



February 11, 2008

The Honourable James Flaherty  
Minister of Finance  
House of Commons  
Ottawa, Ontario  
K1A 0A6

**Sent by electronic mail**

Dear Minister Flaherty:

Subject: Pre-budget consultation for 2008 Budget

Independent Financial Brokers of Canada (IFB) welcomes the opportunity to provide this government with input to the development of the 2008 federal budget.

To provide context to our remarks, IFB is a professional, not for profit Association which represents approximately 4,000 licensed financial advisors across Canada. The majority of our members provide advice and products to consumers related to life/health insurance and mutual funds. A smaller number would be securities registrants, or licensed in other financial fields.

The advisors we represent are self-employed small business men and women who provide clients with access to a range of financial products from a variety of providers. Our organization is dedicated to supporting the continued viability of the independent channel of product distribution and advice. We believe, as do our members, that their independence – the ability to source products from a range of companies to meet a client's financial needs, rather than promote the product of one provider – is a very effective contributor to ensuring consumers receive the highest quality of advice and most suitable product.

It stands to reason that because of the work they do, our members are intimately aware of their clients' financial circumstances and see first hand the impact that tax changes affecting personal income have on their clients' financial stability. In this regard, we offer some suggestions as to areas of improvement for individual taxpayers.

In addition, we offer input from the perspective of those who operate small businesses in communities across Canada, whether large or small, rural or urban. In this regard, we provide some suggestions to improve the sustainability of this essential and vibrant contributor to the Canadian economy.

As we are all aware, Canada will face a dramatic shift in demographics as a significant portion of the population will reach retirement age over the next number of years. This shift will mean a much smaller working population will be available to support the tax base. As the baby boomers currently in the workforce begin to retire, or reduce their work load in large numbers, there will be a corresponding reduction in income from taxes received by federal and provincial governments. At the same time, there will be an increasing strain on public health care and the number of health care providers required to administer to this aging group. We feel Budget 2008 can help to address these issues in several ways.

1. Reduce personal and small business taxes

While this government has taken steps to reduce the tax burden, our members continue to identify this as a major concern.

Many Canadians do not regularly contribute to a RRSP or do not take advantage of their full contribution limit. With an increasing number of working Canadians not covered by a pension plan, it is important that the government encourage them to save for their retirement years. Reducing tax rates will permit more individuals to prepare for their own financial future by contributing to RRSPs, ensuring they have appropriate insurance coverage and making other investments. Allowing these individuals to top up their contributions to the C/QPP would be a progressive option, as would renewing this government's promise to find a more attractive solution to the current tax treatment of capital gains.

More individuals will be exploring non-traditional employment situations, such as remaining in the workforce on a reduced basis after retirement. Others may seek to start their own business. At the same time, a shortfall of skilled workers is predicted. We see that the government should ensure that those who seek to remain in the work force should not be discouraged by over-taxation. The current income tax structure will need to accommodate and encourage these emerging work trends, so that the Canadian economy can benefit from their contribution.

Government needs to address ways to reduce the financial strain on small businesses and encourage growth in this key segment of our economy. Our members, who are self-employed small business owners, need practical solutions. The insurance industry is faced with the challenge of attracting new entrants and as a result our members have many concerns around succession planning and ensuring continuity of service for their clients. Government initiatives aimed at alleviating these concerns would be welcomed. This could include measures which would simplify the sale of their practice to other family members, for example.

## 2. Reduce the regulatory burden

While we recognize that the regulation of insurance is a provincial matter, we wish to note that in general all Canadian regulators should be jointly working toward reducing inter-provincial/territorial barriers to business. Our members are often confronted with uneven regulatory requirements when trying to serve clients in different jurisdictions. Harmonization is urgently needed. Where possible, the federal government should provide support and leadership in addressing these barriers to business. We note that in a recent report by the federal Competition Bureau, it found that regulations can impede competition and consumer choice by raising barriers such as those related to qualifications, restricting mobility and placing limits on pricing and compensation, to name a few. It is incumbent on regulators, the Competition Bureau's report says, to ensure that any new regulations are efficient and achieve the goal of consumer protection while not unduly inhibiting competition.

Compliance with existing and new regulatory requirements is increasingly difficult and time-consuming for our members. The time spent on compliance related activities represents significant lost productivity and increased costs. The financial services industry in Canada, and by extension its intermediaries, is very highly regulated. Any new regulatory proposals should be subject to a full cost-benefit review to ensure that they will meet an identifiable need, in the least intrusive and most cost efficient manner possible.

## 3. Continue support for the separation of life insurance and retail banking

We appreciate the support this government has given to maintaining the separation of life and disability insurance and retail banking. We believe this separation serves consumers well.

We also believe that anyone marketing insurance to consumers should be duly licensed, which is not currently a requirement for all bank employees involved in the sale of creditor life and disability insurance. Insurance brokers, like our members, must be licensed to distribute life/health insurance products and provide advice to the public. They are subject to stringent regulatory requirements, which include adhering to a set standard of market conduct rules and maintaining errors and omissions insurance.

As a result, our members are very concerned about the marketing of creditor life and health insurance to the public. This product is often sold in conjunction with a mortgage or loan by bank employees. Problems have arisen due to the lack of transparency regarding the product being purchased. Often consumers have not been told that unlike traditional life and disability insurance, this type of insurance is underwritten only at the time of a claim and may be rejected. Consumers believe that they are paying premiums for insurance which will protect them in the event they cannot make their mortgage or loan payment. We draw this to your attention because the Canadian Council of Insurance Regulators currently is reviewing this issue and we believe there should be a similar undertaking by the federal government with regard to the banks. This presents an excellent opportunity for both levels of government to work together to ensure consumers are adequately informed and protected - regardless of where they go to obtain insurance.

This concludes our submission. We thank the government for the opportunity to present our views on behalf of the members of Independent Financial Brokers of Canada and look forward to similar opportunities in the future.

Respectfully submitted,



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