



Special Report

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Health and Education Savings Plans

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When the finance ministers meet in Prince Edward Island on June 13-14, we encourage them to discuss the creation of a dedicated savings plan for health care (i.e. a Registered Medical Savings Plan), and tax-free transfers from an RRSP or RIF to such a plan and/or to a Registered Education Savings Plan. Given the growing cost of health care and education, raising incentives for individuals to dedicate savings to these areas is worth considering, especially if it can lighten the burden on public sector outlays.

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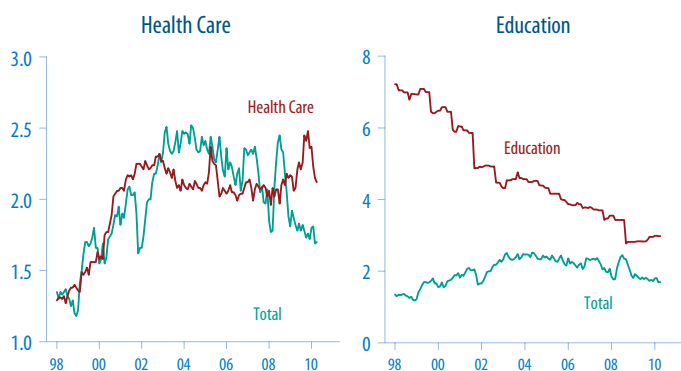
Health care and education prices are both outpacing overall consumer price increases in Canada. Over the past five years, health care prices have risen at a 2.1% annual rate while

education prices have advanced at a 3% annual rate, both above the overall 1.7% rate of consumer price inflation (*Chart 1*). This rising burden, especially for health care, will be even heavier in coming years. Not only are prices rising relatively quickly, but the share of consumer expenditures on health care is on the rise, and should continue to do so as the population ages. Canadians allocate almost 6% of their total spending to health care and medical services, up from less than 3% in the mid-1970s (*Chart 2*). The share of spending on education has also been on rise since the early-1980s.

Health care also makes up the largest share of provincial government program spending. For example, 37% of Ontario's program spending is allocated to health care in FY2010/11, or an even larger 45% in Quebec. Many provincial governments are now facing the challenge of containing health care costs as they try to strengthen finances in coming years. For example, Ontario will target 3% annual growth in health care spending versus 5.3% growth over the past five years.

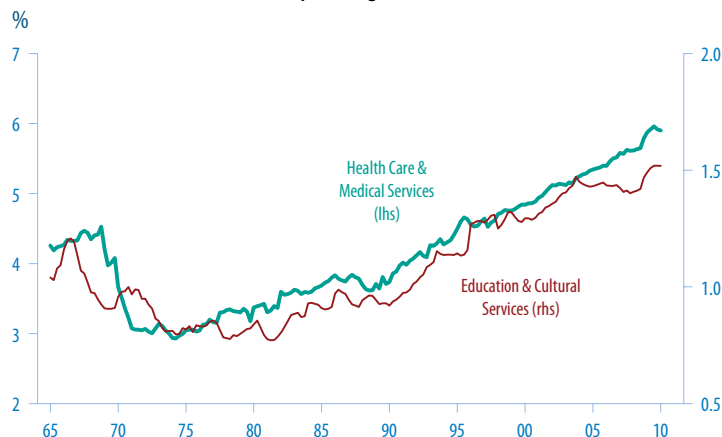
The bottom line: Tax-free transfers from an RRSP or RIF to Registered Medical Savings Plans and Registered Educations Savings Plans would help contain public sector outlays for these growing costs.

CHART 1
COST PRESSURE
Consumer Price Index (5-yr % chng: a.r.)



Source: BMO Capital Markets

CHART 2
GROWING SHARE OF WALLET
Share of Canadian Consumer Spending



Source: Statistics Canada

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