPs.

Scripture includes many stories of people who were anxious about how they were going to manage their lives. Luke’s gospel (10:25-28) records how Jesus answered one such question:

You shall love the Lord your God  
with all your heart, and with all your soul,  
and with all your strength, and with all your mind;  
and your neighbour as yourself.

Who is my neighbour? Jesus responded by telling the story of the good Samaritan (Lk 10:29-37). One of the characteristics of the new retirement panic is that we have ceased asking who is our neighbour and how do we love them. Instead, we ask only what is my plan to save myself.

Christians have always concerned themselves with the social welfare of the whole community. We have urged governments and social agencies to develop programs that provide as much social security for our neighbours as they provide for us. In this way we have sought to be faithful to the Great Commandment, recorded by Luke.

This moral compass of our faith requires a re-orientation of our concern in three ways:

1. We can lobby governments to expand the Canada Pension Plan to ensure that those among us relying on it alone will not have to live below the poverty line;
2. We can encourage businesses in the private sector to ensure that all of their workers (our neighbours) participate in a company pension plan; and
3. If we are lucky enough to be able to set aside extra money for our own retirement, we can donate an equal amount to a charitable group seeking to accomplish goals 1 and 2. In this way we will pay our neighbours as we pay ourselves.

Further information about pension reform can be found in *Improving the Canada Pension Plan and A Pension Primer*. Both documents are available free of charge from the National Council of Welfare, 1010 Somerset St. West, Ottawa K1A 0J9. See also Statistics Canada *Canada’s Retirement Income Programs: A Statistical Overview, and Pension Plans in Canada*.

GROWING TOGETHER is a series of five monthly Sunday bulletin inserts for the ecumenical education of Christ’s faithful.



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