

# Registered Disability Savings Plan

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*The Registered Disability Savings Plan (RDSP) helps Canadians with disabilities and their families build a secure financial future.*

## **What is the RDSP?**

In 2008 the Canadian Government introduced the Registered Disability Savings Plan (RDSP) to help Canadians with disabilities, and their families, save for the future.

## **Reasons to open an RDSP:**

- Depending on family net income, the Federal government may match each \$1 contributed with **up to** \$3 through the Canada Disability Savings Grant.
- For low-income Canadians, the Canada Disability Savings Bond provides **up to** \$1,000 per year with **no contributions required**.
- Savings in an RDSP grow tax-deferred, although contributions are not tax-deductible.
- The money coming out of an RDSP can be used for any purpose the beneficiary pleases.

## **To qualify for an RDSP, one must:**

- Be eligible, or have the Disability Tax Credit (DTC)
- Have a valid Social Insurance Number (SIN)
- Be a resident of Canada
- Be under the age of 60 when the plan is opened (*contributions cannot be accepted after the end of the year the beneficiary turns 59*).

## ***Definitions:***

- **Contributions** – funds that are deposited into an RDSP.
- **Beneficiary** – individual with a disability that will benefit from the RDSP.
- **Holder** – an individual or agency who opens the RDSP and makes investment decisions.

## **Basics of the RDSP**

An RDSP can be opened and contributions made until the end of the year the beneficiary turns age 59.

The last year an individual can receive Government Grants and Bonds is the end of the year the beneficiary turns age 49.

A beneficiary can have only one RDSP. A RDSP can have only one beneficiary.

There is no annual contributions limit, but there is a lifetime contribution limit of \$200,000.

Anyone can contribute to an RDSP – neighbours, family members, friends – with the written permission of the account holder.

Once an RDSP is registered, it is irrevocable. The contributions belong to the beneficiary and cannot be returned to the individual who made the contribution.

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### Who can open and contribute to an RDSP?

- A person with a disability, who is of the age of majority (18 or 19 depending on the province) and has the legal capacity to manage their finances;
- The legal parent of a child with a disability who has not attained the age of majority; or,
- A guardian or other representative who is legally authorized to act on behalf of a person with a disability.

### Government Grants & Bonds

**The Canada Disability Savings Grant (CDSG)** provides matching contributions of **up to** 300% annually until the end of the year the beneficiary turns age 49, to a lifetime limit of \$70,000. The amount of grant received depends on the family net income and contributions made.

Family Net Income	Annual CDSG contribution on RDSP contribution	Maximum CDSG contribution
<b>Less than \$95,259</b>	300% contribution on the first \$500	\$1,500
	200% contribution on the next \$1,000	\$2,000
	<b>Maximum annual contribution</b>	<b>\$3,500</b>
<b>Greater than \$95,259 (or no income tax return filed)</b>	100% contribution on the first \$1,000	\$1,000
	<b>Maximum annual contribution</b>	<b>\$1,000</b>

**The Canada Disability Savings Bond (CDSB)** is paid into the RDSP to low-income individuals until the end of the year the beneficiary turns age 49, regardless of whether contributions are made to the RDSP. Once the plan has been opened, the maximum payment is \$1,000 annually (\$11,000 if it includes carry-forward), to a lifetime maximum of \$20,000.

Family Net Income	CDSB Contribution
\$31,120 or less	\$1,000
Between \$31,120 and \$47,630	\$1,000 is reduced on a prorated basis
Greater than \$47,630	No bond paid

*Effective in 2011, carry-forward of unused grant and bond entitlements from the past 10 years can be claimed if the beneficiary qualified for the grant and/or bond in those years. The maximum grant payable in a year if using the carry-forward is \$10,500, and bond is \$11,000.*

### Withdrawals from an RDSP

Withdrawals are referred to as **'Disability Assistance Payments'**. Withdrawals must begin by the end of the year the beneficiary turns 60.

**Disability Assistance Payments (DAPS)** are **one-time payments** from the RDSP to the beneficiary. Generally, the beneficiary can request these lump-sum or unscheduled payments at any time. However, there are often restrictions on the amount of money that can be taken out of the RDSP. These restrictions are determined by factors such as the beneficiary's age, the amount of personal contributions and federal contributions, and how long funds have been in the RDSP.

**Lifetime Disability Assistance Payments (LDAPS)** are one of the key reasons people set up an RDSP: *to have additional income in later years*. These are **annual payments that, once started, continue until the funds in the plan are gone or the beneficiary dies**. LDAPs may begin before the beneficiary turns 60, but they **must** start by the end of the year in which the beneficiary has their 60<sup>th</sup> birthday. They are calculated through a legislated formula based on the fair market value of the plan and the life expectancy of the beneficiary.