

Registered Disability Savings Plan (RDSP) Facts

Introduction A Registered Disability Savings Plan (RDSP) is intended to help parents and others save for the long-term financial security of an individual with one or more disabilities.¹

Who Can Open an RDSP? In general, any person under the age of 60, who is eligible for the Disability Tax Credit (DTC) and resident of Canada, can establish an RDSP as the plan holder as well as being the beneficiary.

If the beneficiary is a minor or incapacitated, another individual may open the RDSP and become the plan holder. The individual opening the plan for the disabled person must be one of the following:

- a legal parent of the beneficiary
- a guardian, tutor or curator of the beneficiary, or an individual who is legally authorized to act for the beneficiary

Contributions - Contributions can be invested tax-free and can be made to a plan until the earliest of:

- The year in which the beneficiary reaches 59 years of age;
- The time when the beneficiary no longer qualifies for the Disability Tax Credit;
- The time when cumulative contributions on behalf of a beneficiary total \$200,000;
- The beneficiary is no longer resident in Canada for tax purposes;
- The beneficiary's death.

Anyone, including friends and family members, can contribute to an RDSP as long as they have the holder's written consent.

Contributions to an RDSP are not tax-deductible; however investment earnings within the plan grow on a tax-deferred basis. Earnings withdrawn are taxed in the hands of the beneficiary.

Canada Disability Savings Grant

A Canada Disability Savings Grant (CDSG) is a supplement that the Government of Canada contributes to an RDSP. The size of the CDSG

is based on net family income. If the total net annual income is equal to or less than \$77,664, the Government of Canada will contribute \$3 for every \$1 of the first \$500 contributed privately. The CDSG will be reduced to \$2 for each \$1 of the next \$1,000 contributed. Thus, if the person and/or the family contribute \$1,500, the government will contribute the maximum grant in any one year of \$3,500.

For families with net incomes greater than \$77,664, the CDSG will be reduced to \$1 for every \$1 of contributions, up to a maximum of \$1,000 per year. The total lifetime CDSG limit is \$70,000. Please see chart for more details.

Canada Disability Savings Bond

A Canada Disability Savings Bond (CDSB) is paid by the Government of Canada directly into an RDSP. The Government of Canada may contribute up to \$1,000 each year, depending on the beneficiary's family income. The lifetime CDSB limit is \$20,000 and can be paid into an RDSP until the year in which the beneficiary turns 49 years old.

Payments from an RDSP²

There are two types of regular income payments from an RDSP:

Lifetime disability assistance payments (LDAP): Once started they must be paid at least annually until the plan is terminated or the beneficiary passes away. These payments must begin by the end of the year the beneficiary turns age 60. An annual maximum withdrawal limit will apply.

Disability assistance payments (DAP): Can be received between the ages of 27 and 59 if the total amount of all government contributions to the plan at the beginning of the calendar year exceeds the total amount of all private contributions in the plan at the beginning of the calendar year.

The federal government, however, places a holdback on the CDSG and the CDSB. A beneficiary must wait ten years after the receipt of the last CDSG or CDSB before making a withdrawal or face a penalty. The penalty is repayment of any CDSG and CDSB amounts received in the ten years preceding the withdrawal. This provision has become known as the "ten year rule".

Federal Contributions Summary Table

	Maximum Federal Contribution			
Family Income (\$) Thresholds (indexed)	Up to 21,816	21,816 to 38,832	38832 to 77,664	Over 77,664
CDSG (\$70K lifetime max.)				
3 to 1 (300%) for the first \$500	1500	1500	1500	-
2 to 1 (200%) for the next \$1000	2000	2000	2000	-
1 to 1 (100%) for the first \$1000	-	-	-	1000
CDSB (\$20K lifetime max.)	1000	500*	-	-
Total Assistance	4500	4000	3500	1000

- Average amount of CDSB, assuming even distribution of families over income range.

Source: Government of Canada

1. For additional RDSP information, including eligibility criteria, please visit:

http://www.hrsdc.gc.ca/eng/disability_issues/disability_savings/index.shtml

2. For additional RDSP Payment information, please visit:

<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rdsp-reei/pmnt-eng.html>