



BY JEFF SWANSON, CFP, CLU, BBA, RHU, CHS
President, Swanson Financial Footprint Inc.
financialplanner@viewmagazine.ca



Q: I am a small business owner with a family and—like most families—we have healthcare and dental expenses. Are there any other options besides the traditional insured health and dental plans and their monthly premiums?

Absolutely—a private health services plan (PHSP) is definitely worth looking at. Let me start by noting my response will be geared towards an incorporated small-business owner with up to five employees. (PHSPs are also available to larger businesses, so please don't hesitate to email me if you fall into that category).

HERE IS THE KEY

A PHSP is not an insurance plan in any way. It simply allows you to continue paying for your family's health and dental expenses, but with large tax savings. These savings come from being able to use pre-tax corporate dollars instead of drawing money from your corporation, paying taxes on that draw and then paying for your health and dental expenses.

- Insured health and dental plans (traditional)
- First, let's look at how the traditional plans work:
- You pay monthly premiums whether you or your employees make claims or not
- More often than not, those premiums are much higher than your claims

There are usually restrictions and deductibles that reduce your reimbursement

If you have pre-existing dental or health conditions, you may not qualify

PRIVATE HEALTH SERVICES PLANS (PHSP)

The alternative is to set up a private health services plan:

- It's a low-cost alternative to insured plans
- There are no monthly premiums
- There are no deductibles or restrictions that limit which qualified expenses you (or your employees) can make claims on, up to the limit you (the owner) assign, providing excellent cost control each year
- You'll enjoy tax savings!

COSTS

There are several third-party administrators for these plans in Canada (and, yes, CRA requires that a third-party administrator be involved for a plan to be considered legitimate). They all involve a small one-time setup fee and then an administration fee on each claim made, although your tax savings will far outweigh the administration fee every time.

DON'T I ALREADY 'WRITE OFF' MY MEDICAL EXPENSES?

People often confuse the Medical Expense Tax Credit on their personal tax return with 'writing off' their health and dental expenses. Firstly, your expenses must reach a threshold before the non-refundable tax

credit kicks in. Secondly, the tax credit is at the very lowest tax rate, so you are far better off utilizing the PHSP for a full tax deduction. You won't have to withdraw the money from your corporation and then pay taxes to cover the expense, which is a huge tax savings.

WHICH EXPENSES ARE ELIGIBLE FOR TAX SAVINGS?

There are far fewer restrictions on eligible expenses with a PHSP. Some services that are covered include :

- Dental (from basic dental care to orthodontics)
- Vision (from eye exams to glasses to laser eye surgery)
- Prescription drugs
- Chiropractic, massage therapy and physiotherapy

In my experience, the biggest financial mistake people make is not taking advantage of tax deductions available to them. If you are a business owner, it's worth your time to figure out how much a PHSP can save you in taxes every single year—please don't hesitate to email me at jswanson@bmf.ca for more information, or just use an online tax calculator to determine your potential tax savings.