

FINANCIAL SOLUTIONS: PART 1

Tax Minimization For Dentists & Doctors

With these new pressures we face in the 21st century, our society is being called upon to find new ways to deliver and pay for the health care Canadians want and need. Canadians and doctors alike have a desire to promote wellness and healthy lifestyles. However, these comprehensive services are often not covered by provincial health care plans. In the past, individuals seeking wellness and cosmetic solutions have had to pay for most of these services out-of-pocket with their after-tax dollars.

But there is a solution for executives, business owners, self-employed individuals, the medical & dental profession and their employees: create a health and welfare trust. Health and welfare trusts are sanctioned by the Canada Revenue Agency (CRA) as tax-avoidance structures. Here a business establishes a trust to pay for the trust member's (and family's) health care costs. Funds placed in the trust by a business are 100% tax-deductible in the year they are contributed - even if the money is not spent in that year. Benefits are non-taxable for the individuals who receive them.

Tax minimization tools like Health & Welfare Trusts and Individual Pension Plans are a necessary precursor for doctors to effectively take advantage of tax-saving strategies that have been available to incorporated business owners for years. The process is to turn their traditional medical and dental practices into private corporations.

All traditional health care costs, like dental, prescription drugs and vision care are eligible benefits for health and welfare trusts. But a trust can also cover the rest of an individual's costs, such as the following:

- *insurance premiums paid by the executive/employee or the individual's spouse for private health and dental plans;*
- *cosmetic dental and medical treatment;*
- *over-the-counter drugs, provided they are prescribed by a physician;*
- *drugs for conditions sometimes excluded under conventional plans;*
- *laser eye surgery;*



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- *facilities and services - special school, alcohol/drug addiction, nursing home care, institution for mental or physical handicap, licensed private hospital, semi-private or private charges in a hospital, care of a person who has been certified as mentally incompetent, care of a blind person, and full-time attendants in a nursing home;*
- *professional services of a dietician, acupuncturist, psychologist or nutritionist;*
- *dental care (preventive/restorative/orthodontic); and,*
- *medical equipment and devices.*

Many patients ask if they can write off their procedures at the initial medical consultation. Health and welfare trusts can help some individuals do this.

For example, let's say the average cost for a facelift is \$14,000. Two patients decide to have this procedure done. Both patients own businesses and have top personal marginal tax rates of 46% (Ontario). Patient A plans to pay for the entire procedure with her after-tax dollars.

Patient B has set up a health and welfare trust with her company and plans to pay for the entire procedure through the company's trust. Patient A will have to earn approximately \$26,880 of personal income before taxes and \$24,916 after she receives her Medical Non-Refundable Tax credit of \$1,964 to pay for this cosmetic procedure.

Patient B's company, through its health and welfare trust, will only pay \$15,400 for the same procedure (\$14,000 for the procedure plus a \$1,400 trust administration fee [10%]). This is a completely tax-deductible expense for the company. The savings Patient B receives for setting up a health and welfare trust is \$9,516, enough to pay for a Mediterranean cruise to recuperate.

Medical and dental services that go beyond Medicare are usually paid with after-tax dollars. But business owners, including doctors with incorporated practices, can take advantage of the tax savings a health and welfare trust can provide.

But don't expect your regular financial adviser or benefit consultant to be well versed in Health & Welfare Trusts as there are many tax, legal and investment rules and they are complex. Junkala & Associates Wealth Builders is one of the few firms who specialize in the creation, implementation and maintenance of Health & Welfare Trusts.

As a Canadian business owner, you lose almost half of your profits to taxes each year. Taxes will remain your biggest expense every year. Junkala & Associates Wealth Builders provides specialized products and services to business owners and CEO's who are taxed personally and corporately at the highest tax level. Our industry experts provide strategies for tax minimization, wealth creation and unique investments. We find the opportunities others miss. Let us show you what is possible.

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