THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA
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By e-mail to Hebert.michelle@fin.gc.ca

November 6, 2008

The Honourable Jim Flaherty
Minister of Finance
Department of Finance
31st Floor, East Tower
140 O'Connor Street
Ottawa, Ontario K1A 0G5

Dear Minister:

Re: Congratulations on Re-appointment and Priority Issues – TFSAs and RRIFs

On behalf of The Investment Funds Institute of Canada (IFIC), I would like to congratulate you on your re-appointment as Minister of Finance. Your knowledge and experience are welcome in this period of challenging financial conditions and you can rely on the support of our industry in your efforts to help maintain market stability.

We know that there are many demands on the government at this time and therefore we are only highlighting the following two priorities, which we hope that your Department will consider in the coming weeks for the benefit of Canadian investors:

1. **Tax-free savings accounts (TFSAs):** It is important for a successful launch of TFSAs, and for Canadians' ability to save for their own futures, to have the legislative proposals that were issued on July 14, 2008 tabled in the House of Commons as soon as possible. **We hope that the July 14 legislation will be given Royal Assent by year-end before TFSAs formally launch on January 1, 2009.**

2. **Registered retirement income funds (RRIFs):** We believe that there will be considerable pressure to offer tax relief to Canadians who have, for now, seen their investments drop considerably in value. We asked Finance to revisit the minimum factors for RRIFS earlier this year and previously had requested an extension to age 73 as the age when seniors had to convert RRSPs into RRIFS. This was to reflect that Canadians now are retiring later and living longer than was the case in 1993 when investment returns were higher and RRIF minimums were brought to current levels.

   A number of parties, notably the Canadian Association of Retired Persons (CARP), pressing for a moratorium on mandated withdrawals from RRIFs so that RRIF-holders are not forced to divest further in this severely depressed market. As you know, RRIF minimum withdrawals are based on market values at the start of the year and major North-American stock exchange indices have fallen by a third since January 1. This means mandatory withdrawals would be less next year. However, the requirement that would have lead many seniors to have sold investments to meet above-market-value withdrawal amounts in 2008, coupled with the need for many seniors to cash in more holdings at an exceptionally low value in 2009 for basic living necessities, may well leave some at significant risk of depleting their capital. Extending the conversion age and/or altering the minimum withdrawal factors would help address these problems in some measure and is consistent with February 2008 recommendations from the C.D. Howe Institute. The Institute called for changes to current measures "that inhibit older Canadians from saving and spending according to their individual needs." We support the need for those changes.

We would be happy to meet with you to discuss the easiest way – given complex industry systems – to suspend the requirement to withdraw RRIF minimums during this current period of market uncertainty. Withdrawals for many seniors are monthly and automated to start within less than two months' time. We also recommend a review to consider a revised approach or complete removal of minimum RRIF withdrawal requirements after any moratorium expires.

Thank you for your consideration of these matters.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

Joanne De Laurentiis
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