



## RDSP Video Series

Welcome. This file contains the scripts of the BC Coalition of People with Disabilities' RDSP Video Series.

You can see the videos on our website at [www.bccpd.bc.ca/rdsp](http://www.bccpd.bc.ca/rdsp) or on our YouTube channel at <http://www.youtube.com/user/TheBCCPD>. You can also download our free RDSP Guide from our website.

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Welcome to the BC Coalition of People with Disabilities' video series on the RDSP—the Registered Disability Savings Plan.

The RDSP is a long-term savings plan for people with disabilities introduced by the federal government in 2007.

In these 4 short videos, we give an overview of what the RDSP is, who qualifies for it and some of the ways people with disabilities can benefit from an RDSP, especially our main audience for these videos—people receiving social assistance.

This Video Series is part of a community legal education project that includes a guide and workshops for advocates who assist people with disabilities.

The information we highlight in these videos is covered in much more detail in our guide, “The RDSP and People Receiving Social Assistance” which is available at no cost from our website.

**A special thank you to The Law Foundation of BC for their generous support of this project.**

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## Video 1 | Why You Should Open an RDSP

Welcome to the BC Coalition of People with Disabilities, RDSP Video Series. This is Video 1: Why you should open an RDSP. In this video we'll explain:

- The What, Who and How of RDSPs
- And, what you need to know about eligibility

The Registered Disability Savings Plan is a new long-term savings plan the federal government introduced in 2007. It has powerful incentives to encourage people with disabilities and their families to save money for the future.

The first thing to know is that you should open an RDSP, even if you're receiving social assistance.

Many people who receive disability benefits, who hear about the RDSP, may think it's not meant for them because they have little or no extra income for savings. But you can benefit from an RDSP, even if you can make no contributions of your own. We'll look at how later in these videos.

The second thing you should know is: there is a grants and bonds program in place for RDSPs. Of all the savings plans available to you, the RDSP is the only one that includes these grants and bonds, that will really increase your RDSP savings over time.

Here's an example: let's say you and your family can put \$1500 a year into your RDSP. The government will then contribute \$3500 in grants each year—or \$4500 if you're also eligible for bonds—so your \$1500 contribution would grow to \$6000 each year, as well as accumulating substantial interest.

The third thing people receiving social assistance need to know is that the BC Ministry of Housing and Social Development has created specific rules for RDSPs. These rules allow you to have RDSP assets or payments from an RDSP –without any money being deducted from your income assistance cheques. This is a huge advantage, and we'll talk about this more in Video 4 in this series.

Now, let's talk about "WHO:" who can qualify for an RDSP.

You can open an RDSP if you are:

- under the age of 60
- have a Social Insurance Number
- are a resident of Canada, when the plan's opened, and
- are eligible for the Disability Tax Credit.

And, if you're going to apply for government grants and bonds, you also must have filed your income tax returns for the previous 2 years.

Qualifying for the Disability Tax credit—or DTC—is a big part of the “who” of opening an RDSP. This is a federal program to reduce the income tax that some people with disabilities pay. For people with disabilities living on a low income, who don't pay income tax, there has not been any reason to apply for the DTC.

But, with the introduction of the RDSP, there is now a good reason to get an application from Canada Revenue Agency and apply for the credit.

It's important to know that, even if you've qualified for other disability benefits programs, like the Persons with Disabilities benefit for example, you may not qualify for the DTC because it has different eligibility rules.

We explain the DTC application and how to increase your chances of qualifying, in detail in our RDSP guide.

Finally, here's the HOW—the basic steps to set up an RDSP, once you have been approved for the Disability Tax Credit.

- Choose a bank that offers RDSPs, and has policies that fit with how you want to use the RDSP. All major Canadian banks offer RDSPs, and credit unions may offer them soon.
- Open an RDSP with your chosen bank.
- Then, create a plan for how you'll contribute money into your RDSP, so you can take advantage of the government grants and bonds.

In the next video, Putting Money In, we'll look at:

- how to put money into your RDSP
- who can put money into the plan, and
- government grants and bonds

## Video 2 | Putting Money In

Welcome to the BC Coalition of People with Disabilities, RDSP Video Series. This is Video 2: Putting Money In. In this video we'll explain:

- How you can put money into your RDSP
- Who can put money in
- How government grants and bonds work

Once you've applied for the Disability Tax credit [or the DTC] and have your plan set up with your chosen bank, you can start putting money into your RDSP. There are 3 basic ways to do this:

- First, you can make contributions, or deposits, to your own RDSP.
- Second, you can give permission to another person or other people—like friends or family—to make contributions.
- Third, you can apply for government grants and bonds

Here's a quick look at how the grants and bonds work.

The government will “match” the funds you contribute, or other authorized people contribute, to your plan. The grants range from 100% to 300% of your contributions depending on your income. Over your lifetime, the maximum total of grants you could receive is substantial: \$70,000.

In addition to these grants, bonds of up to \$1,000 each year are available to people living on low income. In 2010, if your family income is below about \$21,000 a year, you are eligible for the maximum \$1,000 annual bond. And, there's a lifetime bond maximum of \$20,000.

You don't have to apply for the grants and bonds. Once you've opened your RDSP, your bank will automatically apply for you based on your annual contributions. And, the sooner you open an RDSP the better because you are not eligible for grants and bonds if you're 50 or older.

The amount in an RDSP can really grow over time, even if you have a low income and little or no money to contribute.

Let's look at an example. A 32-year-old woman receives a \$250 GST cheque each year. She opens an RDSP, and deposits her GST cheque every year. By the time she is 60 years old, the value of her RDSP should be over \$100,000. This growth is from the grants, bonds and interest that accumulates over 28 years.

Now that you know the basics about putting money into an RDSP, in the next video we'll look at: Getting Money Out. We'll cover:

- The 2 different kinds of RDSP payments
- And, the 10 year rule

## Video 3 | Getting Money Out

Welcome to the BC Coalition of People with Disabilities, RDSP Video Series. This is Video 3: Getting Money Out. In this video, we'll explain:

- the 2 types of payments you can receive from your RDSP
- We'll also explain the 10-year rule, that applies to any payments you receive from your RDSP

As we explained in our earlier videos, the RDSP is designed to be a long-term savings plan.

So, there are rules that are intended to discourage you from taking money out in the short term. Most of the restrictions are created by the federal government and some by the banks that are allowed to set some of their own policies for payments.

Generally, there are 2 kinds of payments you can receive:

- A Disability Assistance Payment and
- A Lifetime Disability Assistance Payment

The Disability Assistance Payments are lump sum payments you take out of your RDSP. These payments are subject to your bank's rules and they trigger the "10-year rule" that we will talk about in a minute.

The Lifetime Disability Assistance Payments are one of the main reasons people set up RDSPs—to have additional income in their later years. These payments may start before you turn 60, but must begin when you turn 60. And once they've started, these payments continue until the funds in the plan are gone, or the beneficiary dies. These payments also trigger the 10-year rule.

The amount of the Lifetime Disability Assistance Payments you'll receive from your RDSP are calculated based on a formula developed by the federal government.

Here's an example of someone who is 60 years old, and has accumulated \$100,000 in their RDSP.

Their Lifetime Disability Assistance Payments would start at about \$4,300 annually and then increase each year because of the way the formula is designed. The payments continue until the funds in the RDSP are gone—or until the beneficiary dies.

One of the most important rules about RDSPs is the 10-year rule which says that:

For any payment from the RDSP, you need to repay all grants and bonds received from the government in the past 10 years.

Again, this is because the RDSP is meant as a long-term savings plan. The grants and bonds generate interest and principle for your RDSP, and the longer you leave your RDSP alone, the more it will grow.

In the next video we'll look at how people receiving social assistance can use the RDSP. We'll cover:

- The Ministry of Housing and Social Development policies on RDSPs and people receiving assistance, and
- Some special issues for people receiving social assistance to consider.

## Video 4 | RDSP & People Receiving Social Assistance

Welcome to the BC Coalition of People with Disabilities, RDSP Video Series. This is Video 4: The RDSP & People Receiving Social assistance. In this video, we'll explain:

- The Ministry of Housing and Social Development's policies on RDSPs, and exempt income and assets
- Special issues for people receiving assistance

We know that people living on income assistance rarely have large amounts of money for savings. And, most would probably think a long-term savings plan doesn't apply to them and their financial situation.

However, as we mentioned in our other videos, there are ways that people receiving income assistance can see significant financial benefits from having an RDSP.

The main reason the RDSP is different from other ways to save money, is that the Ministry of Housing and Social Development has specific policies about assets and payments for RDSPs.

Usually, a single person receiving the Persons with Disabilities or PWD benefit, for example, is allowed to have only a maximum of \$3,000 in assets, before money is deducted from their PWD cheque.

With RDSPs, the policies are different:

- Any amount of money in an RDSP is considered an exempt asset
- And, any amount of money paid out from the RDSP is considered exempt income

This allows you to have some financial security, without jeopardizing your monthly disability assistance.

Some people on social assistance may not be concerned about the federal grants and bonds, but they want to exempt a lump-sum payment, so they can continue to receive their provincial disability benefits.

For example, let's say a person who's 52 years old and receiving PWD, gets a \$25,000 lump-sum payment from ICBC. They put this money into an RDSP, even though they are over 50 and too old to receive grants and bonds.

They will need to tell the provincial ministry that they've received the money and put it into an RDSP. But, once the RDSP is set up, their PWD will continue and the \$25,000 can be used from time to time as extra income—without losing any PWD benefits.

And, the ministry can't tell the person how the RDSP payments should be spent.

There are some other considerations about RDSPs that we'd like you to know.

First, you may not qualify for the Disability Tax Credit or DTC. A significant percentage of people who qualify for PWD, or other disability benefits, won't qualify for the DTC. And, if you don't have the tax credit, you can't open an RDSP.

Second, there's the risk of LOSING the DTC once you get it. The DTC isn't a life-long designation, so people may have their DTC re-evaluated, especially if they have a condition or disability that changes over time.

Third, there are several steps to setting up an RDSP – from the DTC application, doctor's visits, comparing banks – and for some people with disabilities, this may take more time and energy than they can manage.

And, finally, we've mentioned the 10-year rule which says that, if money is taken out "early" from an RDSP, grants and bonds from the previous 10 years are lost.

For people who qualify, the RDSP is an excellent opportunity to establish long-term savings. We created these videos and our guide because we want to encourage as many people with disabilities as possible to open RDSPs, even if you have very limited income.

So, we strongly encourage you to look into RDSPs – and the younger you are when you open your Plan, the better.

For people with disabilities receiving income assistance, we know that long-term financial planning is usually not a priority, or even something people think about.

But, with the introduction of the RDSP, there's now a compelling reason to make it a priority and to explore the ways that opening an RDSP can increase your financial security for the future.

We hope these videos have been helpful. If you'd like more details on the RDSP, please visit our website to download a free copy of our RDSP Guide and the scripts of these videos.

The guide describes the topics we've covered in more depth and includes more examples of how people with low incomes can use an RDSP, other resources, and links to help you understand and set up an RDSP.

**For more information, visit [www.bccpd.bc.ca/rdsp](http://www.bccpd.bc.ca/rdsp).**



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