

Protect your lifestyle, your business and your key people

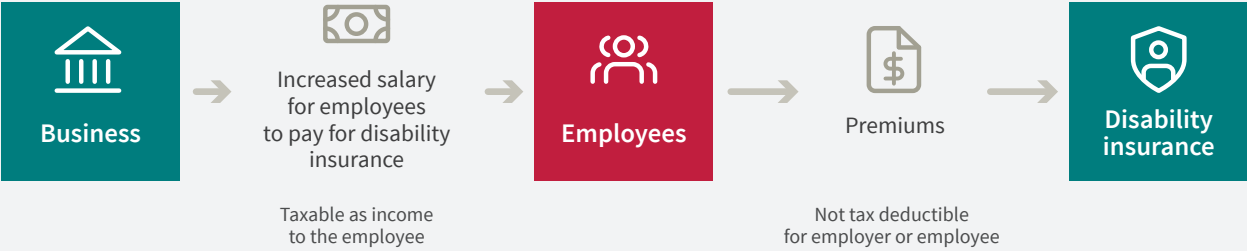
You and your employees are critical to the success of your business. If an illness or accident stopped you or your employees from working, it could significantly impact your business and your lifestyle. Purchasing disability insurance can help protect the business from increased expenses in the event one of your employees becomes disabled. Most importantly, you've insured the key people instrumental to the continued success of your business.



Save with a Wage loss replacement plan

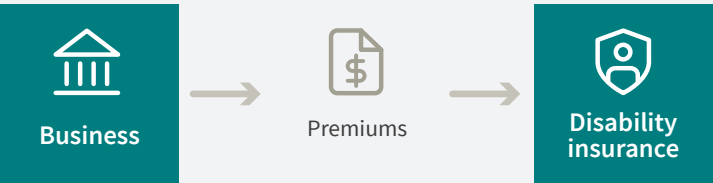
A Wage loss replacement plan¹ is a way for your business to own and pay for a group of individual disability policies for employees² (at least two people must be insured by the plan) where premium payments can be written off as a tax-deductible expense.

Employee owned and paid disability insurance



88-2428

With the Wage loss replacement plan



Tax deductible for the employer;
No extra salary required for employees to pay premiums

Individual disability insurance benefits the insured. Whether personally owned or set up as a Wage loss replacement plan, its definitions and flexibility offer added personal and financial protection.

Who can be covered?

Employees, including shareholder-employees³, of corporations may be covered under a Wage loss replacement plan. In the case of partnerships or sole proprietorships, only employees may be covered. The employee's salary, wages, commissions and bonuses are included as earned income when calculating coverage. For owners of the corporation, corporate profit can be covered with a separate, individually owned policy.

Wage loss replacement plan benefits



For the employer

- ✓ Non-cancellable contract with guaranteed premium
 - Allows you to better plan your expenses unlike group disability plans where premiums may increase
- ✓ Insurance benefit pays employee's salary while off on disability
- ✓ Strong employee benefit/employee retention strategy
- ✓ Premiums are tax-deductible
- ✓ Employer selects employees (designated by category, usually related to salary or job level/ position) to be covered
- ✓ Flexible choice of benefits for different categories of employees



For the employee (the insured)

- ✓ Employer pays the premium
- ✓ Premium isn't a taxable benefit to the employee
- ✓ Coverage may be portable if employment ends

Comparing Wage loss replacement plans to other individual disability insurance

Premium payment method	Premium tax-deductible?	Premium included in employee's taxable earnings?	Tax on monthly disability benefit?
Personally paid, personally owned	No	No	No
Employer paid, personally owned	Yes, by the employer (since it is reported as part of the individual's personal income)	Yes (reported on the individual's T4 as a taxable benefit)	No
Wage loss replacement plan	Yes (by the employer)	No	Yes

¹ When properly implemented a grouped arrangement would be considered a group sickness or accident insurance plan for income tax purposes.

² Where any of the insureds under the Wage loss replacement plan are both a shareholder and an employee, this summary assumes coverage is provided to each insured as an employee, not as a shareholder. Where an insured is a shareholder, Canada Revenue Agency presumes premium payments made by the employer to be received as a shareholder benefit unless there is evidence to the contrary. For specific situations, we recommend consulting a tax advisor.

³ For premiums to be tax deductible under a Wage loss replacement plan, the plan must be established for salaried employees only. Where an individual is an employee and shareholder, the shareholder-employee should only be insured for the salary they receive from the corporation. If a shareholder-employee has other types of income, such as corporate profits, the non-salary income will not qualify under a Wage loss replacement plan but could be considered for insuring under an individually owned disability insurance policy.

Wage loss replacement plan savings: value of using corporate dollars

Assumed annual cost	Personally owned and paid disability insurance policies	Individual disability insurance policies through a Wage loss replacement plan
Premium	\$ 8,000	\$11,500
Personal tax Amount employer may pay the employee to help ensure after-tax income covers the premium. Assumed tax rate is 50%	\$8,000	N/A
Business expense before taxes	\$16,000	\$ 11,500
Corporate tax savings Tax recovered by the employer. Assumed tax rate is 15.5%	(\$2,480)	(\$1,782.50)
Net cost to the business	\$13,520	\$ 9,717.50
Savings with a Wage loss replacement plan		\$ 3,802.50







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Employees of corporations, partnerships or sole proprietorships may be insured under a Wage loss replacement plan. To qualify, the employer named as owner of the individual policies under the Wage loss replacement plan must pay the employee's salary. Also, coverage must be offered to all employees within a select category (e.g., administrative, senior executive, etc.). All employees within that category must have a common factor, such as job classification or duties and all such employees must be offered the opportunity to participate in the plan.

The information provided is based on current laws, regulations and other rules applicable to Canadian residents. It is accurate to the best of our knowledge as of October 2020. Rules and their interpretation may change, affecting the accuracy of the information. The information provided is general in nature, and should not be relied upon as a substitute for advice in any specific situation. For specific situations, advice should be obtained from the appropriate legal, accounting, tax or other professional advisors.