

## **Independent Living Skills workshop: Registered Disability Saving Plan (RDSP)**

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Guest Speakers:

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The major issue the speakers are trying to address is the lack of awareness about the Registered Disability Saving Plan. Many people who are eligible to set up and RDSP account have not done so because they don't know it exists or how it could benefit them. There are also many misconceptions about the way the plan works.

For example, you DO NOT have to make your own contributions to get money out of the plan. The grant and bond programs will put money into your account, even if you do not contribute. However, there are some rules around how this works. (discussed later on)

What is RDSP?

The RDSP is a long-term savings account to help people with disabilities and their families save for the future.

To be eligible for the RDSP, you must be:

- under the age of 60
- a Canadian resident (with a valid Social Insurance Number)
- eligible for the Disability Tax Credit (DTC) disability amount

\*\*The DTC is a non-refundable tax credit that reduces the amount of income tax that an individual with a 'severe and prolonged' physical or mental disability may have to pay. (for more info visit: [www.cra-arc.gc.ca/disability](http://www.cra-arc.gc.ca/disability))

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

Contributions can be made until the end of the year in which the beneficiary turns 59, but not after.

\*\*The term *beneficiary* refers to the person with the disability, who will receive the money from the account at the time of withdrawal.

## Who can set up and RDSP account?

- The beneficiary, if they are over 18 years
- A legal parent of the beneficiary
- A legal guardian, tutor or curator of the beneficiary
- An individual legally authorized to act on behalf of the beneficiary
- A public department legally authorized to act on behalf of the beneficiary

## How to open an RDSP? – there are 7 steps...

1. Identify the beneficiary – This is the person with the disability who will receive the money. Consider the eligibility criteria.
2. Identify the plan holder – This is the person responsible for managing the account. This person can make contributions and can authorize others to make contributions.
  - a. If beneficiary is under 18, this could be a legal parent, guardian, or individual/agency authorized to act on behalf of the beneficiary.
  - b. If the beneficiary is over 18, this could be the beneficiary themselves, legal parent/guardian, or individual/agency authorized to act on behalf of the beneficiary.
3. Ensure the beneficiary has a valid Social Insurance Number (SIN)
4. Ensure eligibility for the Disability Tax Credit (DTC) – may still need to apply for this if you haven't already.
5. Contact a participating financial organization – where the account is to be held.
6. Complete and RDSP application form – World Financial Group can help with this, free of charge!
7. Complete a grant/bond application – World Financial Group can help with this, free of charge!

## Who can contribute to an RDSP account?

- The holder
- Anyone with written permission from the holder (eg. family, friends)

Withdrawing from and RDSP – there are 2 ways...

Disability assistance payment – a single withdrawal from the RDSP to the beneficiary.

Lifetime Disability Assistance Payment – regular withdrawal MUST begin when the beneficiary is 60 years of age, but can begin earlier. Once the regular withdrawals have begun, they must continue to be paid out *at least* annually until the beneficiary passes away or the account is closed.

Closing an RDSP account

Grant and bond amounts that have been in the RDSP account for **less** than 10 years MUST be repaid to the government if:

- The account is closed
- The beneficiary becomes ineligible for the DTC (disability amount)
- The beneficiary passes away

If the impairment no longer exists (you lose eligibility for DTC). The RDSP must be closed within the calendar year following the first 12 months where the beneficiary is no longer considered to have 'severe and prolonged' physical or mental impairment.

If the beneficiary dies, the grant and bond portions must be returned to the government.

Family Income:

The amount of money you receive from the CDSG and CDSB depends on the amount of your family income.

Until the beneficiary turns 18, family income is based on the same information used to determine the Canada Child Tax Benefit amount for the beneficiary.

The year that the beneficiary turns 19, family income is then based on the beneficiary's own income (and the income of their spouse, if applicable)

## The Canada Disability Savings Bond (CDSB)

The government will deposit up to \$1000/year into the RDSP of low to moderate income beneficiaries.

EVEN IF no personal contributions are made to the account.

The bond has a lifetime limit of \$20 000 in total deposits.

The bond will be paid until the year the beneficiary turns 49 years old.

<b>Beneficiary's family income</b>	<b>Bond amount</b>
Less than \$24 183 (or if account holder is a public institution)	\$1000/year
\$24 183 - \$41 544	<b>Part</b> of the \$1000 *(based on a formula from the <i>Canadian Disability Savings Act</i> )
More than \$41 544	<u>Not</u> eligible to receive the bond

\*\*\*Please Note! The income amounts in this table are from 2011. Each year the amount is adjusted according to inflation. Speak to an RDSP expert to learn the income thresholds in the current year.

## The Canada Disability Savings Grant (CDSG)

The government will deposit a matching grant into the RDSP, depending on your contributions and you family income.

The grant will deposit a maximum of \$3 500/year, up to a total lifetime limit of \$70 000.

The grant is paid until the year the beneficiary turns 49.

<b>Beneficiary's family income</b>	<b>Grant amount</b>	<b>Maximum</b>
Less than \$89 401		
- First \$500 contributed	\$3 deposited by government for every \$1 you contribute	\$1 500
- Next \$1000 contributed	\$2 deposited by government for every \$1 you contribute	\$2 000
More than \$89 401		
- First \$1000 in contributions	\$1 deposited by government for every \$1 you contribute	\$1 000

\*\*\*Please Note! Each year the income amounts are adjusted according to inflation. Speak to an RDSP expert to learn the income thresholds in the current year.

## Impact of RDSP:

An RDSP does NOT affect your eligibility for federal benefits (eg. Canada Child Tax Benefit, Goods and Services Tax Credit, Old Age Security, Employment Insurance, ODSP Income Support etc.)

RDSP is FULLY EXEMPT from ODSP benefits, meaning it will not affect your eligibility. Having an RDSP is not considered an asset by ODSP because you can't readily access the funds.

The contributions you make to an RDSP are NOT tax-deductible. When you begin withdrawing money from the account, your contributions are not considered 'income' for tax purposes.

BUT, the portions of money in the account from the CDSG & CDSB (and the interest earned on those amounts) IS taxable. These portions are reported as 'income' for tax purposes (box 78 of T4A slip).

The grant/bond amounts can be claimed for past 10 years (back to 2008, when the RDSP program started). You must prove that you qualified for the DTC and were within the appropriate age for contributions at that time.

Past grants are paid to a maximum of \$10 500/year

Past bonds are paid to a maximum of \$11 000/year