



Financial Planning *for* First Nations

Financial planning for First Nations people is a complicated yet fascinating topic. First Nations people have some unique opportunities available to them, but they can have unique planning issues, as well.

The first area with unique issues is taxation. One clear opportunity is that income earned by Status First Nations while on a reserve is non-taxable. Oddly enough, having non-taxable income introduces some financial planning implications.

Since Registered Retirement Savings Plan contribution room is based on earned income for tax purposes, having non-taxable income means limited RRSP contribution room. Thus the RRSP, one of the most commonly used retirement planning tools in Canada, is of little use in this kind of situation.

There are other implications of having non-taxable income. The amount of disability insurance available, whether through an individual policy or a group

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benefits plan, is determined as a percentage of gross income. The take-home income of most Canadians is substantially less than their gross income, so having a disability insurance policy replace a fraction of their gross income usually works out fairly well. For some First Nations people, however, their take-home income *is* their gross income. Normal disability insurance coverage levels, based on a percentage of gross income, can be inadequate.

A second area with unique issues is health care. Some Treaties that refer to health care go back more than 100 years.

The Non-Insured Health Benefits (NIHB) program covers some of the health and dental costs for eligible First Nations and Inuit. Recent changes to the NIHB program mean that the program is no longer first payer. If the First Nations band has a private plan for group benefits, all health

and dental claims will be paid by the private plan first. This not only affects the Status individuals' Treaty rights, it may increase the premiums for the private plan because of the increased reimbursement of claims.

This means that new methods of looking at group benefit plans for First Nations are necessary, depending on whether the objective is to utilize the NIHB coverage made available by Treaty—to maximize the level of the private group-benefit coverage—or to co-ordinate the coverage provided through NIHB and through group coverage. All this can become even more complicated when you consider that it's not unusual for Status members to have non-Status dependents.

In working with First Nations situations, the critical thing I have found is to talk to the people who specialize in these issues. It is simplistic to assume that the type of solutions that work for most Canadians are the best solutions for First Nations. ▲

The opinions expressed are those of the author.

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