

ADVICE YOUR WAY™

Registered Disability Savings Plan (RDSP)

Retirement Support for Canadians Living with Disabilities



What is the RDSP?

The Registered Disability Savings Plan (RDSP) helps Canadians living with disabilities meet long-term financial needs by combining personal and government contributions in a tax-deferred plan. With careful management, an RDSP can provide significant support for disabled people as they age.

Who is Eligible?

You can be an RDSP beneficiary if you:

- are eligible to claim the Disability Tax Credit (DTC);
- have a Social Insurance Number (SIN);
- reside in Canada; and,
- are under age 60 when the plan is opened.

Reasons to Consider an RDSP

- Grow long-term savings in a tax-deferred plan.
- Matching contributions through Canada Disability Savings Grant, depending on family income.
- Low-income families may be eligible for Canada Disability Savings Bonds, no contributions required.
- Beneficiaries can use the benefits for any purpose.

Getting Started

- An RDSP can be opened any time before the beneficiary turns 59.
- The beneficiary is the person living with a disability who will receive the benefits of the plan.
- There can be only one RDSP per person, and only one beneficiary per RDSP.
- An account holder is the person who opens the RDSP, this can be:
 - the beneficiary if they are an adult;
 - a parent or guardian if the beneficiary is a child; or,
 - a guardian, agency, public department or institution that is legally authorized to act for the beneficiary if they are not able to act for themselves.
- Once the RDSP is established, it can't be revoked or cancelled, and all contributions belong to the beneficiary.

Contributing to your RDSP

- Anyone can contribute to the RDSP with the permission of the account holder.
- Depending on family income, you may be eligible for additional government contributions and support, see the table included in this information sheet.
- There are a range of investments that qualify for RDSPs; ask your financial Advisor for more information.
- While contributions are not tax-deductible, the growth of contributions in the plan are tax-deferred.
- There is a lifetime contribution limit of \$200,000.
- Unused grant and bond entitlements can be carried forward up to 10 years to a maximum of \$10,500 annually, as long as the beneficiary was eligible during the carry-forward years.

RDSP Benefits

- RDSP benefits have no impact on other income-based federal programs such as Old Age Security (OAS) or Guaranteed Income Supplement (GIS).
- Most provincial and territorial support programs are not impacted by RDSP benefits; however, you should check the specific details for your province.
- Beneficiaries must begin to withdraw funds by the year they turn 60.
- Withdrawals can be in the form of recurring annual payments or lump sum payments and can be requested once the beneficiary turns 27 if certain conditions are met.
- Your financial advisor can help you plan the timing of withdrawals.

About the Canada Disability Savings Grant (CDSG)

Depending on family income, beneficiaries may be eligible for up to \$70,000 in lifetime matching contributions from the federal government until they turn 49.

| Beneficiary's Family Net Income* | Annual CDSG contributions | Maximum Annual Payment |
|----------------------------------|---|------------------------|
| Low Income threshold* | | |
| \$111,733 or less | 300% match on the first \$500 contributed (\$3 for every \$1 contributed) | \$1,500 |
| | 200% match on the next \$1,000 contributed (\$2 for every \$1 contributed) | \$2,000 |
| | Total annual maximum | \$3,500 |
| Higher Income threshold* | | |
| \$111,733 or above | 100% match for the first \$1,000 contributed (\$1 for every \$1 contributed) | \$1,000 |
| | Total annual maximum | \$1,000 |

For Example

Alex has a disability, and her parents set up an RDSP at age 12. Here's how the plan could grow as Alex gets older and the family's income changes.

| Alex's age | Family Net Income* | Contribution | CDSG |
|--------------|--------------------|-----------------|-----------------|
| 12 | \$45,000 | \$1,500 | \$3,500 |
| 13 | \$57,000 | \$1,500 | \$3,500 |
| 14 | \$72,000 | \$1,500 | \$3,500 |
| 15 | \$116,850 | \$1,500 | \$1,000 |
| 16 | \$117,500 | \$1,500 | \$1,000 |
| 17 | \$118,200 | \$1,500 | \$1,000 |
| 18 | \$0 | \$1,500 | \$3,500 |
| Total | | \$10,500 | \$17,000 |

In this example, government contributions are \$3,500 per year while the family income is lower. This is reduced to \$1,000 per year as the family income rises. When Alex turns 18 (the age of majority in her province), her income is used to determine the CDSG contribution (\$0 in this example), so the annual grant is once again the maximum of \$3,500.

About the Canada Disability Savings Bond (CDSB)

For low-income families the CDSB program provides up to \$1,000 per year in additional RDSP contributions, to a lifetime maximum of \$20,000 until the beneficiary turns 49.

*No contributions are required to receive the bond.***

| Beneficiary's Family Net Income* | Annual CDSB contributions |
|----------------------------------|--|
| \$36,502 or less | \$1,000 |
| Between \$36,502 and \$55,867 | \$1,000 is reduced on a prorated basis. ² |
| Above \$55,867 | No bond is paid |

Planning is Key

Getting the most out of your RDSP and government support programs depends on how well you manage factors including:

- investment strategies;
- timing of contributions;
- tax and estate planning; and,
- benefits withdrawal strategies.

Need some advice? We are here to help.

If you or a family member qualifies for the Disability Tax Credit (DTC) and are considering opening an RDSP, we can help you navigate through this process and build a solid strategy for you and your family. Call our office today to discuss.



Sources:

1. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-disability-savings-plan-rdsp/canada-disability-savings-grant-canada-disability-savings-bond.html>

2. <http://www.rdsp.com>

*Family income thresholds are adjusted each year by Canada Revenue Agency. Please contact Canada Revenue Agency or your financial Advisor to discuss your eligibility for CDSG grants. If the beneficiary dies or is no longer eligible for an RDSP, some or all the CDSG contributions may need to be repaid.

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