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Benefits *Bulletin*

Benefit News to Keep You in the Know and the Now

Trending: Personal Spending Accounts

The shape of benefits plans continues to change and develop to align with changing work environments and the needs and wants of a diverse workforce.

Health Care Spending Accounts have been around for years and allow a level of flexibility on a plan that a traditional plan does not. With a HCSA, employees are allocated a fixed amount of money to spend on health care expenses not covered by the base plan. This may include laser eye therapy, major dental care, orthodontics, etc. Because the funds are used for medical expenses and are done on a use-it-or-lose-it basis for medical expenses, HCSAs are a non taxable benefit.

A newer feature is the Personal Spending Account – sometimes known as a Wellness Spending Account. These operate in a similar fashion to HCSAs in that employees are allocated a fixed sum to spend as they wish. However, rather than covering medical expenses, they are designed to cover expenses that support employee's mental, financial, and physical well-being such as gym memberships, legal expenses, pet insurance, transit passes, class registration, etc.

Employers design the plan to cover expenses they feel best aligns with their HR goals. If a large portion of the company's demographics is the sandwich generation, perhaps elder care and day care expenses would be eligible expenses; if you have an office in an urban area, perhaps transit passes or parking fees would be valued by your staff; if you want to encourage continuous education, tuition fees would be a great offering. The options are almost endless and are fully customized to your unique needs.

Administering a PSA can be done on your own. However, it can be administratively burdensome. Fortunately, many insurance companies now offer PSAs. They will set up the plan with you, administer the allocations, adjudication, and payments. Since funds used under a PSA are a taxable benefit to the employee, the insurance company will provide reports at year end so you can issue proper tax statements.

If you are interested in expanding your benefit plan beyond traditional health and dental expenses, perhaps the Personal Spending Account is for you.

Administrative Reminder: Update Earnings

Many plans have benefits, such as life and LTD, which are tied to earnings. As such, it is important to keep this information up-to-date with your benefit providers. This ensures that employees and their beneficiaries will receive the right benefit amount at time of claim. Now is a great time to do a mass update since you will have current earnings readily available from preparing T4s.

What constitutes “earnings” can vary by contract so you will want to check the definitions in your own policy. Generally it includes:

Base earnings – hourly or salaried pay.

Commission earnings – often taken as an average of the previous two year’s T4s.

Bonus – if bonus is a regular part of earnings calculated on a set formula, it is sometimes included in the definition of earnings.