



Insure your bonus

You're probably thinking: Insure my bonus – can I really do that?

Well, no. That is, you can't "insure" that you'll get your bonus every year or insure how big it will be. But in another sense, yes. You can make sure that the insurance coverage you have takes your bonus into consideration.

Bonuses are a significant component in a senior executive's compensation. If your salary is \$150,000 a year but you habitually earn a \$25,000 annual bonus, for example, then you may want to estimate your salary to be \$175,000 a year when it comes to contingency planning.

Your insurance coverage protects your family from the loss of your salary if you die, but if you haven't factored your bonus into that amount, then your family will be getting by with less than they're accustomed to.

"And that might be just fine for some people," says David Burnie, a certified financial planner and partner with Ryan Lamontagne Inc. in Ottawa. "Some people want to be covered for all possible sources of income, while others are less concerned. Whether or not it's the right thing to do depends on factors such as your age, your lifestyle, your assets, your spending habits and the cost of insurance."

Of course, the more you want your beneficiaries to collect, the more your policy is going to cost.

Even if you don't end up buying enough insurance to account for your bonus every year, says Burnie, the important thing is to make an informed decision.

DON'T OVERLOOK DISABILITY INSURANCE

The same goes for disability insurance, Burnie points out. If your employer offers this insurance as part of your benefits package and pays any portion of the





premium for this benefit, then it's a taxable benefit, so you'll pay tax on the payments you collect if you become disabled. This is worth understanding because the same is not true for people who are self-employed and purchase their own insurance independently: their benefits are not taxed.

"If your policy is paying you 70 per cent of your usual salary, you're probably going to be fine," says Burnie. "But if you're getting 70 per cent and those payments are taxed as well, you're going to feel the pinch." And you'll feel it even more if you didn't factor in your customary bonus when you arranged your policy.

It's a lot to consider, so review your coverage with your financial advisor to make sure the protection you have is adequate for your family's needs.

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