



# RDSP

## The Registered Disability Savings Plan

Canada 

Funding for this information session is provided by the Government of Canada.  
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# Session outline

- RDSP & Eligibility
- Disability Tax Credit
- Opening an RDSP
- The Bond
- The Grant
- Withdrawals
- Contact Information

# What is a registered disability savings plan (RDSP)?

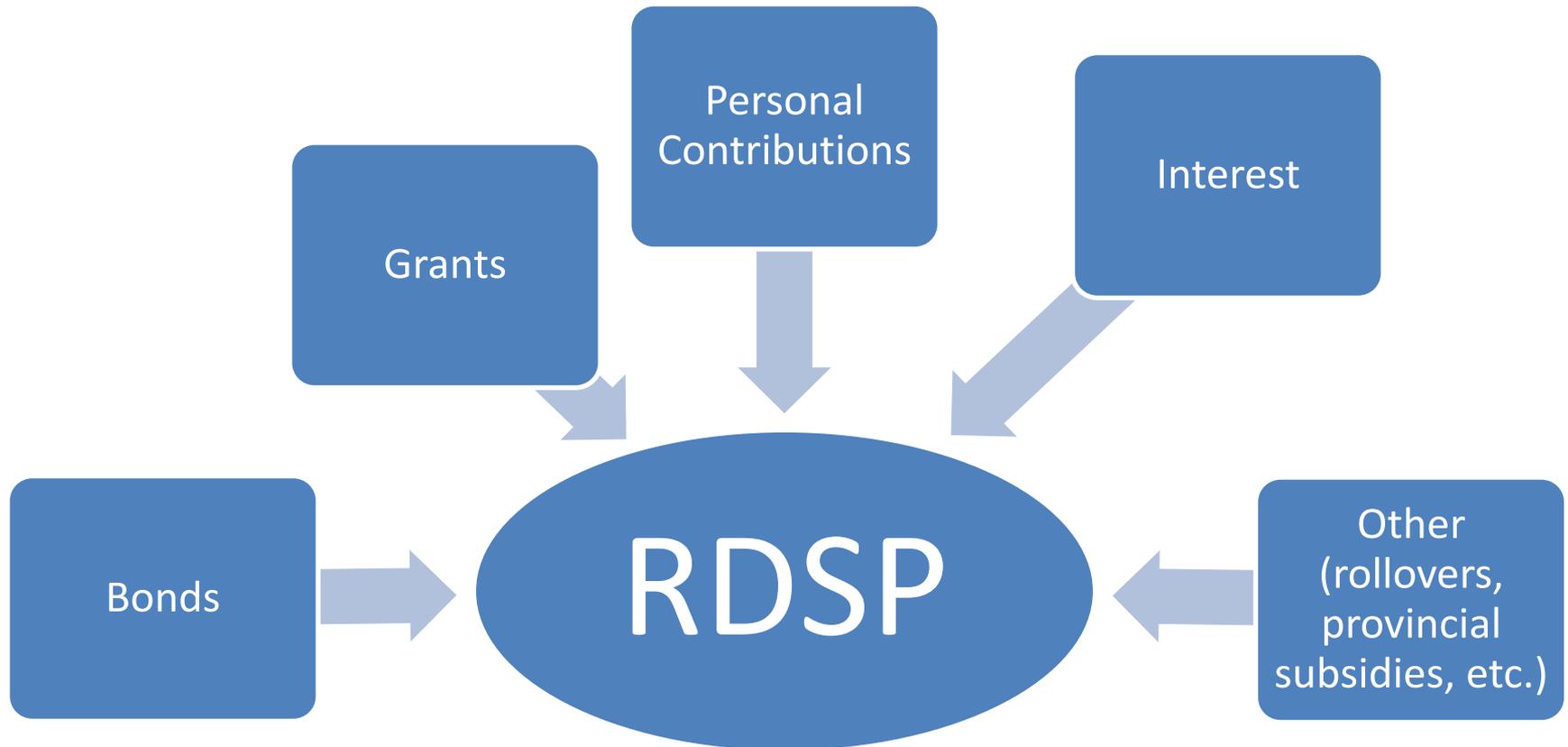
A long-term savings plan to help Canadians with disabilities and their families save for the future.

When you have an RDSP you may be eligible for both **bonds** and **grants** to help your savings grow faster.

Bonds and grants are based on all contributions into the RDSP, even those from family and friends.

The beneficiary (the person who will benefit from the RDSP) chooses what to use the money from the RDSP for.

# What makes up an RDSP?



# What are the requirements to open an RDSP?

Individuals must:

- have a long-term disability;
- be eligible for the Disability Tax Credit;
- be under 59 years (if 59 years old, the RDSP must be opened before the end of the calendar year in which the beneficiary turns 59);
- are Canadian residents with a social insurance number (SIN).

# What is the disability tax credit?

The Disability Tax Credit (DTC), also known as the disability amount, is a non-refundable tax credit that helps persons with disabilities, or their supporting persons reduce the amount of income tax they may have to pay.

A non-refundable tax credit means that it may reduce the amount of tax payable to zero.

Any unused portion of the amount may be transferred to your spouse or common-law partner, or another supporting person.

# Are you eligible?

To be eligible a person must meet the following three criteria:

- Must have a severe impairment in physical or mental functions.
- The impairment must be prolonged, meaning, it must have lasted or is expected to last, for a continuous period of at least 12 months.
- Must be restricted at least 90% of the time.

**Note:** Eligibility is not based on the medical condition itself, but rather on the effects that the impairment has on a person.

# Who can fill out the DTC form?

Category	Qualified Practitioner
Vision	Medical Doctor or optometrist
Speaking	Medical doctor or speech-language pathologist
Hearing	Medical doctor or audiologist
Walking	Medical doctor, occupational therapist, or physiotherapist (physiotherapist can certify only for 2005 and later years)
Elimination (bowel or bladder functions)	Medical doctor
Feeding	Medical doctor or occupational therapist
Dressing	Medical doctor or occupational therapist
Performing the mental functions necessary for everyday life	Medical doctor or psychologist
Life-sustaining therapy	Medical doctor
Cumulative effects of significant restrictions	Medical doctor or occupational therapist (occupational therapist can only certify for walking, feeding and dressing) <ul style="list-style-type: none"> <li>• In two or more basic activities of daily living, including vision (applies to 2005 and later years)</li> </ul>

# Life-sustaining therapy

For life-sustaining therapy, you must meet both of the following criteria:

- the therapy is required to support a vital function, even if it alleviates the symptoms; and
- the therapy is needed at least 3 times per week, for an average of at least 14 hours per week.

# **Cumulative effect of significant restrictions**

This means that although you do not quite meet the criteria for markedly restricted, but you are still substantially restricted in two or more basic activities of daily living at least 90% of the time, you may be eligible for the DTC.

# Completing Form T2201

## *DTC Certificate*

### **Step 1**

Fill out Part A of the Form T2201 with your personal information.

### **Step 2**

Ask your qualified practitioner to fill out and certify Part B of Form T2201.

### **Step 3**

Once Form T2201 has been completed, keep a photocopy. Send the original certified and signed form to the disability tax credit unit at your tax centre.

**Note:** The CRA reviews its forms and publications every year. The latest version is always on the CRA website at [www.cra.gc.ca](http://www.cra.gc.ca).

# To learn more about the DTC

- CRA's website provides detailed information including a self-assessment tool to help you learn whether you or your dependant may be eligible.
- CRA does not charge fees to process your application. Your medical practitioner may charge a fee to complete the form.
- For more information or to get the form T2201:
  - visit [www.cra-arc.gc.ca/disability](http://www.cra-arc.gc.ca/disability) or
  - call 1-800-959-8281 or TTY: 1-800-665-0354

# How to open an RDSP?

## **Step 1: IDENTIFY THE BENEFICIARY:**

- Person who will receive the money in the future.
- Can only have one RDSP at a time.

## **Step 2: IDENTIFY THE PLAN HOLDER:**

- Person or organization who opens and manages the RDSP.

### **Plan Holder – if beneficiary is over the age of majority**

- The holder is generally the beneficiary.
- In certain circumstances, a parent, a guardian, legal representative or public department may be eligible to become the holder.
- In cases where there are concerns about the ability to enter into a contract and the person does not have a legal representative, certain family members i.e. beneficiary's spouse, common-law partner or parent can become the plan holder. This measure is in place until 2016.

### **Plan Holder - if beneficiary is under the age of majority**

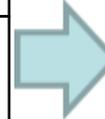
- Legal parent(s), legal representative or public department.

# What is the Bond?

- Money that the Government of Canada will deposit into the RDSP of low to modest income Canadians who are between the ages of 0-49.
- No contributions are necessary but an RDSP must be opened.
- For those who qualify for this bond, the Government will put up to **\$1,000** per year into their RDSP, up to **\$20,000** over the lifetime of the beneficiary.
- Bond applications must be received by December 31 of the year in which the beneficiary turns 49.

# The bond amount

<b>Beneficiary's Family Income - 2014</b>	<b>Annual amount of Bond</b>
\$0 - \$25,584	\$1,000
\$25,584 - \$43,953	\$1,000 reduced on a pro-rated basis
More than \$43,953 or no income taxes filed	None



Jane, a beneficiary, has a family income of \$24,910.

- The Government puts \$1,000 of bond money into Jane's RDSP.

# What is the Grant?

- A **matching grant** that the Government of Canada will deposit when you contribute to an RDSP to help save for the future.
- The amount of the grant depends on the amount contributed and the beneficiary's family income.
- The beneficiary must be between the ages of 0 to 49 to get the grant.
- To receive grants, contributions must be made by December 31 of the year in which the beneficiary turns 49.
- The lifetime grant limit is \$70,000 per beneficiary.
- Anyone with written permission from the “plan holder” may contribute to the RDSP.

# The grant amount

Beneficiary Family Income 2014	Personal Contribution	Grant Amount	Maximum Grant	Total (Personal Contribution + Grant)
\$0 – \$87,907	On the first \$ 500 contributed	\$3 for every \$1 contributed	<b>\$1,500</b>	\$2,000
	On the next \$1,000 contributed	\$2 for every \$1 contributed	<b>\$2,000</b>	\$3,000
\$87,907 or no income taxes filed	On the first \$1,000 contributed	\$1 for every \$1 contributed	<b>\$ 1,000</b>	\$2,000

Jane's mother contributes \$1,500 into Jane's RDSP.

The Government puts \$3,500 of grant money into Jane's RDSP.

$$\$3 \times \$500 = \$1,500$$

$$\$2 \times \$1,000 = \$2,000$$

Jane's RDSP now has \$1,000 in bonds and \$3,500 in grants.

# Building long-term savings with bonds and grants

Jane, the beneficiary, has a family income of \$24,910 and opens an RDSP.

- The Government puts \$1,000 of bond money into her RDSP.

Jane's mother contributes \$1,500 into Jane's RDSP.

- The Government puts \$3,500 of grant money into her RDSP.

**That's \$6,000 in Jane's RDSP right now!**

# Does the RDSP impact other benefits?

## Federal Benefits

RDSP does not affect your eligibility for federal benefits such as:

- Canada Child Tax Benefit
- Goods and Services Tax Credit
- Old Age Security
- Employment Insurance Benefits

## Provincial Benefits

All provinces and territories have announced a **partial** or **full exemption** of RDSP income and assets for the purposes of assessing eligibility for programs and services.

The province of BC has exempted the RDSP from Persons with Disability Assistance benefits, both as an asset and the income withdrawn from an RDSP

# Can I get money that I missed out on?

- Yes. You can go back as far as 2008 when RDSPs were created or the year that you satisfied the eligibility criteria – whichever is later.
- To learn more about your situation, please set up a free one-on-one consultation after the session.

# Example of catching up

- Jane is 30 years old and just learned about the RDSP.
- She has been DTC eligible since 2008.
- Her income is below \$25,584.
- She opens a plan in 2014.

Jane can claim bonds and grants for **2014** and the years she missed out on in **2013, 2012, 2011, 2010, 2009 and 2008**. That's 7 years worth of benefits.

# What will Jane get?

## Bonds

Available to claim:  
\$7,000 (\$1,000 x 7 years)

No contribution is required to claim the bond money

In 2014, Jane receives in her RDSP:  
\$7,000

Available to claim in 2015  
if Jane is eligible:  
Up to \$1,000

## Grants

Available to claim:  
\$24,500 (\$3,500 x 7 years)

Available to claim in 2014:  
\$10,500 annual maximum

Jane's mother contributes \$3,750 into  
Jane's RDSP in 2014

In 2014, Jane receives:  
\$10,500 (annual maximum)

Available to claim in 2015 if Jane is  
eligible: \$3,500 for 2015 plus  
\$14,000 (\$24,500-\$10,500)

# Example of maximizing an RDSP

Jack is 10 years old and his parents open an RDSP on his behalf in 2014.

Jack's parents' family income is \$16,000 making him eligible for the maximum bond and grant.

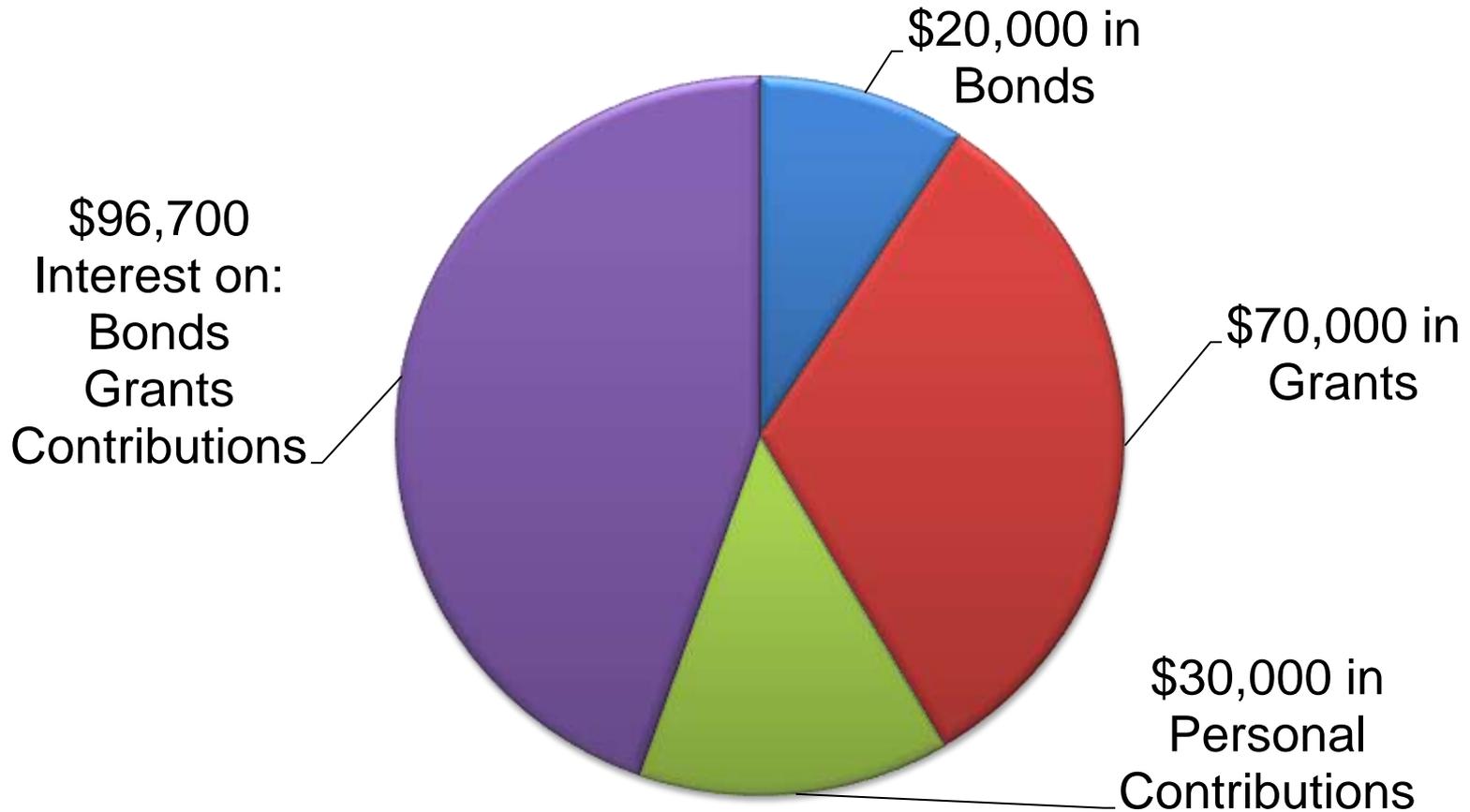
His aunt and uncle contribute \$1,500 each year on his behalf until he turns 30. That's \$125/month.

When Jack becomes the age of majority he becomes the holder of the plan and acquires decision-making authority over the plan and is a joint-holder with his parents.

His income is now used to determine his eligibility. He makes \$10,000 per year and continues to be eligible for the maximum bond and grant.

How much money will Jack's RDSP have in 2044 when he turns 40 years old assuming he did not make any withdrawals?

# Jack's RDSP at age 40 could be worth \$216,700



Interest is based on 3% annual rate

# **RDSPs are long-term savings plans**

All Bonds and Grants are intended to encourage savings and should remain in an RDSP for at least 10 years.

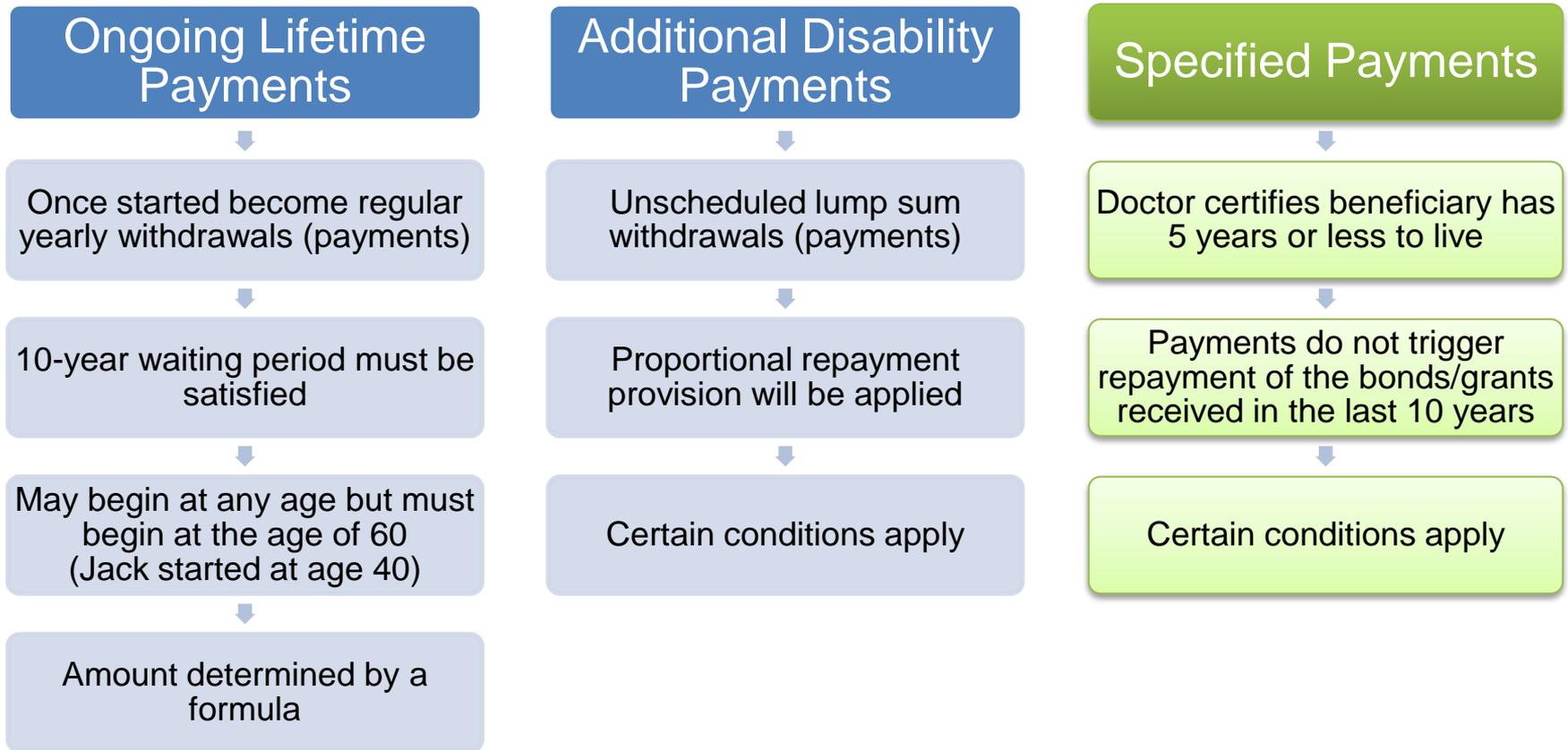
- Jack earned his last bond/grant at the age of 30 and ideally will wait until he is 40 to take his first withdrawal.

# What if you need money before the 10 year waiting period?

- You must repay \$3 to the Government of Canada for every \$1 that is withdrawn, up to the total amount of bonds and grants.
- What will happen if Jack has a financial crisis and requires \$1,000 to repay a personal debt before all bonds and grants were left in the account for 10 years?
- Answer: Jack would need to repay **\$3,000**. Three times his withdrawal of \$1,000.

# Types of withdrawals (payments)

All payments received from an RDSP are for the purposes of the beneficiary or their estate.



# How is the RDSP taxed?

- All withdrawals (payments) from an RDSP are considered to be made up of three parts:
  - Personal contributions (never taxed)
  - Interest (taxable)
  - Bonds & Grants (taxable)
- You will only have to pay taxes on the taxable portion of the amount withdrawn.
- Taxes will be held at source starting in 2014.
- Jack would be taxed only on the taxable portion of his \$1,000 withdrawal.

# RDSP closure

You will be required to repay the all Bonds and Grants that did not satisfy the 10-year waiting period if:

- the plan is closed;
- the beneficiary loses eligibility for the Disability Tax Credit (in certain circumstances the plan may remain open (but dormant) for up to five years; or
- the beneficiary passes away.

All other money in the RDSP, including private contributions, investment income earned, and bonds and grants in the RDSP for more than 10 years, is paid to the beneficiary or the beneficiary's estate.

# 10 Steps to opening an RDSP

- Identify the beneficiary
- Identify the plan holder(s)
- Apply for a Social Insurance Number for the beneficiary and plan holder
- Apply for the Disability Tax Credit
- Apply for the Canada Child Tax Benefit if the beneficiary is under 18
- Ensure income tax information is up to date
- Contact a financial organization
- Open your RDSP and complete application forms
- Ask for the bond and/or invest your money to get grants
- Update your Will

# Contact information

Name of your Organization	Employment and Social Development Canada	Canada Revenue Agency
	<p>Bonds and Grants</p> <p>Call: 1-866-204-0357 TTY: 1-866-260-7723</p> <p>Email: <a href="mailto:rdsp-reei@hrsdc-rhdcc.gc.ca">rdsp-reei@hrsdc-rhdcc.gc.ca</a></p> <p><a href="http://www.hrsdc.gc.ca/disabilitysavings">www.hrsdc.gc.ca/disabilitysavings</a></p>	<p>RDSPs, eligibility, DTC, withdrawals</p> <p>Call: 1-800-959-8281 TTY: 1-800-665-0354</p> <p><a href="http://www.cra.gc.ca/rdsp">www.cra.gc.ca/rdsp</a></p>

# Rolling over RRSPs & RESPs

## Improvements to the RDSP

Rollover of deceased individual's **retirement savings proceeds** (RRSP, RRIF, RPP) can be transferred to a financially dependent child or grandchild's RDSP tax-free.

Rollover of an RESP - **registered education savings plan's proceeds** to an RDSP tax-free as long as the beneficiary is common to both plans.

# What happens when the beneficiary passes away?

- RDSP must be closed by the end of the following calendar year
- Any Grant or Bond received within the last 10 years must be repaid to the government
- Proceeds pass to the Estate of the beneficiary
- Original contributions not taxable
- Remainder taxed to beneficiary's Estate