

NEWS RELEASE

Canada's aging population could push government deficits to \$143 billion by 2045

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For immediate release

VANCOUVER—Canada's aging population will put significant stress on government spending programs, which will result in large deficits and mounting debt in the future, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"The population is getting older, but governments across Canada are doing very little to prepare for the major spending increases and reduced revenues that are coming as a result," said Jason Clemens, executive vice-president of the Fraser Institute and co-author of *Canada's Aging Population and Implications for Government Finances*.

The study finds that from 2010 to 2063, the share of the Canadian population over the age of 65 will increase from just under 15 per cent to more than 25 per cent, which will necessitate increased government spending.

For example, health-care costs are nearly four-and-a-half times greater for people over 65 than those who are between the ages of 15 and 64. In 2014, governments spent \$11,625, on average, per senior compared to just \$2,664 for Canadians aged 15 to 64.

By 2045, government health-care costs will be an estimated 57 per cent higher than in 2016, after adjusting for inflation.

Likewise, federal government transfers to seniors—such as Old Age Security and the Guaranteed Income Supplement—are also forecast to increase 47 per cent by 2045 above the current \$48.3 billion cost.

In fact, by 2045, the increased spending on health and senior transfers alone could total \$107 billion above this year's total.

Crucially, these increased costs will come at a time when more and more Canadians retire and the labour force participation rate is projected to decline.

Effectively, millions of Canadians will leave the workforce and not be replaced, which will slow economic growth and make it harder for governments to raise the revenue required to pay for the increased program costs.

Consequently, the aging population will increase deficits for federal and provincial governments to an estimated \$143 billion by 2045—three and a half times larger than total federal and provincial government deficits in 2017.

"We are already starting to see a growing fiscal imbalance between government spending and revenues as a result of Canada's aging population," Clemens said.

"Governments will have a stark choice to make—either reform spending programs, enact policies to improve economic growth, run deficits and accumulate debt, and/or raise taxes. The simple math tells us there are no other options."

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