



Registered Disability Savings Plan and the Disability Tax Credit

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What is it?

The Registered Disability Savings Plan (RDSP) is a new savings plan that has been introduced by the federal government. The RDSP is designed to help people with disabilities and their families save money for their long-term financial security.

What does the RDSP allow you to do?

With an RDSP you can:

- Make up to a maximum of \$200,000 in contributions. The tax on the money is deferred which means you do not pay tax on your savings while it is in the savings account. Contributions cannot be made to the RDSP after you turn 60 years old.
- Qualify for the Canada Disability Savings **Grant** (CDSG) and get up to \$3,500 annually. The CDSG is an income-tested grant from the federal government. Here's how it works: if your family income is under \$81,941*, you may receive \$1,500 on the first \$500 of contributions and \$2,000 on the next \$1,000 contributions. You can receive a lifetime maximum of \$70,000 from this grant until you turn 50.
- Qualify for the income-tested federal Canada Disability Savings **Bond** (CDSB). This is an annual amount of \$1,000 up to a lifetime maximum of \$20,000 that you may receive if your family income is below \$23,855*. If your family income is between \$23,855-\$40,970* the grant may be pro-rated. Again, you cannot receive this after you are 50 years age. No contribution is required to receive the CDSB.

***These amounts are adjusted each year by the Canada Revenue Agency.**



Advocacy Access is a program of BC Coalition of People with Disabilities

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Your provincial disability or income assistance benefits

Your provincial disability or income assistance benefits will not be stopped or reduced because of any RDSP savings or withdrawals. This is because the Minister of Housing and Social Development has introduced regulations that exempt RDSP assets and income from being counted as unearned income.

Requirements and Restrictions

To benefit from a RDSP you must:

- Be eligible for the Disability Tax Credit (DTC) and maintain this eligibility. (Please see below for more on this.)
- Have a Social Insurance Number (SIN)
- Be living in Canada when the RDSP is opened
- Be up-to-date with filing your income tax returns
- Be under 50 if you want to claim the CDSG and CDSB (grant and bond)
- Not make any withdrawals for at least 10 years if you want to keep any of the federal grants and/or bonds that you have received. This is because there is a special rule that says if you withdraw any money from your savings plan, all grants and bonds paid into it in the preceding 10 years must be repaid to the government. Also, you will have to repay any CDSGs or CDSBs you have received in the preceding 10 years if you no longer qualify for the DTC.

How to establish an RDSP

If you have already qualified for the DTC you should contact a financial institution that offers the RDSP. Each financial institution has its own forms which you will be required to complete to access the RDSP. You can only have one RDSP at any given time. With your permission, other people can also contribute to your RDSP. Some banks will let you open an RDSP, if you have not already qualified for the DTC, but your RDSP will not be official until the DTC is approved.

The Disability Tax Credit (DTC)

To qualify for the DTC you must have a physical or mental impairment that is both **severe** and **prolonged**. Prolonged means that your impairment must be expected to last a continuous period of at least 12 months. Severe means that you are:

- **blind**,

or you are **markedly restricted** in any of the following activities of daily living:

- walking
- speaking
- hearing



- dressing
- feeding
- elimination (bowel or bladder functions)
- mental functions necessary for everyday life

or be **significantly restricted** in two or more activities of daily living (e.g., dressing, speaking, feeding, walking, mental functions necessary for everyday life, etc.)

or you need, and must dedicate a certain amount of time specifically for, **life-sustaining therapy**.

Even if you have qualified for the Persons with Disabilities (PWD) designation or Canada Pension Plan disability benefits you may not necessarily qualify for the DTC. You must get the DTC Certificate (T2201) from the Canada Revenue Agency (CRA) and ask your doctor or other qualified health care professional to complete the form.

Once the form is filled out and submitted, you may have to wait several weeks before you find out whether or not you qualify. In some cases, you may wait up to several months if CRA seeks additional information on your application.

Keep in mind that even if you qualify for the DTC, Canada Revenue can ask you to re-apply in the future and/or decide you are no longer eligible.

The Endowment 150 Fund

The Endowment 150 Fund is available to British Columbians with disabilities who received income assistance any time since January 1, 2008. If this is you, when you open an RDSP with at least \$25, you can apply to receive a one-time \$150 grant from the Endowment 150 fund. This grant is administered by the Vancouver Foundation and is in addition to the federal CDSGs and CDSBs (grants and bonds) that you may receive. Application forms can be found on the Vancouver Foundation website at: www.endowment150.ca.

Taking money out of an RDSP

Generally, there are two kinds of payments that can come out of an RDSP.

- **Lifetime Disability Assistance Payments (LDAPs)** are annual payments that, once started, must continue until the RDSP is spent. LDAPs **can** begin before the beneficiary turns 60, but **must** start when the beneficiary is 60. The LDAP has a maximum annual amount which is set by a legislated formula, based on the value of the plan and life expectancy of the beneficiary.



- **Disability Assistance Payments (DAPs)** are one-time payments from the RDSP that can be requested at any time. However, talk to your bank about their policies on DAP payments. Each bank is permitted to have their own rules or restrictions on these payments.

The “10 Year Rule”

If any money is taken out of an RDSP, you have to repay to the federal government all the grants and bonds put into your RDSP in the previous 10 years.

Financial institutions that are offering the RDSP

The following national banks are currently offering RDSPs:

- Bank of Montreal (BMO)
- Canadian Imperial Bank of Commerce (CIBC)
- Royal Bank of Canada (RBC)
- Scotia Bank
- TD Canada Trust

NOTE: Banks’ RDSP policies vary. For example, they may have different restrictions on when you can make withdrawals from an RDSP. Be sure to ask your bank about these policies before you set up an RDSP.

RDSP: Pros and cons

Pros

- The RDSP provides generous grants and bonds from the federal government, and is an excellent savings opportunity for many people with disabilities.
- For people on income assistance, the provincial government has made RDSP assets and withdrawals exempt. This means that people can save and use this money without having their monthly income assistance affected.
- For people who receive lump-sum payments (such as an ICBC settlement), the RDSP is a practical alternative to a trust to exempt the asset.
- The RDSP can provide long-term financial security.

Cons

- The older you are, the less financial incentives there are available to you. For example, if you are over 49, you cannot qualify for the federal grants and bonds.
- You must meet a relatively strict definition of disability to qualify for the DTC. If you do qualify, but lose your eligibility at a later time, you have to close your RDSP.



- The “10 year rule” means that you have to pay back all the grants and bonds you have received in the past 10 years when you withdraw any amount of money from the RDSP.

Because the RDSP is a new program, there is limited information about how it will work in practice. We recommend that if you are interested in finding out more about the RDSP you look into some of the resources listed below.

RDSP changes in 2011

In 2011, the federal government introduced carry forward and rollover provisions to the RDSP.

The carry forward provision allows people who may not be able to contribute regularly to their RDSP to claim unused grant and bond entitlements for a 10-year period (starting from 2008, when the RDSP first became available).

The rollover provision allows the Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) or Registered Pension Plan (RPP) of a deceased family member to be rolled over into the RDSP of a dependent child or grandchild.

Other Resources

The BCCPD has resources on the RDSP for people with disabilities receiving income assistance. A manual, videos and other resources are available at no cost on our website at www.bccpd.bc.ca/rdsp.htm.

Planned Lifetime Advocacy Network (PLAN) has information and resource links about RDSPs on their website. They also facilitate a RDSP blog where people can ask questions. Phone: 604-439-9566; website: www.plan.ca.

Details about the RDSP can be obtained from the Canada Revenue Agency (CRA). Information about the DTC can also be obtained from the CRA. Phone your local CRA office or go to www.cra.gc.ca for more information.

The financial institutions that offer the RDSP have also produced information materials and have financial advisors that may be able to answer your questions.



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