

2015 FEDERAL BUDGET HIGHLIGHTS

The 2015 federal budget released yesterday in Ottawa contained a number of provisions that will affect Canadians with low-incomes and the community organizations working with them to provide financial empowerment supports. For more information, please see the [Budget in Brief](#) or the full [Budget Plan](#).

Financial Literacy Partnership Fund (\$10 million)

Canada's banks will establish a five-year Financial Literacy Partnership Fund of \$10 million to provide grants to eligible community organizations for projects that work to improve the financial literacy capabilities of Canadians. The proposed Fund is an important response to the current lack of funding for community financial education and will help to meet some of the current and growing needs across Canada. While further details about the proposed Fund are not yet available, Prosper Canada will be following up with the Canadian Bankers Association and the Financial Consumer Agency of Canada and will provide updates as more information becomes available.

Financial Literacy Strategy

The Government will release a National Strategy to strengthen the financial literacy of Canadians in 2015-16. This Strategy will set out goals and priorities to strengthen the financial literacy of Canadians throughout their lives.

Consumer Protection Framework for Banks

The government is proposing to introduce a new financial consumer protection framework for banks by amending the *Bank Act*. The new financial consumer framework will consolidate existing financial consumer provisions of the *Bank Act* and make the consumer protection provisions of the Act more transparent and consistent. The revised set of provisions will include:

- **Broadened general requirements for clear and simple disclosure of information**, and expanded use of summary information boxes for banking products and services.
- **Improved access to basic banking services by allowing a broader range of personal identification** to open an account.
- **Expanded prohibitions on certain business practices and cooling-off periods for a greater range of products.**
- **Expanded corporate governance requirements** so that boards of directors' duties relate to all consumer protection measures.

- **Improved transparency and accountability**, for example through enhanced public reporting on complaints and on measures taken to address the challenges faced by vulnerable Canadians.
- **A requirement that advertising be clear and accurate.**

A set of principles, enshrined in the *Bank Act*, will anchor the framework by setting out expectations to guide the conduct of banks. As part of their public reporting requirements, banks will report annually on how their business activities meet the spirit of these principles. The Financial Consumer Agency of Canada will ensure compliance.

Improving Take-up of the Working Income Tax Benefit (WITB)

The Government of Canada will examine initiatives to further increase awareness and take-up of the WITB. About 1.5 million Canadian families currently benefit from the WITB. This includes about 900,000 single individuals receiving average benefits of about \$700 and about 600,000 couples and single parents receiving average benefits of approximately \$1,000. However, some eligible workers may not be receiving benefits due to a lack of awareness of the credit or difficulty in making a claim.

Increasing the Tax-Free Savings Account (TFSA) Annual Contribution Limit

The government proposes to increase the TFSA annual contribution limit to \$10,000, effective for the 2015 and subsequent taxation years. In this context, the annual limit will not be indexed to inflation. It is estimated that this measure will reduce federal revenues by about \$1.1 billion over the 2015–16 to 2019–20 period.

Lowering the EI Premium Rate in 2017

The government will reduce Employment Insurance premiums for over 16 million Canadians in 2017. Beginning in 2017, any cumulative surplus recorded in the EI Operating Account will be returned to employers and employees through lower EI premium rates. This is expected to result in a substantial reduction in the EI premium rate, from \$1.88 in 2016 to an estimated \$1.49 in 2017, a reduction of 21 per cent. It is estimated that the savings from this rate reduction will benefit over 16 million Canadians, including about 2.6 million Canadians who pay no federal income tax.

Expanding Low- and Middle-Income Students Eligibility for Canada Student Grants

Starting in 2016–17, the government will provide \$184 million over four years to expand eligibility for Canada Student Grants to students in short-duration programs. Beginning in 2016–2017, Canada Student Grants will be made available to qualifying low- and middle-income students enrolled in educational programs with a minimum duration of 34 weeks. Currently, students must be enrolled in an educational program with a minimum duration of 60 weeks to qualify. The expansion will help approximately 42,000 additional students per year, including approximately 22,000 students at private career colleges, gain eligibility to Canada Student Grants.

Making Canada Student Loans Work for Families

The government will provide \$119 million over four years, starting in 2016–17, to reduce the expected parental contribution under the Canada Student Loans Program needs assessment process. The Canada Student Loans Program currently assumes that parents will contribute a specific amount to their dependent child's education, but not all parents have the financial flexibility to do so. As a result, some postsecondary students receive less support from the Canada Student Loans Program or none at all. Reducing the parental contribution better recognizes the financial realities faced by Canadian families. This measure would provide increased support to approximately 92,000 students.

Enhancing Canada Student Loans

The federal government will provide \$116 million over four years, starting in 2016–17, to eliminate in-study student income from the Canada Student Loans Program needs assessment process. Whether it is to help cover the costs of tuition, housing and basic necessities, or gain valuable job experience, many students work while studying at post-secondary institutions. The Canada Student Loans Program currently reduces support to working students for every dollar earned above \$100 per week. This change will remove this penalty for working by eliminating in-study student income from the Canada Student Loans Program needs assessment process. This ensures that students can work and gain valuable work experience while attending school, without having to worry about a reduction in their financial assistance. An estimated 87,000 students would receive increased loan amounts.

Removing Financial Barriers to Foreign Credential Recognition

The federal government proposes to reallocate up to \$35 million over five years, starting in 2015–16, to make the Foreign Credential Recognition Loans pilot project permanent to support internationally trained workers in their pursuit of foreign credential recognition. Thirty-six per cent of immigrants encounter financial barriers to completing the foreign credential recognition process. In 2011, the Government introduced the Foreign Credential Recognition Loans pilot project to provide loans to foreign-trained individuals to help cover the costs of the credentialing process. Under the first two years of the pilot project, nearly 1,500 loans totalling \$9 million were disbursed. Building on this success, the government proposes to make the Foreign Credential Recognition Loans pilot project permanent.

Extended Compassionate Care Benefits

The federal government will invest up to \$37 million annually to extend the duration of Compassionate Care Benefits from the current six weeks to six months, as of January 2016. Through the Employment Insurance program, Compassionate Care Benefits provide financial assistance to people who have to be away from work temporarily to care for a family member who is gravely ill with a significant risk of death.