

Employment Insurance Measures for Self-Employed People

Service Canada has posted a FAQ on the topic of the new EI program for self-employed people. I have read it over, and here are the highlights.

The program is voluntary. Each self-employed person, whether a proprietor or the owner of a corporation, chooses if he or she will participate in the program.

The program extends EI Special Benefits to the self-employed.

Special Benefits are:

Maternity Benefits	(15 weeks)
Parental Benefits	(35 weeks)
Sickness Benefits	(15 weeks)
Compassionate Care Benefits	(6 weeks)

EI regular benefits are benefits available to employees when they lose their jobs through no fault of their own and are available for and able to work, but cannot find a job. **Self-employed people cannot access EI regular benefits based on their self-employment.**

The self-employed person must participate in the program for 12 full months before being eligible to apply for benefits. Premiums are paid annually on the income tax return. The benefit amount is 55% of the average weekly earnings of the previous year, calculated by dividing the net self-employment income reported on the tax return by 52.

2016 EI premiums are \$1.88 per \$100 earned. The annual maximum for 2016 is \$955.04. The self-employed person pays only the employee portion. The employer portion is not paid.

All money earned while receiving EI special benefits must be declared. Earnings will be deducted from the weekly benefits according to the usual rules. If your business generates income while you are receiving benefits, that income must be declared.

Once opting in to the program, the self-employed person may opt out anytime provided he or she has never made a claim. Once any benefits have been received, the self-employed person may not opt out. They must continue paying EI premiums for as long as they are self-employed. This includes self-employment in a different business. The CRA also imposes a December 31 cut-off date for opting out. This means that if you change your mind at any time in the tax year, you must pay EI premiums for the entire calendar year, and EI coverage remains in place until the cut-off date.

To read the complete FAQ, visit: www.servicecanada.gc.ca/eng/sc/ei/faq_self_employed_workers.shtml

To enrol for EI Self-Employment Benefits:

- 1) Go to www.servicecanada.gc.ca
- 2) Under "Online Services and Forms" click [Access my Service Canada Account]
 - a) [Login] if you have an account set up already
 - b) Click [Register Now] if you do not have an account (you will need an access code—directions on getting one are provided in the registration process)
- 3) [Continue]
- 4) [I Agree]
- 5) Under heading "Employment Insurance for the Self-Employed" click [Change or view my agreement status]
- 6) [Continue] to enrol in the program

What does it all mean?

Option #1 – Employment Insurance

Assuming an annual income of \$30,000, annual EI premiums would be \$564.00, with a weekly benefit of \$317.30.

Number of Weeks	Maximum Benefits	Years of Premium Payments
6	1903.80	3.4
15	4759.50	8.4
35	11,105.50	19.7

If you receive Sickness Benefits for 15 weeks, you will receive the equivalent of 8.4 years' worth of EI premiums. Ask yourself: How many times will I need these benefits? How much will I pay in for them over my working life?

Option #2 – Private Insurance

The **Chamber of Commerce Group Plan** offers more comprehensive sick benefits for a comparable price. They offer no Compassionate Care or Maternity Benefits.

Both Short- and Long-Term Disability pay 67% of monthly income, compared to 55% from EI. Short-Term Disability and EI both pay a maximum 15 weeks' benefits. Long-Term Disability starts paying after 120 days, when the Short-Term Disability ends, and pays for 2 years. Critical Illness benefits are paid after the insured survives 30 days of a covered illness (including cancer, heart attack, stroke, Parkinson's disease).

Assuming an annual income of \$30,000, a 35 year-old can have the following coverage for about the same cost per year:

Life, AD&D	Short-Term Disability	Long-Term Disability	Critical Illness
25,000.00	390.00 / week	1600.00 / month	30,000.00

There are different coverage options available that will affect the annual premium, such as 2X Annual Salary for Life, 26-week Short-Term Disability, and Long-Term Disability to age 65.

Option #3 – Savings Account

Instead of paying premiums, put the money into a Tax Free Savings Account so you have cash-on-hand if an emergency ever arises. You can then use your discretion to define "Emergency", but you risk not having enough saved yet when the emergency arises.

WCB Personal Optional Protection

WCB will cover lost salary and medical expenses if you are injured on the job or if you contract a disease as a result of your work. It is optional for self-employed people to obtain this coverage for themselves. It is mandatory for self-employed people to obtain this coverage for employees. It is mandatory for self-employed people to pay for this coverage for subcontractors who do not have their own coverage.

WCB pays 90% of Net income (Income after taxes, CPP and EI are paid). For a person earning \$30,000 per year, weekly benefits are about \$442.00. Premiums are dependent upon the industry in which you are employed.

Fees per \$100 of insured earnings

Industry	Average Base Rate	Accounting or Computer Consulting	Travel Agency	Design: Graphic or Interior	Alternative Health Care	General Retail	Electrician	Domestic Cleaning	General Construction	Steep Slope Roofing
2010 Rates	1.70	0.12	0.13	0.10	0.26	0.75	2.25	4.02	6.10	10.71
Annual Premiums @30K/yr	510	36	39	30	78	225	675	1206	1830	3213