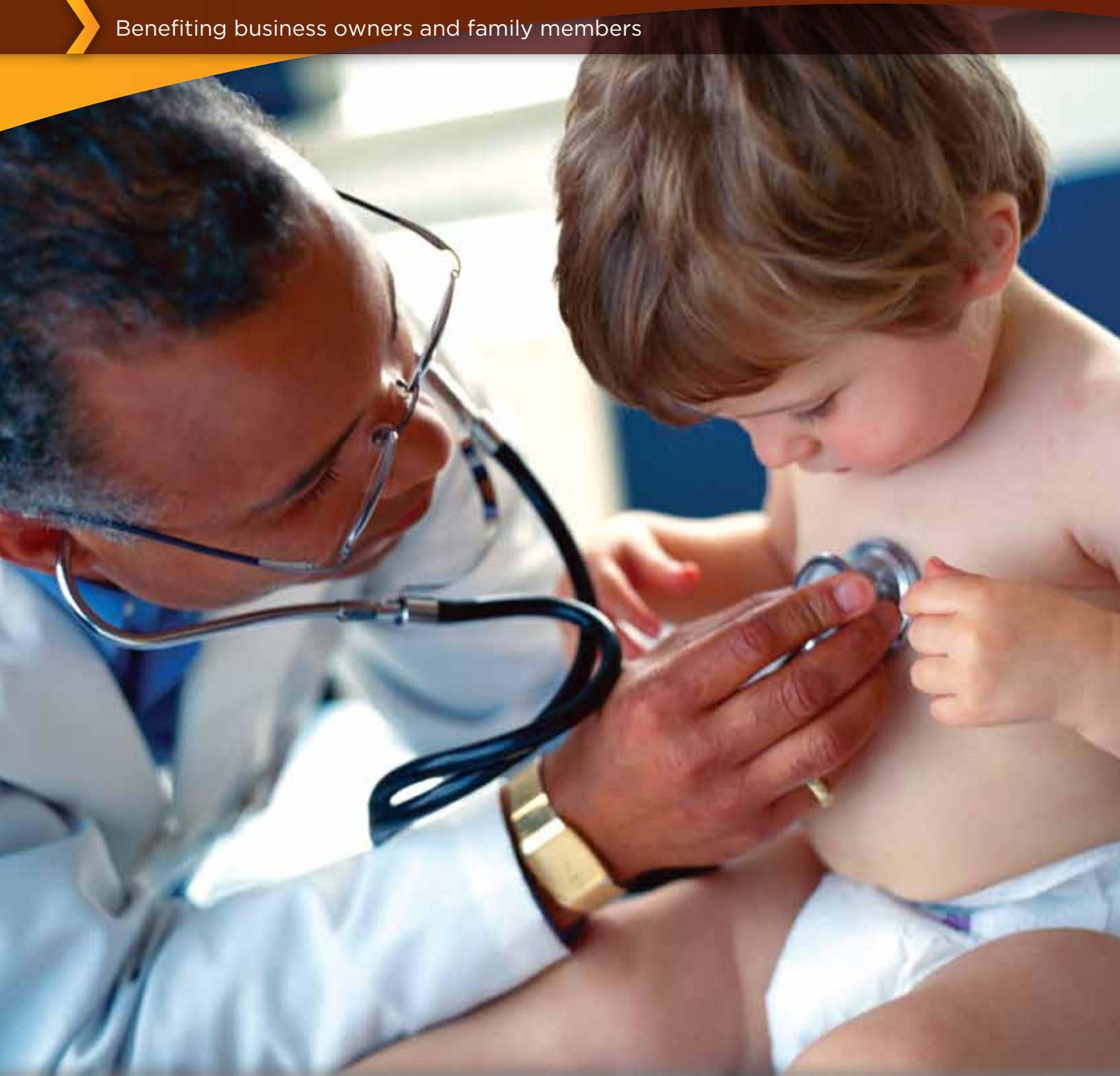


Private Health Services Plan (PHSP)

Benefiting business owners and family members





What is a PHSP?

A Private Health Services Plan allows you to expense your medical and dental costs (for you and your employees) through your company. In 1988 CRA (Canada Revenue Agency) stated that if your medical and dental benefits are administered through a third party arms-length administrator, they can be 100% tax deductible to your company. These benefits are also not a taxable benefit to you or your employees. This means with a PHSP you are able to have the PHSP administrator administer your benefits plan and you can have the maximum tax savings possible.

Who is Eligible?

If you have an incorporated business, limited company or sole proprietorship you qualify. The size of your business does not matter. You could be the only employee or you could have numerous employees.

If you are a sole proprietor; to qualify for this deduction you must meet one of the following parameters:

1. Your net income from business in which you are regularly and actively engaged must represent at least 50% of your net income for the year.
2. Your net income from sources other than business does not exceed \$10,000.

Are There Other Benefits?

Some PHSP's also provide access to travel and catastrophic insurance, queue-jumping insurance, non-medical insurance such as critical illness, disability insurance & life insurance.

How Does it Work?

Once you have enrolled your business you can start submitting claims immediately. See example below.

1st You pay your health or dental expenses as you normally would.
e.g. You pay your dentist \$1,000

2nd Your employer or your company then sends the PHSP administrator (the plan administrator as required by the CRA) the receipt and a cheque to cover the expense, along with a 10% administrative fee both of which are 100% tax deductible.
e.g. Company pays PHSP administrator

\$1,000.00	Dental Expenses
\$100.00	Admin Fee
\$5.00	GST (only on admin fee)
\$1,105.00	

3rd The PHSP administrator then provides the employee personally with a tax-free reimbursement of the expense incurred and sends the company a tax receipt for the full expense and the 10% administration fee to claim as a business expense.
e.g. You receive your \$1,000 reimbursement tax-free and the company receives a receipt for \$1,105.00 which is 100% tax deductible to your business.

4th Your company can claim a business expense equal to the full medical expense, plus the administration fee, and reduce taxable income.



There Are Only 3 Ways to Pay for Health Care Expenses

1. Paying from your personal bank account (paying out of pocket)
2. Traditional insurance with monthly premiums
3. Your company paying these expenses by using a Private Health Services Plan

Traditional Insurance

Traditional insurance is when you pay a monthly premium, month after month even if you never make a claim. If you do have a claim there is a good chance that you will still have to pay a deductible or co-payment; meaning you are rarely covered for 100% of the services you need. For example, you may have 100% dental coverage but only on scaling, cleaning, fillings, examinations and polishing. If you need a crown or some other specialty item you are only covered at 50%. What if your child needs braces? Are they fully covered? Often not!

In reality you could be paying up to \$1.60 for every \$1.00 in health care expenses. When you purchase health insurance you typically do so because you would like to be able to have your health and dental costs covered by the insurer, so you don't have to pay out of pocket. Shouldn't this mean that you would spend less money? Actually you spend on average 60 cents over and above every dollar worth of benefits you receive. If you end up using more coverage dollars yearly than you pay in premiums then your premiums will go up.

Paying Out of Pocket

We all know that money we earn through our work whether it be from an employer or through our own companies is taxed. What do I need to earn to actually pay my bills? We all have the ability to write off a small portion of medical and dental expenses on our personal tax returns. The tax credit is minimal and only available when expenses exceed certain thresholds.

e.g. Bob earns \$75,000/year. His family has \$2,000 in health expenses.

\$3,125.00	Pre-tax earnings
<u>\$1,125.00</u>	Income tax
\$2,000.00	Total health expense

It costs Bob **\$3,125 in pre-tax income** to pay for his \$2,000 health expense!

> With traditional insurance, you spend on average 60 cents over and above every dollar worth of benefits you receive.





www.wealthco.ca

210, 200 Quarry Park Blvd SE
Calgary, Alberta T2C 5E3

Main Office: 403.537.5853 Fax: 403.252.3020