



## KEEP YOUR BEST PEOPLE. LOW-COST BENEFITS FOR EXECUTIVES.

### HEALTH AND WELFARE TRUST

#### An executive benefit strategy using critical illness insurance.

Owning your own business has its advantages, but keeping valued employees in a competitive job market is a constant challenge.

Robert is the majority owner and president of a thriving engineering company. He has 17 employees including himself. He and his two executives are the keys to achieving his ambitious business plan. He has already set up a health and welfare trust to provide medical, dental and disability benefits for the three of them. He has been hearing a lot about critical illness insurance and has decided this is another benefit that will help him retain their services.

#### Meet Robert

He has a growing high-tech engineering business and a need to keep his key people in a competitive market

#### The challenge

*Robert wants a cost-effective way to provide additional benefits to his management team.*

He could increase salaries by an amount sufficient to provide each employee with enough after-tax income to buy their own critical illness insurance policies. But this is a significant expense considering they are all in the top marginal tax bracket.

He wants to provide an enhanced benefit plan at a fixed cost. Paying the premiums with corporate after tax dollars would be a lower-cost alternative.

## The solution

*Let Sun Critical Illness Insurance protect your executive team.*

- Robert's advisor recommends a more tax-effective solution – adding Sun Critical Illness Insurance to the existing health and welfare trust.
- Robert's corporation amends the existing health and welfare trust agreement to provide Sun Critical Illness Insurance benefits to the key employees and issues a cheque to the trustee with instructions to purchase the individual critical illness insurance policies on each of their lives.
- With guaranteed premiums, Robert knows exactly what the current and future costs will be to provide these additional benefits.
- Sun Critical Illness Insurance is available without a return of premium benefit that makes it ideally suited for a health and welfare trust. See the disclaimer below.
- If any of the individuals is diagnosed with a covered critical illness,\* the insurance company will pay a lump sum directly to the insured employee.

\* Subject to applicable survival period. Please refer to policy contract for details.

## The result

*Each employee is insured for an amount relative to his or her income.  
As the business grows, Robert can add new executives to the trust.*

Employer contributions to a health and welfare trust are tax-deductible as a business expense. The employee receives benefits tax-free.\*\*

If an employee leaves, the trust can transfer ownership of the policy to the individual, subject to possible tax consequences for the employee.

\*\*Premiums paid into a health and welfare trust are subject to provincial income tax for Quebec-resident employees and are not deductible as a medical expense.

Disclaimer:  
Currently, there are no specific tax laws pertaining to critical illness insurance plans. We believe they will be treated as accident and sickness insurance plans.

Canada Revenue Agency (CRA) has commented in its interpretations that individual critical illness insurance policies provided pursuant to a common plan would be considered a group accident and sickness insurance plan provided no return of premium benefits are included. Tax interpretations, while useful in understanding the CRA interpretation of the law at that time, are not law.

Consult your independent tax and legal advisor to ensure that the product selected meets the needs of your specific situation.

**Call your advisor today to see how a health and welfare trust with Sun Critical Illness Insurance could work for you.**

### Cost comparison table

	personally owned	provided by health and welfare trust
<b>Employee</b>		
Salary	\$2,727	
Personal tax (@ 45%)	\$1,227	
<b>Available for CII premium</b>	<b>\$1,500</b>	
<b>Company cost</b>		
Compensation	\$2,727	
Health and welfare trust contribution		\$1,500
Tax saving (@ 30%)	\$818	\$450
<b>Net cost to company</b>	<b>\$1,909</b>	<b>\$1,050</b>

Advisor Information: