

# Proposed Changes

Here is a brief review of some of the federally proposed changes to the Health & Welfare Trust (HWT) that will be known as the Employee Life & Health Trust (ELHT). Although changes have not yet received royal assent, Serre Financial has introduced these within the Medical Trust (MT) which is a hybrid plan of a Private Health Services Plan and an Employee Life & Health Trust.

- The ELHT can be created for a single person, whereas a HWT required two or more individuals. There is an exception in respect to high level income earners who are considered Key Employees.
- The beneficiaries must be treated more equally as there are more restrictions on class of beneficiary.
- The definition of employee allows for current, past and retired employees to participate in the plan.
- Upon windup of the trust, the remaining assets can be distributed to any beneficiary, the employer or even another ELHT. In the HWT, the only option is to distribute the surplus to a charity.
- The MT is required to have the majority of trustees as arm's length from the employer. It forces full compliance of the plan.
- Contributions can only be deducted in the current year for current year benefit being paid. Immediate deductions for future funding are no longer permitted.
- The plan members, trustees and beneficiaries must be of Canadian residency for tax purposes.
- Offshore accounts are no longer permitted.
- Interpretation bulletin 85R2 is to be rescinded.