



## **SALARY CONTINUATION PLAN & GROUPED INDIVIDUAL CRITICAL ILLNESS INSURANCE What They Are & Why They Work So Well**

This is a quick summary of how these plans work. To see how these plans can benefit your business or your employer a more customized discussion is required. Happy reading!

A Salary Continuation Plan (SCP) is a method of having individual disability insurance policies grouped together whereby the employer pays the premium on behalf of the employees.

Grouped Individual Critical Illness Insurance operates on the same principles as the SCP.

### **The Benefits to Adding Additional Expenses to the Overhead**

- The premium is considered a tax deductible business expense when following the guidelines set out by the Canada Revenue Agency. The premium however is not a taxable employee benefit so it's a win-win for employer and employee.
- Attract and retain top talent key people.
- Helps avoid the cost of continuing salary payments for a critically ill or disabled employee. It minimizes the possibility of low company morale as the affected employee has an income stream and thus, no need to complain to other employees about the employer's lack of sensitivity to their plight. Employees on the plan

have greater peace of mind and company engagement as they feel protected and taken care of by their employer.

- It is generally less expensive for the employer to pay the premium under a grouped arrangement rather than increase employee income to net the payment on an individually owned plan. Under a SCP each individual qualifies for a premium reduction. In addition a group premium reduction may also apply on plans with 3 or more individuals.
- Under the SCP the monthly disability income is taxable in the hands of the employee. Why is this a good thing? As the income is taxable it allows for more RRSP contribution room to be created. Also the monthly benefit purchased under the plan can be higher to offset the taxes due on benefits paid out during a claim.
- The coverage is portable if the employee leaves the company. The employer (owner) transfers ownership of the policy to the insured in writing. A wonderful parting gift to ensure that there is goodwill if the departure is under good terms between employer and employee.

### **Business Owner Solutions: Manage risk for you, your employees and your business**

For these plans to work they require at least two participants. Owners/shareholders may be eligible for coverage in relation to the salary they receive from the employer. They can be set up for all employees or all employees in a selected class of employees (e.g. senior executives).



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To have a deeper conversation about how this subject will affect your business, please contact:

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