



GMS INSURANCE

*Employee Benefits  
Group Retirement Plans  
Pension Plans  
Life Insurance  
Corporate Buy-Sell  
Funding Arrangements*

**September 2012  
Volume 14 Issue 5**

***In This Issue***

1. *Wintering outside of Canada*
2. *Quiz Corner*



**Snowbirds Beware**

Many Canadians will head to warmer climates to escape the cold of winter. However, without proper planning, unexpected expenses could send a chill down your spine.

**Medical Insurance**

Most group insurance contracts provide for out of province and out of Canada emergency medical coverage. The duration of coverage varies by contract but is usually 30, 60, or 90 days. Some insurance companies have been reducing the duration of coverage over the past few years so always verify coverage before leaving.

Some contracts also include minimum at work requirements to be considered eligible for the group plan. An extended absence may cause your coverage to be revoked. The insurance company may grant a special exception but an application for that exception must be made prior to travel and is not guaranteed. Failing to meet the *group contract eligibility requirements* means that you would have to purchase private coverage, not only for travel, but also all other insurance coverage – medical, drugs, dental, life, etc. in and outside of Canada.

Providing that an extended absence is allowed under the group contract, if the duration of coverage is not as long as your planned trip, you will need to

purchase a private policy. A private plan may be used to top up coverage (i.e. start coverage after the group plan runs out) but some group plans do not allow a top up and therefore coverage should be purchased for the entire duration of the trip.

Private plans may require you to answer a few medical questions. Based on the answers, you may have restricted coverage or coverage may be declined outright. Providing false information will only mean that you are paying for protection that will not pay out at the time of claim. Disclose everything to ensure you have the proper coverage.

Travel insurance provides coverage for emergency medical care only. These policies cover sudden, unforeseen medical emergencies. A claim for treatment received out of the country for a pre-existing condition will be declined.

We are fortunate, in Canada, to have a public health care system. But this means that we don't always appreciate the high cost of medical treatment. A brief hospital stay in Canada may not cost you anything but in the U.S., it could cost well over \$5,000. If there is a complex medical condition that requires specialized treatment, a longer hospital stay, or transportation home, the total bill could be tens of thousands of

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dollars. Get the travel insurance you need. If you do not qualify for coverage and decide to travel anyway, be aware that it could very well leave you bankrupt.

Both group and private travel coverage requires that provincial medical insurance, such as OHIP in Ontario or RAMQ in Quebec, be in place. Provincial plans typically provide out of province coverage for up to 6 months (7 months in Ontario, 8 in Newfoundland & Labrador). Certain residency requirements must be met in order to be eligible for provincial coverage. Snowbirding south of the border for more 6 months of the year could result in a loss of resident status and therefore *loss of provincial medical coverage*, group insurance coverage, and even privately owned insurance. Check with your provincial government to verify how long you can be out of the country and retain access to provincial programs like medical insurance.

## **Income Tax**

Boomers are approaching retirement, the Canadian dollar remains strong relative to the U.S. dollar, and properties in the U.S. are still very inexpensive. These three factors are pushing more Canadians to spend more time in the U.S. U.S. immigration law permits Canadians to spend up to 6 months (183 days) in the U.S. each calendar year. Many Canadians under the incorrect assumption that the 6 month duration re-sets once they return

to Canada for a time. This is false. Canadians may stay for up to 6 months per calendar year. Furthermore, the Internal Revenue Service (IRS) in the U.S. applies a Substantial Residence Test to determine if you are a resident alien and therefore subject to U.S. income tax.

The IRS looks at the total number of days spent in the U.S. in the current year, 1/3 of the days spent in the prior year and 1/6 of the days spent in the year before last. If the total number of days in the past three years is more than 183 days, you are considered a resident alien and must file a U.S. tax return that includes your worldwide income. This means that you will pay tax in Canada and again in the U.S. and that may just sting more than a Florida sunburn.

Like all rules, there are exceptions. There are forms that you may file to avoid taxation in

the U.S. as a resident alien. You will be required to establish that you have closer ties to Canada (ex. workplace, principal residence, family, tax filings) than you do to the U.S. Failing to file this form or a tax return may result in substantial penalties and back taxes for all years you were considered a resident alien.

If you spend a substantial amount of time outside of Canada – be it the U.S. or elsewhere in the world – talk to your tax advisor and insurance professionals to ensure that you are not going to be faced with a large unexpected tax or medical bill that could wipe out everything that you worked so hard to achieve for retirement.

Sources:

[www.irs.gov](http://www.irs.gov)

[www.health.gov.on.ca](http://www.health.gov.on.ca)

[www.advisor.ca](http://www.advisor.ca)

## **Quiz Corner**

***Put your mental mettle to the test and a \$50 prize in your pocket!***

**A driver sets out on a 20 mile trip. When he has gone halfway he finds he has averaged 25 mph. At what speed must he travel the rest of the way to make his overall average speed for the trip 40 mph?**

**Answers can be sent to: [info@gmsinsurance.com](mailto:info@gmsinsurance.com) or by fax to 905-670-4146. We will draw a winner from the correct answers and announce the winner in the next newsletter.**

**Our July Quiz Whiz was *Darlene Daniels* who knew that “four” was the correct answer. Congratulations!**