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Strategies for recession

July 22, 2008

Re:Recessions hit the poor the hardest,

Opinion July 18

Carol Goar's column brought welcome attention to the role recessions have played, since 1950, in increasing income inequality among Canadians. This pattern is expected to continue during the current downturn, especially as the nation faces a shortage of skilled workers and drastic cuts in funding for traditional social assistance programs.

Within this context, new emphasis should be placed upon the benefits of Tax-Free Savings Accounts. TFSA's are a new savings vehicle that allows individuals to shelter \$5,000 in investments a year tax free. They should encourage Canadians to increase the amount they save and invest and, in the process, help to protect themselves from the effects of economic downturns.

Similar to TFSA's are Lifelong Learning Accounts, which are becoming popular in the U.S. They are employer-sponsored, portable, matched accounts used for education and training. The idea is that workers contribute regularly to a LiLA account that employers would match dollar-for-dollar, up to an established annual cap. The funds would then be used by workers for classes that teach skills that meet the needs of the economy.

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