PARO

Resident Financial Primer 2017

Professional Association of Residents of Ontario

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Now that you are officially a breadwinner, it's the perfect time to get a handle on your financial future.

With that in mind, PARO has created this primer: it includes useful tools, links and basic information that will demystify the world of personal finance and help you understand your options for everything from filing taxes to paying down your debt. It's not meant to replace professional advice; rather, consider it as a guide to the choices that await you.

On the following pages you will find information on:

Tax Return Preparation

The most important part of preparing your tax return is to keep all receipts, T-slips (T3, T4,T5) and forms; having a folder for each tax year is a good way to get, and stay, organized. Your tuition payments will be your key credit, and these can be carried forward indefinitely until you make enough income to use them up. Other important receipts include, but are not limited to: memberships (e.g. CMA/OMA, CPSO, CCFP/Royal College, etc.); charitable contributions, which can be carried forward for 5 years; RRSP contributions; and car usage for out of town rotations or between hospitals (requires a special form-talk to Human Resources at your base hospital).

The combined federal and Ontario marginal income tax rates for 2016, allowing for the basic personal amount credit of $11,474, are as follows:

Taxable income:	
$11,474 to $41,535	20.1%
$41,536 to $45,281	24.2%
$45,282 to $73,141	29.7%
$73,142 to $83,074	31.5%
$83,075 to $86,176	33.9%
$86,177 to $90,562	37.9%
$90,563 to $140,387	43.4%
$140,388 to $150,000	46.4%
$150,001 to $200,000	48.0%
$200,001 to $220,000	52.0%
Over $220,000	53.5%

The maximum CPP and EI contributions are as follows:

	2016 Maximum Contributions	**2017 Maximum Contributions**
CPP	$2,544 when employment income is at least $54,900	$2,564 when employment income is at least $55,300
EI	$955 when employment income is at least $50,800	$836 when employment income is at least $51,300

For more information visit the Canada Revenue Agency website.

There are two options to filing your tax return: doing it yourself or hiring a professional. As tax season ramps up, you'll find lots of tax preparation services available. If you haven't filed taxes before it may be a good idea to get an accountant to help you. If you are interested in doing it yourself, though, there are several software packages that can simplify the process for you.

Once you file your return, you must keep a copy of it (digital is fine) and your receipts for seven years in the event that the CRA requests more information or requests an audit.

For more information regarding tax returns, click here to read the latest edition of PARO Tax Tips.

Investment planning

This section includes six topics: RRSP, RRSP Home Buyer's plan, RESP, Tax Free RRSP withdrawals for education, TFSA and Choosing a Financial Advisor.

The purpose of this section is to describe an overall approach to investing. There are plenty of books and Internet resources on how to be a successful investor, and we encourage you to read further on the subject and consult with a financial adviser. The glossary terms are the basic terms needed to start your foray into the world of investing.

The concepts applied to debt management can also be applied to investing. Use your budget to determine how much you have available for investing, and then arrange for automatic withdrawals into an investment account on your payday. Also consider saving salary increases, if you don't see it, you won't miss it! In fact, using this method for paying off your debt is a way of practicing for when you start saving. In this way, your retirement plans are covered before you start spending in the present.

In determining the make-up of your investment portfolio, take into account considerations of risk, realistic rate of return, liquidity, and time until retirement. The concept of risk return describes the fact that a higher risk investment has potentially higher return, while a lower risk investment is typically lower return. Stocks and income trusts generally carry higher risk than mortgage securities, which in turn carry higher risk than corporate or government bonds, but also have the potential for higher rates of return. Investing in Real Estate requires a significant time commitment along with the added risk of investing a significant portion of your savings in one asset. Remember that you're saving for your retirement, and have plenty of time over which to spread your investments and make a respectable rate of return.

Most financial advisers will recommend diversifying into a variety of investment vehicles. (Investing in individual stocks is generally not recommended until savings surpass $50,000, and only after careful consideration). Diversifying your investments means that you are taking a lower risk than if you invest in a single asset.

It's always a good idea to consult with a financial adviser. See the section on financial advisers for more information.

Registered Retirement Savings Plan

Investing in an RRSP is a simple way to contribute towards your future, providing for tax-free growth of your money while reducing your current tax liability. The deadline for 2016 contributions is March 1, 2017. However, you should realize that it is more beneficial to contribute to your RRSP as early in the year as possible to receive the greatest benefit from tax-free compounding of your money.

When deciding on what type of investments to hold inside your RRSP remember that you only pay tax on 50% of capital gain earnings vs. 100% on interest income. Dividends also provide certain tax advantages. Assuming a taxable income of $45,282 to $73,141, dividends may be taxed at 17.4% (or potentially less for certain types of dividends) vs. 29.7% for interest. Due to this favourable tax treatment given to capital gains and dividends, it can be more beneficial to hold investments yielding this type of income outside of your RRSP. This is because when you receive RRSP distributions they are taxed at the same rate as interest.

If you do not know your contribution limit you can find out what it is as follows:

- You can call 1-800-267-6999 for Canada Revenue Agency's (CRA) calculation of your limit.
- You can also log on to the CRA website and go to "My Account". Here you can sign up and receive a password to access your personal tax information including your RRSP contribution limit, account balance, status of your return. It provides an easy means of changing the information that the government has on record such as your address and telephone number. All you need to receive your password is your Social Insurance Number, date of birth, a copy of your prior year tax return and your current postal code.

Essentially, your RRSP contribution limit is 18% of your prior year's earned income to a maximum of $25,370 for 2016. The 2016 RRSP limit of $25,370 is reached when 2015 earned income reaches $140,945. The maximum RRSP limit will increase in 2017 to $26,010.

Your limit is adjusted for any unused RRSP contribution room from prior years and your pension adjustment for the previous year. Be careful not to over contribute to your RRSP. The penalty for an over contribution is 1% for each month of the over contribution. An over contribution of $2,000 is permitted; however, it cannot be deducted until there is available RRSP contribution room.

One strategy, for some individuals, may be to defer RRSP contributions (or perhaps to make a contribution towards your RRSP but not claim a deduction), until your income becomes higher. The government allows taxpayers to carry forward the unused portion of their RRSP contribution limit indefinitely.

For example:

Your contribution limit based on earned income in 2015 is $7,000 and in 2016 is $8,000.

In 2015 you made a $2,000 contribution, your unused contribution limit of $5,000

($7000 - $2000) from 2015 would be added to your 2016 limit.

In 2016 your limit becomes $13,000 ($8000 + $5000 From 2015).

If your income becomes higher in the near future, it may make sense to take a larger RRSP deduction during a year in which your tax rate is higher. Contact a tax consultant if you need assistance in this area or obtain the "RRSPs and Other Registered Plans for Retirement" guide (T4040).

RRSP Home Buyer's Plan

If you are buying a home in the next year there is a program available which allows you to withdraw $25,000 from your RRSP to use towards the down payment. Each person buying the home can withdraw $25,000 from his or her own RRSP; therefore, when buying a home with your spouse a total of $50,000 can be withdrawn. The money you borrow must be returned to the RRSP in annual installments over a 15-year period, starting with the second year after the withdrawal. The RRSP repayments made can be designated from either contributions you made during the year or from contributions you made during the first 60 days of the following year.

For example, if you withdrew funds in 2016 you must begin repayment by March 1, 2019.

Generally, first time buyers and their spouses are eligible to make this withdrawal. If you have owned a house in the past you may also qualify but there are very strict criteria that you must meet. Please consult a professional tax advisor to help you determine if you qualify. Only contributions that have been in your RRSP for more than 90 days can be withdrawn from your RRSP and still taken as a deduction on your tax return.

For example:

As of January 1, 2016 your RRSP balance was $17,000.

On April 1, 2016 you contributed $5,000.

On May 1, 2016 you want to withdraw $22,000 under the home buyer's plan.

The $5,000 contribution was not contributed more than 90 days prior to May 1, 2016 and therefore, will not be allowed as a deduction.

There are no immediate tax consequences if the simple Home Buyer's Rules are followed.

Registered Education Savings Plan (RESP)

RESPs are plans which enable individuals to save for a child's education. The lifetime contribution limit is $50,000 with no annual restrictions. Contributions can only be made to the plan during the first 31 calendar years of the plan's existence and the plan cannot exist for more than 35 years.

The federal government will pay a 20% Canada Education Savings Grant (CESG) on the first $2,500 of annual contributions made to all eligible RESPs of a qualifying beneficiary, up to and including the year in which the child attains age 17. The maximum total CESG that can be paid in respect of any child born after 1998 will be $7,200. Unlike RRSPs, there is no deduction for contributions. However income earned on plan assets is not taxed until received as education support payments to the student. Eligible investments are the same as those for RRSPs and other deferred income plans. Contact a tax consultant if you need assistance in this area.

Tax Free RRSP Withdrawals for Education – Life Long Learning Plan

A Canadian may withdraw funds from an RRSP, free of immediate income tax, in order to finance full-time training or education for the taxpayer and his/her spouse. This program is similar in concept to the RRSP Home Buyers' Plan.

Withdrawals can be made for four successive calendar years to a maximum of $10,000 for a given calendar year. The maximum aggregate RRSP withdrawal for the four years is $20,000. More than one withdrawal may be made in any given year from any number of specific RRSP accounts, provided the annual and maximum limits are not exceeded.

RRSP withdrawals under this plan must be repaid without interest to an RRSP in equal instalments over a period of 10 years commencing no later than 60 days after the fifth year following the withdrawal.

To qualify, the individual or his/her spouse must enrol as a full-time student in a qualifying educational program of at least three months duration at an eligible educational institution. Where funds are withdrawn before the enrolment, the enrolment must occur in the year of the withdrawal or in January of the following year. Special rules apply where funds are withdrawn.

Tax Free Savings Account (TFSA)

Starting in 2009, all Canadians at least 18 years of age with a valid SIN could open a Tax Free Savings Account.

The maximum annual contribution room for each year prior to 2013 was $5,000 per year. Beginning in 2013 it was increased to $5,500 per year. In 2015 the contribution limit was raised to $10,000, however, for 2016 the limit was reduced down to $5,500. Remember unused contribution room accumulates and can be used in the following years:

Years	TFSA Annual Limit	Cumulative Total
2009-2012	$5,000	$20,000
2013-2014	$5,500	$31,000
2015	$10,000	$41,000
2016	$5,500	$46,500
2017	$5,500	$52,000

Any income earned within the account is not taxed. Also the higher income spouse can contribute to the lower income spouses TFSA. The funds contributed to a Tax Free Savings Account and any income earned on these funds can be withdrawn at any time in the future. Contribution room for the following year is increased for any net amount withdrawn from the account in the previous year. For more information on Tax Free Savings Account, please visit the CRA website.

Choosing a Financial Advisor

It cannot be overstated how important finding a trusted financial adviser is to your financial wellbeing. A good financial advisor will help you with much more than simply choosing appropriate investments for your money. He or she will help you identify your long-term goals and help define appropriate strategies to achieve these. Examples include: retirement planning; education savings for your dependents; or saving up to purchase a dream cottage. A good advisor should be a sounding board for major decisions (such as buying a house) and be available to answer your financial questions whenever they come up. Your advisor should be someone that you trust and who takes the time to understand your particular financial situation thoroughly. And finally, a good advisor will explain the importance of diversifying your investments and help come up with an investment plan which takes into account your own goals and level of risk tolerance. He or she will be there to answer your questions, reassure you and keep you focused on your long-term plan when the market turns sour and your investments don't provide the results you were expecting.

Sounds good. Now where do you find someone like this? That's the tough part. Financial advisors come in a variety of different forms and with different names. They may be called financial planners, financial consultants or investment advisors. Many have professional designations such as "certified financial planner (CFP)" or "certified financial analyst (CFA)" or are accountants, lawyers or hold business degrees such as an MBA. While accreditations are good, there is minimal government oversight of financial advisors in Canada (except in Quebec). Hence the credentials are no guarantee of quality or professionalism.

There are three different ways financial advisors can be paid. First, advisors may collect a commission for selling a particular product. Often this is a visible fee where a certain percentage is deducted from your investment either at the time you make the investment, or when you cash it in at some point in the future. Another possibility is that the investment vehicle pays the advisor an annual fee and deducts this amount from the profits that are credited to your account. This will be invisible to you because the investment will simply "make" less money than it would have if it wasn't paying your advisor. Obviously, an advisor who is paid this way will have a huge bias towards selling you products on which they can earn commission and this may not always be in your best interest. In addition, they may be more interested in getting you to sell and then purchase new investments, as each transaction will generate more commission fees.

Second, advisors may charge a "percentage-of-assets-under-management" fee (usually 1 to 3 percent). This type of remuneration system eliminates the bias towards recommending investments that pay higher commissions or generating lots of useless buy and sell transactions to collect the commissions. However, the advisor will still be biased towards increasing the amount of your money that he or she directly manages. Hence, they might shy away from recommending you use some of your money to pay off debt or pay down your mortgage even if this might be in your better interest. Get out of the stock market? You'll never hear that kind of advice from this kind of advisor! In addition, these advisors are often only interested in clients with a high net-worth.

The final way financial advisors can be paid is by a flat or hourly fee. With this remuneration system, you can be sure the advisor in giving you an unbiased opinion. This is especially true if the advisor is willing to work with you even if you do not purchase any investments directly from him or her. The only risk to you in this scenario is that the advisor is incompetent or that the results of your consultation are not what you were looking for. By clearly laying out your expectations before starting the consultation, and by obtaining and verifying the advisor's references you should be able to steer clear of these pitfalls.

Probably the best way to find a good financial advisor is to ask for referrals from friends, family members or a trusted lawyer or accountant. Ask a potential advisor for the name of clients he or she has worked with and phone these people to gauge their level of satisfaction with the advisor. Satisfied clients are a good financial advisor's best marketing tool. Stay away from advisors who are pushing products that pay commissions or that want to directly manage all your investments so that they can collect a percentage of these on an annual basis (unless that's what you're looking for). Advisors who categorically recommend you avoid putting your money into debt repayment or real-estate purchases are probably also hoping to sell you a commissioned product. If an advisor is also selling legal services and wants to do your income tax return, you should wonder what exactly this person's particular area of expertise is. Finally, if an advisor is trying to scare you unnecessarily or trying to make you dependent on them by exaggerating the complexity of your financial situation, you should run away. Other than this, go with your gut as you would in choosing any other professional such as a doctor or lawyer.

If you're not sure where to go yet, and you are a member of the CMA/OMA, you might consider MD Management. Even if you don't intend to invest any funds with the company, an MD Management financial advisor will be happy to meet with you to discuss your financial situation. Since these financial advisors are salaried employees, and they do not earn commission on any investments you place with them, you can expect an unbiased opinion. At the very least, they might be able to suggest where to go for the advice you're looking for.

Insurance Plans

Life Insurance

Insurance will become an ever-increasing part of your life. There is professional liability, home and auto, office and, the most important, life and disability insurance.

Most people need at least some life insurance. Some need more than others and some need different types. There are, however, a number of fundamental truths to consider when looking at life insurance.

Life Insurance Coverage While a Resident

Before going into detail, the current collective bargaining agreement provides that all residents have life insurance equal to two times their salary. This benefit ceases upon completion of your residency.

How Much Do I Need?

Life insurance should provide for the finalizing of debts, last expenses, etc. in the event of a premature death and also provide a replacement income for those left behind. While discussion of these issues can seem somewhat morbid, planning for such unexpected events is essential to establishing a secure financial future for you and your family.

While an individual with no dependents or debts will not have to arrange for an ongoing income for survivors, s/he should at least leave something for his/her next of kin to cover the cost of a funeral and some final expenses.

On the other hand, an individual in a relationship with children, a mortgage and a large line of credit should be considering a much larger amount of coverage in the event of a premature death. The planning should consider which debts to pay off, and should provide a nest egg to cover expenses associated with single parenting. Each partner in the relationship might need a different amount of insurance depending on individual income as well as the future plan in the event that his/her partner dies.

Insurance needs change throughout one's lifetime, so a re-evaluation every few years is prudent. It is conceivable to reach a point where one's life savings reach a level where life insurance is unnecessary. At this point one is said to be "self-insured".

In order to determine just how much life insurance an individual needs, one should consult a financial planner or one of the many financial planning guides available on the market.

You should also keep in mind that you can normally only purchase life insurance when you are healthy so incorporate this into your plans.

What Type of Insurance Do I Need?

There are essentially three types of life insurance available: term, permanent and universal life.

Term Insurance

Term insurance provides the most coverage for the least premium. Term insurance covers you in the event you die within a specific term, i.e. Term to Age 65. If the insured dies prior to age 65, the face amount of coverage is payable. If the insurer dies on or after age 65, no payments are payable as the coverage expires at 65.

Premiums for term insurance can be level or can increase on certain policy anniversaries. Five and ten year term life policies renewable to age 65, 70, or 75 are common.

Finally, term insurance does not normally have any residual or cash value. If you lapse or cancel your coverage, there is nothing payable to you.

This type of coverage is popular with younger individuals as they require the most coverage for the lowest cost. It can be reduced throughout the life of the policy as assets replace obligations. It can be used to cover specific needs such as the period of a mortgage or the dependency period of children. Once the goals have been met, the insurance is no longer necessary.

Permanent Insurance

Permanent life insurance means just that. You cannot outlive it. The benefit will be payable when you die, not if you die within a certain time frame.

Permanent insurance premiums are usually level for the premium paying period. The can be payable for life or paid up in a limited period of time. Permanent life insurance policies can have cash surrender values if you decide to cancel them or they may not. There are many different versions of permanent life insurance but the important thing to remember is that you cannot outlive the benefit.

Why buy permanent life insurance? Individuals may accumulate sizeable estates, which upon death, generate large taxation problems. Rather than dispose of the assets, people will use permanent life insurance to handle the tax bill.

Many people choose to buy a “foundation” of permanent life insurance and then top it up with term insurance to cover those obligations that will eventually disappear.

Universal Life Insurance

Universal life insurance is a product that combines a death benefit with an investment component. It is usually only looked to after one has eliminated debt and maximized RRSP contributions. It is primarily used as a method to defer taxes on additional investment income and should only be entered to after consulting with a professional.

Beware the Banks!

Many financial institutions automatically offer to add life, and sometimes disability insurance to loans, credit lines, mortgages, etc. The insurance purchased is, in many cases, far more expensive than that available in the marketplace. It also only provides enough coverage to indemnify the lender in the event of your death, even if the balance of the debt is diminishing.

And while a lender may require life insurance as part of the security for the loan, it does not have to be their insurance. Some life insurance policies can be assigned for collateral purposes to the bank. In such a case, in the event of your death, the bank gets their outstanding balance out of the proceeds of your insurance, but your beneficiary also gets anything left over.

Other Insurance

As mentioned earlier, there are many other types of insurance to consider. Home and auto are two that cannot be avoided. Rates vary by company and many alumni and medical associations provide benefits to their members at very competitive rates. Shop around.

Disability Insurance

Disability insurance is designed to provide an income to you in the event you are disabled due to injury or sickness and unable to work. There are many different plan designs and definitions, which can make making an informed decision quite daunting, especially when a sales person is involved. Take a moment to read the definitions of key terms in the Glossary.

Disability Insurance During Residency?

If you become disabled while in residency, the collective agreement provides coverage first through a salary continuation program that will continue your salary for the initial six months of disability or to the end of the appointment year, whichever comes first. Immediately following the end of your salary continuation benefit, you would make application for the group long-term disability benefit.

Your group disability insurance benefits pays 70% of your salary on a tax free basis until you recover or Age 65, whichever comes first. In addition, should you be totally disabled for a year or longer, your benefits will be increased annually by the change in the Consumer Price Index to a maximum of 4% per year, again until you recover or Age 65, whichever comes first. Of special note is that the insurance is dependent on being totally disabled. If you are able to pursue another career at some point in the future, this may affect your disability payments.

You are covered under this group plan until you finish your residency. Once your residency is completed, you will need to furnish your own benefits.

Disability Insurance After (or in addition to) PARO?

It is likely that you have been inundated with conflicting sales presentations from various disability insurance salespeople dating back to medical school. Many residents are adequately covered by the PARO group plan during their residency. Keep in mind, however, that the longer your residency and/or the higher your post residency earnings expectations, you may wish to add some additional personal disability income coverage to offset some of your future earnings if a catastrophic loss prohibited you from ever working again.

PARO has negotiated with the OMA to offer guaranteed issue coverage through the Essentials program upon successful completion of your residency in Ontario. This program allows you to buy $5,000 of monthly disability income coverage with the option to increase that amount over time, subject to income, but without evidence of health, up to the maximum amount of coverage available under the plan. It also allows you to purchase $5,000 of monthly Professional Overhead Expense benefits and $100,000 of life insurance, all without medical evidence. OMA Essentials requires you to be an OMA member.

Other companies offer individual plans — you may already have such a plan. As insurance needs can always be re-evaluated, take a moment to read through the next section and then compare the private plans with Essentials to determine which plan is best for you.

What to Look for in a Disability Insurance Plan

Disability insurance can be a very complex subject, but there are certain things you should look for in any plan.

1. Definition of Disability?

   There are two definitions of disability available to a physician: “Regular Occupation” (sometimes referred to as “Own Occupation”) and “Own Occupation” (sometimes referred to as “Own Occupation Plus”).

   The “Regular Occupation” definition considers a person disabled if they are unable to perform the essential duties of their “regular occupation”, that is the occupation in which they were engaged at the time of disability, under the care of a physician and not otherwise gainfully employed. This means that the insurer cannot force you to take up another occupation. If you can't perform your occupation and choose not to take up another occupation, you will be paid total disability benefits. If you choose to work in another occupation, a loss of income will normally result in a partial disability benefit being paid.

The "Own Occupation" definition is the same as the "Regular Occupation", except that if you are able to work in another occupation, and choose to, total disability benefits will continue to be paid. There will be no offset for income earned in a different occupation.

Keep in mind that it is very difficult to qualify as "Totally Disabled" under the "Own Occupation" definition. Physicians most likely to be able to claim would be surgeons or others who depend primarily on their physical abilities. Least likely candidates would be family physicians and psychiatrists.

2. Long Term Benefits

Any plan you buy should have benefits payable to age 65, in the event that you are unable to ever return to work.

3. Residual (Partial) Benefits

Residual disability benefits, sometimes referred to as partial benefits, provide a percentage of your Total Disability benefit equal to the percentage loss of your normal average monthly income in the event you become partially disabled, and can either perform all the duties of your regular occupation, but for less time, or are able to perform one or more of your normal duties.

Residual benefits should be available to at least age 65.

4. Renewal Provision

Most disability plans offered by individual insurance companies are either offered on a "non cancellable, guaranteed renewable" basis, which means that once issued, the insurer cannot raise the rates or change the policy wording of any coverage you already own, or a "guaranteed renewable" basis, which means that the insurer has the right to adjust premiums on existing policies, by class.

Some insurers insist that physicians purchase a "Health Care Worker" rider, which provides a benefit in the event a physician must disclose HIV, Hep B/C infections to patients and loses income as a result of same. Some of these riders are, unlike the policy to which they are attached, not guaranteed, yet must remain part of the policy. This, in effect, negates the price guarantee of the underlying policy. You should take care to note the fine print in such contracts.

Many professional associations offer disability and other insurance as a benefit of membership. In the case of the Ontario Medical Association, an insurer cannot cancel their coverage. The contract allows the OMA and their insurer to negotiate changes in premium or policy wording. Most large associations offer comparable benefits and policy wordings to their members at a more reasonable cost when compared to individual policies.

5. Important Optional Riders

There are a number of riders that may be added to disability income coverages. Two of the most important are the "Future Insurability Option", which allows an individual to purchase additional disability income benefits in the future, without evidence of health. The other that should be added to all coverages is a "Cost of Living" rider, which provides for annual increases in the monthly benefit, normally related to the year increase in the Consumer Price Index, once an individual has been receiving disability benefits for a year.

6. Payment of Benefits

If you are purchasing additional coverage during residency, make sure to read the fine print! Most policies state that they will make payment only above the level of an existing group plan. Thus, if you purchase coverage in addition to the group plan provided by the collective agreement, your potential payments will be reduced by the amount you're paid by the group plan. You can use this as a test of your insurance agent to see if they know their stuff or are being honest with you about the product.

While the above is by no means an exhaustive list, it does cover the major points that should be taken into account when considering the purchase of disability coverage.

Regardless of your decision, it is important to insure your income and your overhead expenses in the event you become disabled. Odds are far greater that you'll be disabled before 65 than die.

Resident Loan Interest Relief Program (RLIRP)

The Resident Loan Interest Relief Program (RLIRP) was negotiated in the OMA/MOHLTC Collective Agreement in 2008 on the basis of PARO's recommendation, with support and advocacy by the OMA and Ontario Medical Students' Association, that initiatives that make Ontario a great place to do residency will contribute to the MOH's broader health human resources strategy. PARO has continued to work hard with these stakeholders to achieve improvements to meet the needs of our members.

Features of the program:

Under the RLIRP, the Ministry of Health and Long-Term Care (MOHLTC), in partnership with the Minister of Training, Colleges and Universities, provides eligible Ontario medical residents with relief from making monthly payments (interest and principal) on Canadian government student loans (provincial and federal) during their residency period.

Successful applicants are issued a Medical Resident Loan (MRL) from Ontario that they use to pay off federal and provincial/territorial government student loans. During the Ontario medical residency, the MOHLTC pays the interest on the participant's MRL and the participant is not required to make payments on the principal.

In exchange for these benefits, the participant must first agree to practice medicine for five years in Ontario upon completion of residency. The participant must begin repayment of the MRL upon completion or termination of residency.

Who is eligible for RLIRP?

All medical trainees in all years of training in Ontario postgraduate programs funded by the MOHLTC as of July 1, 2009 are eligible, provided that:

- they are not restricted from receiving financial assistance under the Ontario Student Assistance Program (OSAP)
- their loans are Canadian government student loan(s), i.e. provincial, territorial and/or federal - Bank lines of credit are not eligible
- their loans are in good standing and not in arrears

Important note:

- Applications can only be submitted between June and September of each year
- Consolidated loans are not currently eligible under this program

Participants in the RLIRP must enter into a return of service agreement with the MOHLTC under which you agree to provide Ontario with five years of physician services directly after you complete your Ontario medical residency.

For more details or to apply click here. If you have specific questions please contact:

Resident Loan Interest Relief Program - Application Centre
Telephone: 1-877-560-1391
From Monday to Friday, between 9:00 a.m. and 5:00 p.m. EST

Useful Information

This section lists links to information that may be useful in assisting you with important life and financial management decisions.

Life Events

Life is filled with many important events and milestones. Click here for assistance and important information that you may want to consider.

Debt Management

Getting your finances in order can be an overwhelming task. Click here for general information on how to manage debt.

Housing

Click here for information on things that you may want to consider when purchasing a home such as ecoENERGY Retrofit-Homes, Emergency Repair Program, ENERGY STAR Initiative, GST/HST New Housing Rebate, Home Buyer's Plan, Mortgage Loan Insurance, Residential Rehabilitation Assistance Program-RRAP for Homeowners.

Credit, Loans and Debt

Click here to find related information on your rights and responsibilities associated with credit, loans and debt.

Interactive Tools Related to Mortgages

Click here to find tools to help you calculate mortgage payments and determine whether or not you can qualify for a home mortgage based on income and expenses.

Wills, Estates, Trust and Power of Attorney

Estate planning involves the transfer of someone's assets (e.g. property, money) when they die, as well as a variety of other personal matters. Wills, estates, trusts and power of attorney are all common tools used in estate planning. Click here to find information that you might want to consider.

Glossary

Amortization - an actuarial method that calculates equal payments over a period of time given a specific rate of interest; payments contain Interest and Principal portions that vary over the time period such that payments are mainly Interest at the beginning and mainly Principal at the end

Any Occupation - disability insurance payments are discontinued if it is determined the insured person can perform any work for which s/he is qualified by reason of training, education or experience, regardless of his/her occupation before becoming disabled

Average Tax Rate - the total tax paid as a percentage of gross income

Bond - an investment certificate that pays a guaranteed interest return after a specified period of time

Canada Student Loan (CSL) - a federal program that makes up a portion of student loans

Cost of living Adjustment (COLA) - periodically increases monthly disability insurance payments according to an agreed upon rate, usually the year over year increase in the Consumer Price Index up to a pre-determined maximum rate

CPP - Canada Pension Plan

Dividend - a per share pay out determined by the corporation

EI - Employment Insurance

Gross Income - your total taxable income from all sources before deductions

Health Care Rider - reserved for medical professionals who, because of governing body requirements, are required to disclose that they are infected with HIV or Hepatitis B/C, and subsequently suffer a loss of income due, not to the disease, but because of a drop in income related to the disclosure. Partial Disability benefits would be provided to cover the percentage loss of income, despite the fact that the worker is asymptomatic

Income Tax - calculated tax based on taxable income; see Tax Planning section for more information

Income Trust - a unit holding with a defined dividend payout over the term of the trust

iUnits - a unit whose holdings mimic an existing stock index; has a much lower cost of administration than mutual funds

Liquidity - the ease with which an investment can be converted into cash. For example, a high-interest savings account with no withdrawal penalties is 100% liquid, while a house is fairly non-liquid

Load - a fee charged for investing in a particular mutual fund, which can be at the outset (front-end load), when selling (back-end load), or no cost at all (no-load)

LTD - long-term disability; a group plan given to all PARO members; current rate is 0.474% plus PST of gross income

Management Expense Ratio (MER) - a percentage cost that is levied annually on a mutual fund to pay for costs associated with administering the fund

Marginal Tax Rate - the tax rate on an increment of your income

Mutual Fund - a basket of stocks and/or bonds administered by an investment firm, which determines its share value based on its total assets

Non-cancellable policy - once granted insurance by a company, only the insured person may cancel the agreement

Ontario Student Opportunity Grant (OSOG) - Ontario's annual loan forgiveness system that replaced the old Loan Forgiveness Program in the 1998-1999 Academic year

Own Occupation (Own Occ Plus) - disability insurance payments are discontinued only if you are determined to be capable of performing your chosen occupation; e.g. if a surgeon loses both hands and chooses to practice as a psychiatrist, he/she is still disabled under this definition and would continue to receive disability payments

PARO Dues - association membership dues; the rate is currently 1.30% of gross income

Provincial Student Loan (PSL) - the provincial component of student loans; Ontario Student Loans (OSL) will primarily be discussed, but the principles can be applied to other provincial loan programs

Prime Rate - the rate charged to a population of customers whose total default rate is less than 1%; in practical terms, it's a base rate that banks use to set interest rates on personal and corporate loans, and in recent times has generally hovered at 2% above the Bank of Canada Target Rate

Personal Line of Credit (PLC) - a type of bank loan where the individual taking the loan can withdraw up to a maximum amount of money on an as-needed basis; (sometimes but not always based on prime rate)

Regular Occupation - a term used in disability insurance that describes the individual's "regular occupation" as the duties of that occupation at the time one is disabled. If unable to return to your occupation, and not otherwise gainfully employed (your choice), you qualify for total disability benefits. Usually to age 65 in individual and association group contracts. Can be limited in True Group contracts

Registered Retirement Savings Plan (RRSP) - a government program that allows one to save up to 18% of the previous year's income (subject to a maximum) and claim it as a tax deduction; must be cashed out, converted into a Registered Retirement Income Fund (RIF) or an annuity, no later than December 31st in the year that one turns 71, the disbursements of which are taxable

Stock - a representation of investment in a corporation, usually divided into shares; all stocks are a form of equity

Tax Credits - amounts that are refunded after tax is levied; in practice, generally this means that tax savings equal the lowest federal and provincial tax brackets

Tax Deductions - amounts that are subtracted from total income before tax is implied; in practice, this means that tax savings equal the marginal tax rate

True Group policy - insurance given to all individuals in an organization, such as the PARO LTD plan