

# Registered Disability Savings Plan, Canada Disability Savings Grant and Canada Disability Savings Bond: A Primer

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# Part I: About the Registered Disability Savings Plan (RDSP), Grant and Bond What is the RDSP?

- A long-term savings plan to help Canadians with disabilities to save for the future.
- To be eligible for the RDSP, individuals must be:
  - Under the age of 60;
  - A Canadian resident with a social insurance number; and
  - Eligible for the Disability Tax Credit (Disability Amount).



# What is the Disability Tax Credit (Disability Amount)?

- A credit designed to reduce the amount of income tax that you have to pay.

For more information about the Disability Tax Credit (Disability Amount), visit the Canada Revenue Agency Web site [www.cra-arc.gc.ca/disability](http://www.cra-arc.gc.ca/disability) or call 1-800-959-8281 (TTY users call 1-800-665-0354).



# Who is Eligible for the Disability Tax Credit (Disability Amount)?

- You are eligible to receive the disability tax credit amount if:
  - You have had an impairment for at least 12 months;
  - You have a visual impairment;
  - Your impairment affects “basic activities of daily living;”
  - You receive life-sustaining therapy.
- You will have work with a qualified practitioner to complete the application.

# What is the Canada Disability Savings Grant?

- The Government will match your contributions by 300, 200 or 100 percent depending on the beneficiary's family income and the amount of your annual contribution.
- A maximum of \$3,500 will be paid each year, with a lifetime limit of \$70,000.
- Contributions made to an RDSP on or before December 31 of the year in which the beneficiary turns 49 are eligible to receive matching grants

# What is the Canada Disability Savings Bond?

- Depending on your beneficiaries family income you may receive, a Canada Disability Savings Bond (CDSB) of up to \$1,000 per year.
- You do not need to make any contributions to your RDSP in order to receive the bond.
- There is a lifetime limit of \$20,000.
- Bonds will be paid into an RDSP on eligible requests made on or before December 31 of the year in which the beneficiary turns 49.



# How to apply for Grants and Bonds?

- You must apply for the grant and bond at the financial organization where you have your RDSP. Please visit [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca) for up-to-date information.
- You only have to apply once. With your permission, your financial institution will continue the application process on your behalf as long as you are still eligible.

## Part II: How to open an RDSP

# Identify the beneficiary

- This is the person who will receive the money in the future.

The beneficiary must:

- Be under the age of 60;
- Be a Canadian resident;
- Be eligible for the Disability Tax Credit (Disability Amount); and
- Have a social insurance number.

# Identify the holder

- This is the legally authorized person or organization that opens and manages the RDSP on behalf of the beneficiary
- If the beneficiary has attained the age of majority when the plan is opened, the holder must be the beneficiary, unless the beneficiary is not competent to enter into legal contracts. In this circumstance, the holder must be a representative who is legally authorized to act on behalf of the beneficiary
- A holder can be:
  - A Legal parent;
  - An individual who is legally authorized to act for the beneficiary; or
  - A public department agency, or institution.

# Contact a participating financial organization

- An RDSP can be opened by completing a registration form at a participating financial organization:
  - BMO Bank of Montreal. 1-800-665-7700
  - Bank of Nova Scotia. 1-877-929-4499
  - Desjardins Trust Inc. 1-877-286-3420
  - CIBC Securities Inc. 1-800-465-3863
  - Les Fonds d'investissement FMOQ inc. 1-800-641-9929 (Québec residents)
  - The RBC Royal Bank. 1-800-463-3863
  - TD Canada Trust (TD Waterhouse) 1-866-280-2022



## Part III: Building long-term savings Making contributions to an RDSP

- Who can contribute?
  - The holder; and/or
  - Anyone with written permission from the holder, e.g. a family member or friend.
- There is no annual contribution limit, but there is a lifetime contribution limit of \$200,000.
- Contributions are permitted until the end of the year in which the beneficiary turns 59 years of age.

# Beneficiary's Family Income

- The amount of grant and/or bond for which a beneficiary qualifies depends on family income:
  - Until the beneficiary turns 18 years of age, family income is based on the income information that was used to determine the Canada Child Tax Benefit for that beneficiary;
  - Beginning the year the beneficiary turns 19, family income is based on the beneficiary's own income (with that of his or her spouse).

# Receiving the grant

Beneficiary's family income	Grant	Maximum
<b>\$83,088* or less</b>		
On the first \$500	\$3 for every \$1 contributed	\$1,500
On the next \$1,000	\$2 for every \$1 contributed	\$2,000
More than <b>\$83,088*</b>		

\*The beneficiary family income thresholds are indexed for yearly inflation. The income thresholds shown are for July 2011. Please visit [www.disabilityservices.gc.ca](http://www.disabilityservices.gc.ca) for up-to-date information.



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# Receiving the bond

## Beneficiary's family income Bond

**\$24,183\*** or less (or if the holder is a public institution) **\$1,000**

Between **\$24,183\*** and **\$41,544\*** Part of the \$1,000 based on the formula in the *Canada Disability Savings Act*

More than **\$41,544\*** No bond is paid

\*The beneficiary family income thresholds are indexed each year to inflation. The income thresholds shown are for 2011. Please visit [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca) for up-to-date information.

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# Carry forward of grant and bond entitlements

- Beginning in January 2011, you will be allowed to claim your unused grant and bond entitlements from the past 10 years (starting from 2008, the year Registered Disability Savings Plans [RDSP] became available).
- This applies if you already have an RDSP, or if you open an RDSP in January 2011 or later.
- The amount of grant and bond you are eligible for depends on the beneficiary's family income in those years.
- The value of grant from previous year(s) is calculated based on your contribution and the rate from the year in which the grant entitlement was earned.



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# Rollover - Transferring retirement savings to an RDSP

- As of July 2011, if you are a parent or grandparent of a financially dependent child or grandchild with a disability, you will be able to arrange for some or all of your retirement savings to be transferred tax-free to his or her Registered Disability Savings Plan (RDSP) when you pass away.
- To be eligible for this measure, retirement savings must be in one of the following:
  - a Registered Retirement Savings Plan (RRSP);
  - a Registered Retirement Income Fund (RRIF); or
  - a Registered Pension Plan (RPP).
- Rollover contributions are limited by the lifetime contribution limit of \$200,000.
- The Government will not pay matching Canada Disability Savings Grants on the money you transfer.

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# Investments

- The money you put into your RDSP can be invested in different ways
- In addition to receiving grants and bonds your RDSP can also grow with interest earned
- Depending on the types of investments you choose, the interest earned can be a significant amount of money
- While there is a \$200,000 contribution limit, there is no limit to the value your RDSP can reach
- An adviser at your financial institution will help you choose the type of investments that best suit you

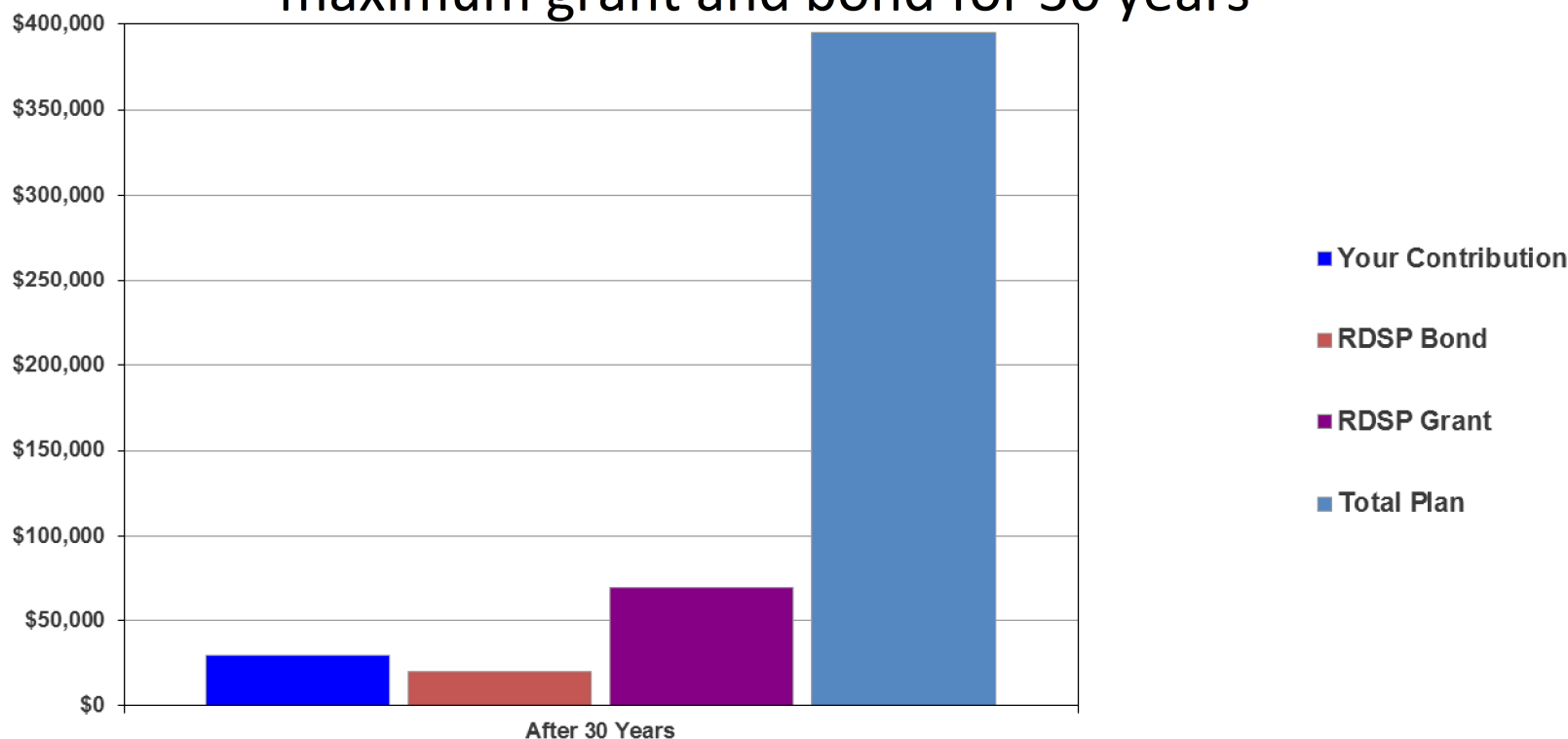


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# RDSP Value Example

Invest \$1,500 plus the maximum grant and bond for 30 years



In this example, if you invest \$1,500 each year for 30 years and collect the maximum grant and bond can have almost \$400,000 (assuming a 6% rate of return over 30 years)

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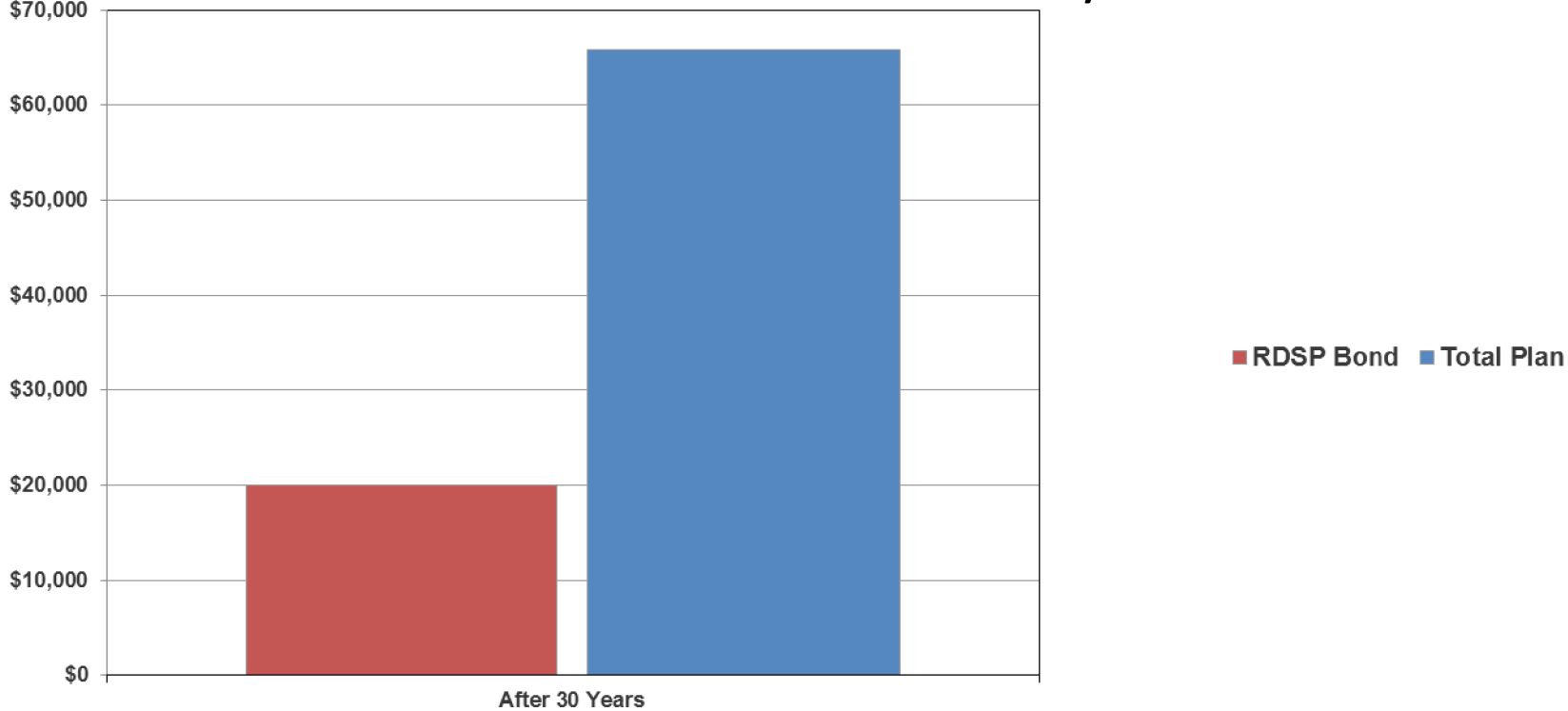


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# RDSP Value Example

## Invest the maximum bond for 30 years



In this example, even if you don't invest any of your own money but instead collect and invest the Canada Disability Savings Bond maximum of \$20,000 you could have \$65,876 after 30 years of saving (assuming a 6% rate of return over 30 years).

## Impact on other federal and provincial government programs

- Money paid out of an RDSP will not affect eligibility for federal benefits such as the Canada Child Tax Benefit, the Goods and Services Tax Credit, Old Age Security and Employment Insurance Benefits.
- All provinces and territories have announced a partial or full exemption of RDSP income and assets for the purposes of assessing eligibility for provincial and territorial programs and services. Please visit [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca) for up-to-date information.
- Payments from an RDSP will not be seen as income.



## Part IV: Withdrawing money from an RDSP Types of withdrawals from an RDSP

- Disability Assistance Payment (DAP):
  - A withdrawal from the RDSP to the beneficiary.
- Lifetime Disability Assistance Payment (LDAP):
  - Regular withdrawals that must begin by the age 60 (but may begin earlier).
  - Once started, LDAPs must continue to be paid at least once annually until the beneficiary dies or the plan is closed.



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# Withdrawals

- You can withdraw from your RDSP at any time however it is important to be aware of the **10 year rule**:
  - All grant or bond received have a **ten year waiting period**. If you withdraw any of the grant or bond money received in the previous ten years, it must be paid back to the Government.
  - Private contributions and interest earned are exempt.
- The money in your RDSP can be used for any purpose.
- Only the beneficiary will be permitted to receive payments from the plan.
- If the beneficiary has a shortened life expectancy (within 5 years) they can take out payments of any size.





# Taxes

- Earnings accumulate tax-free until you take money out of your RDSP.
- When you do withdraw, the money accumulated through interest, Grants, and Bonds are taxed at your combined federal and provincial or territorial tax rate.
- Contributions are not tax-deductible for income tax purposes.



## Part V: Closing an RDSP RDSP closure

- Grants and bonds that have been in the RDSP for less than 10 years must be repaid to the government if:
  - The plan is closed;
  - The beneficiary loses their eligibility for the Disability Tax Credit (Disability Amount); or
  - The beneficiary dies.



# Contact information for Canadians

- Grant and Bond:
  - Call: 1 800 O-Canada (1-800-622-6232);
  - TTY: 1-800-926-9105;
  - Email: [rdsp-reei@hrsdc-rhdsc.gc.ca](mailto:rdsp-reei@hrsdc-rhdsc.gc.ca);
  - Web site: [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca).
- RDSP:
  - Call: 1-800-959-8281;
  - TTY: 1-800-665-0354;
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