



Understanding Your Group Benefit Plan. Is It Enough?

Group benefit plans, which vary from one organization to another, provide employees with a range of benefits which may include insurance, investments and health benefits. In this article, Glen Nortje addresses the underlying question—is a group benefits plan enough, or do I need additional private insurance and investment accounts?

At their core, group benefit plans provide benefits and cover conditions agreed between your employer and investment firm. In many cases, however, employees are either not aware of what their group plan covers, or they don't know if the coverage is sufficient for their needs. The lack of understanding may be closely linked to a gap in personal financial goal setting or planning, rather than a lack of communication on the part of the organization.

If you are unsure of your financial needs or goals, you will not be empowered to make the best decisions to secure your financial future.

Operating on the assumption that your company has your needs covered, you may trust that what you have is enough and therefore don't secure additional private insurance. In other cases, you may know what you need, but may not know what questions to ask regarding the group plan. While your needs may be well provided for, you ultimately buy additional insurance which is normally more expensive than what the group offers.

What could be covered in your group benefit plan?

The content of a group benefits plan varies from one employer to another. Based on their budget and organizational values, the employer may include anything they believe beneficial for their staff.

Every benefit has a cost implication for the employer, so inclusions are based on what makes business sense. This could include:

- **extended medical benefits** – in Canada, dental, optical, and drug benefits are commonly included in group benefit plans. These extended medical benefits are intended to supplement the shortfalls in standard provincial healthcare.
- **disability benefits** – another common inclusion in group benefit plans is short-term and long-term disability benefits based on a percentage of your salary. These benefits would be accessible should you become partially or permanent disabled.
- **life coverage** – a life insurance benefit included in a group benefit plan could potentially pay out a multiple of your annual salary. The plan may also specify additional benefits like accidental death, and dismemberment benefits, also expressed as a multiple of your annual salary.
- **critical illness** – on rare occasions, your employer may decide to include a critical illness benefit. We agree this is an important benefit to include as well.
- **savings benefits** – savings benefits differ dramatically from company to company, and are entirely at the employer's discretion. This benefit is usually focused on providing conditional contributions to a retirement fund for employees. For example, if you pay 4% of your gross monthly income into a retirement fund, the company sometimes matches up to 4%. Employees' retirement accounts will, 99% of the time, be insufficient to fund their retirement in the future. There are two main reasons:
 1. the savings rate of say 8% per annum will unlikely be enough
 2. people move frequently between companies and therefore have multiple accounts at different institutions. Therefore, you need to consider your existing retirement plan, retirement plans at other institutions as well as private accounts like TFSA, RRSP and investment accounts

As the average life expectancy of employees has increased, plans have shifted focus toward shorter term items like extended medical benefits and moved away from more expensive and long-term benefits like defined benefit plans for retirement. Therefore, your personal financial plan should also be adjusted with these changes.

- **ancillary benefits** – in an environment where the link between productivity and health has become more apparent, employers may decide to include ancillary benefits like gym memberships, or benefits supporting mental health. In addition to being a physical health concern, the pandemic has also highlighted the value of mental health benefits for employees.

Considerations when changing jobs if you have a pre-existing

condition

Due to the variation in coverage from company to company, balancing your needs between group plans and private insurance may be the best of both worlds.

When you move from one company to another, carefully consider the benefits their group plan offers. While group plans typically don't include waiting periods on pre-existing conditions, private insurance plans do. In a case where the new company doesn't provide sufficient cover your health needs, you would need to purchase additional insurance.

The importance of mapping your financial goals as a family

In a previous article, we cover the importance of [establishing financial goals as a family based on your values](#). Goals that are of value to your family, such as providing for education, maintaining lifestyle after retirement, or saving towards experiences like travel can form part of your planning or mapping out your financial needs.

While group plans provide many welcome benefits, they are rarely enough to cover all your financial needs and goals. Mapping out those goals as a family is a strong start to understanding whether group benefits, private insurance or a combination of both is the right choice for you. Some of the key areas to consider, which are covered in more detail in [Six Steps to Achieving Financial Wellness as a Family](#), include:

- **Steps 1, 2 and 3** - Protect your health, income and lifestyle
- **Step 4** - Plan for your retirement
- **Step 5** - Grow your investments
- **Step 6** - Estate planning and philanthropy

Once you have an understanding of your goals, and the practical steps your need to take do address these gaps, you will be empowered to make the necessary adjustments and secure your family's financial future.

How to Start Planning for Your Family's Financial Future

Connecting financial planning to family vision and values. [Get started](#).

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