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New Ingredients for the Fiscal Pie

Governments know all too well how to identify problems. They are less good at taking action to tackle these concerns. Governments often fail to act – or more frequently take only baby steps – even though they recognize that their interventions could reduce significantly the frequency or impact of a given problem.

There are countless reasons for this err-on-the-side-of-caution approach to public policy. But the most common chorus in the 'why-we-can't' chant is lack of funds. Governments simply do not have the funds, so they say, to intervene at the current time (or ever – hear the fine print). The song is sung even in the face of balanced budgets with billions of surplus cash.

While predictable, the short-of-cash mantra is unfortunate. Canadians want fiscal responsibility. But they also want intelligent and strategic government. Instead of continually lamenting a fiscal pie too small, perhaps it is time to explore some of the ingredients that can make it bigger. Maybe we can begin to craft new savings and investment vehicles to raise the capital that we claim is in constant short supply.

A group of families with children with disabilities has done just that. They put together an intriguing proposal for harnessing collective assets for one area of need: disability. The group is called PLAN (Planned Lifetime Advocacy Network) – and here's just one part of theirs. It is an idea in a range of possibilities whose merits we should be debating seriously as a nation.

PLAN has proposed the creation of a National Disability Investment Fund to help build communities that include people with disabilities as participating citizens. While only families that could afford to would contribute (if they wish) to the proposed fund, the entire country would benefit. Families would use their collective financial resources to secure the future safety and well-being not only of their own relative but also of individuals with no families to assist them or whose families have modest assets.

Families with sufficient resources would be encouraged to contribute a designated maximum to a National Disability Investment

Fund through tax-assisted savings. The amount would be deducted from their income just like a contribution to a registered retirement savings plan (RRSP), providing a savings in their income tax. The Fund also might hold and invest the assets currently held in discretionary trusts in respect of a child with a disability as well as other private and registered investments, such as RRSPs or registered retirement income funds (RRIFs). PLAN estimates the total value of discretionary trusts that will be established over the next 20 years at $15 billion.

The federal government would designate the tax-assisted contributions as a pool of capital, which would be invested much like the current Canada Pension Plan (CPP) Fund. Under the CPP, contributions are levied on employment earnings and directed into a common fund. The monies are then invested in securities to earn revenue. The difference between the CPP Fund and the proposed National Disability Investment Fund is that the former is a compulsory contribution in respect of retirement. PLAN, by contrast, proposes a voluntary deduction in respect of persons with disabilities.

A percentage of the resulting revenue held in the National Disability Investment Fund would be used to help families build networks of caring individuals around their relative, for whom isolation and loneliness are often the greatest challenge. Parents would ensure – especially after their death – that their child has a committed circle of friends to help find stable accommodation, assistive devices or supports, and education, training or employment. The Fund also could be used to finance individual advocacy and trustee services for persons with disabilities without families or whose families have limited assets.

So why would anyone want to pay into a National Disability Investment Fund? First, their contribution would be tax deductible, providing a financial incentive to save. PLAN notes that the encouragement of private savings carries for families a strong message of self-sufficiency and resilience. It helps move away from the welfare mentality in which they must plead cap-in-hand for assistance.

The approach is also consistent with a new set of public solutions being cast as 'asset-based' policy. This approach seeks to identify and build upon individual, family, community and corporate assets – which typically are ignored or undervalued in current service frameworks.

The private savings and accumulated capital held in the proposed Fund would not replace current public programs and services in support of Canadians with disabilities. The role of government as agent of the public good would remain intact. The proposal basically strengthens this role by expanding the range of assets available for public investment. *The combination of private savings and public investment would complement a solid core of public services*.

Another benefit: Most families with children with severe disabilities know how crucial it is to help each other. Many understand all too well the exhaustion of 24/7 caregiving. They face the pressure of organizing the present while planning the future. They would be helping each other build caring networks.

But the proposed Fund moves well beyond social investment for a humane society. It is a more than a fiscal instrument to encourage savings. The private savings/public good fund is an idea that matters – because it suggests significant new ingredients for the fiscal pie. While the precise recipe may change, the end result would be the same: The national pantry no longer would be forever bare.

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