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EMPOWERING FAMILIES TO PLAN FOR A GOOD LIFE AND SECURE FUTURE

An Introduction to the
Registered Disability Savings Plan (RDSP)

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Session Outline

- RDSP & Eligibility
- Disability Tax Credit
- Opening an RDSP
- The Bond
- The Grant
- Withdrawals/Taxation

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What is a Registered Disability Savings Plan (RDSP)?

A long-term savings plan to help Canadians with disabilities save for the future.

When you have an RDSP you may be eligible for both bonds and grants to help your savings grow faster.

The beneficiary (the person who will benefit from the RDSP) chooses what to use the money from the RDSP for.

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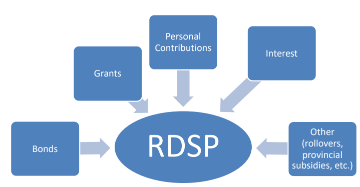
What makes up an RDSP?



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What are the requirements to open an RDSP?

- have a disability;
- have been approved for the Disability Tax Credit;
- be under 59 years (if 59 years old, the RDSP must be opened before the end of the calendar year in which the beneficiary turns 59);
- are Canadian residents with a social insurance number (SIN).

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What is the Disability Tax Credit (DTC)?

The Disability Tax Credit (DTC) is a non-refundable tax credit that helps people with a disability, or those that support them reduce the amount of income tax they may have to pay.

A non-refundable tax credit means that it may reduce the amount of tax payable to zero.

Any unused portion of the amount may be transferred to a spouse or common-law partner, or another supporting person.

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Are you eligible?

To be eligible a person must meet the following three criteria:

Must have a severe impairment in physical or mental functions.

The impairment must be prolonged, meaning, it must have lasted or is expected to last, for a continuous period of at least 12 months.

Must be restricted at least 90% of the time.

Eligibility is not based on the medical condition itself, but rather on the effects that the impairment has on a person.

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Completing the T2201

Step 1
Fill out Part A of the Form T2201 with your personal information.

Step 2
Ask your qualified practitioner to fill out and certify Part B of Form T2201.

Step 3
Once Form T2201 has been completed, keep a photocopy. Send the original certified and signed form to the disability tax credit unit at your tax centre.

Note: The CRA reviews its forms and publications every year. The latest version is always on the CRA website at www.cra.gc.ca.

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Who can fill out the form?

Category	Qualified Practitioner
Vision	Medical Doctor or optometrist
Speaking	Medical doctor or speech-language pathologist
Hearing	Medical doctor or audiologist
Walking	Medical doctor, occupational therapist, or physiotherapist (physiotherapist can certify only for 2005 and later years)
Elimination (bowel or bladder functions)	Medical doctor
Feeding	Medical doctor or occupational therapist
Dressing	Medical doctor or occupational therapist
Performing the mental functions necessary for everyday life	Medical doctor or psychologist
Life-sustaining therapy	Medical doctor
Cumulative effects of significant restrictions	Medical doctor or occupational therapist (occupational therapist can only certify for walking, feeding and dressing) • In two or more basic activities of daily living, including vision (applies to 2005 and later years)

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To learn more about the DTC:

CRA's website provides detailed information including a self-assessment tool to help you learn whether you or your dependant may be eligible.

CRA does not charge fees to process your application. Your medical practitioner may charge a fee to complete the form.

For more information or to get the form T2201:
visit www.cra-arc.gc.ca/disability or
call 1-800-959-8281 or TTY: 1-800-665-0354

P4P offers regular webcasts on the Disability Tax Credit

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How to open an RDSP

Step 1: IDENTIFY THE BENEFICIARY:
- Is the person with the disability.
- Can only have one RDSP at a time.

Step 2: IDENTIFY THE PLAN HOLDER:
- Person or organization who opens and manages the RDSP.

Plan Holder – if beneficiary is over the age of majority
- The holder is generally the beneficiary.
- In certain circumstances, a parent, a guardian, legal representative or public department may be eligible to become the holder.
- In cases where there are concerns about the ability to enter into a contract and the person does not have a legal capacity, **Qualifying Family Members** i.e. beneficiary's spouse, common-law partner, parent or sibling can become the plan holder. This measure will expire in 2026.

Plan Holder - if beneficiary is under the age of majority
Legal parent(s), legal representative or public department.

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Holders Responsibilities

- Select a financial institution
- Sign a contract to open a plan
- Designate a beneficiary and ensure his/her eligibility
- Provide information on the beneficiary and the holder
- Complete an application for bond and grant
- Make contributions, if available but not necessary
- Track RDSP activities
- Request withdrawals (payments) for the beneficiary
- Request transfer if needed
- Authorize rollover of proceeds to an RDSP

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What is the bond?

Money that the Government of Canada will deposit into the RDSP of low to modest income Canadians who are between the ages of 0-49.

No contributions are necessary but an RDSP must be opened.

To be eligible for the bond, the beneficiary family income must be filed with their taxes every year.

For those who qualify for this bond, the Government will put up to $1,000 per year into their RDSP, up to $20,000 over the lifetime of the beneficiary.

Bond applications must be received by December 31 of the year in which the beneficiary turns 49.

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The bond amount

Beneficiary's Family Income – 2021 (for 2023) "Phase out income"	Annual amount of Bond
"Phase out income": $0 - $34,863	$1,000
"First Threshold": More than $34,863 and less than $53,359	$1,000 reduced on a pro-rated basis
$53,359 or more OR no income taxes filed	None

Jane, a beneficiary, has a family income of $24,910.

The Government puts $1,000 of bond money into Jane's RDSP.

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What is the grant?

A matching grant that the Government of Canada will deposit when you contribute to an RDSP to help save for the future.

The amount of the grant depends on the amount contributed and the beneficiary's family income. Family income taxes must be filed each year to to meet income requirements for grant entitlements.

The beneficiary must be between the ages of 0 to 49 to get the grant.

To receive grants, contributions must be made by December 31 of the year in which the beneficiary turns 49.

The lifetime grant limit is $70,000 per beneficiary.

Anyone with written permission from the "plan holder" may contribute to the RDSP.

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The grant amount

Beneficiary Family Income 2021 (for 2023)	Personal Contribution	Grant Amount	Maximum Grant	Total (Personal Contribution + Grant)
$0 – $106,717	On the first $ 500 contributed	$3 for every $1 contributed	**$1,500**	$2,000
	On the next $1,000 contributed	$2 for every $1 contributed	**$2,000**	$3,000
More than $106,717 or no income taxes filed	On the first $1,000 contributed	$1 for every $1 contributed	**$ 1,000**	$2,000

Jane's mother contributes $1,500 into Jane's RDSP.

The Government puts $3,500 of grant money into Jane's RDSP.
$3 x $500= $1,500
$2 x $1,000= $2,000

Jane's RDSP now has $1,000 in bonds and $3,500 in grants.

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Building long term savings with bonds and grants

Jane, the beneficiary, has a family income of $24,910 and opens an RDSP.

The Government puts $1,000 of bond money into her RDSP.

Jane's mother contributes $1,500 into Jane's RDSP.

The Government puts $3,500 of grant money into her RDSP.

That's $6,000 in Jane's RDSP right now!

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Does the RDSP impact other benefits?

Federal Benefits	Provincial Benefits
RDSP does not affect your eligibility for federal benefits such as: • Canada Child Tax Benefit • Goods and Services Tax Credit • Old Age Security • 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 programs and services. In the province of Ontario , the RDSP is exempt as both income and an asset with respect to ODSP

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Can I get money I have missed out on?

Yes. You can go back as far as 10 years to claim past entitlements or the year that you satisfied the eligibility criteria – whichever is later.

Jane is 30 years old and just learned about the RDSP.
She has been DTC approved since 2008.
Her income is below $32,797.
She opens a plan in 2023.

Jane can claim bonds and grants for **2023** and the years she missed out on in **2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.**

That's 10 years worth of benefits.

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What will Jane get?

Bonds

- Available to claim: 10,000 ($1,000 x 10 years)
- No contribution is required to claim the bond money
- In 2022, Jane receives in her RDSP: $10,000
- Available to claim in 2023 if Jane is eligible: Up to $1,000

Grants

- Available to claim: $35,000 ($3,500 x 10 years)
- Available to claim in 2022: $10,500 annual maximum
- Jane's mother contributes $3,500 into Jane's RDSP in 2022
- In 2022, Jane receives: $10,500 (annual maximum)
- In 2023 Jane is still eligible to claim $24,500 ($35,000-$10,500)

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Examples of maximizing an RDSP

Jack is 10 years old and his parents open an RDSP on his behalf in 2020.

Jack's parents' family income is $26,000 making him eligible for the maximum bond and grant.

His aunt and uncle contribute $1,500 each year on his behalf until he turns 30. That's $125/month.

Upon turning age 19, his income is now used to determine his eligibility. He makes $10,000 per year and continues to be eligible for the maximum bond and grant.

How much money will Jack's RDSP have in 2050, when he turns 40 years old assuming he did not make any withdrawals?

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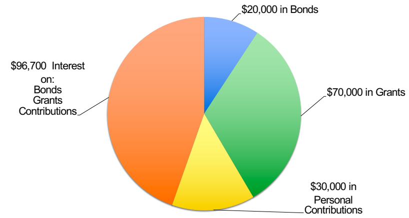
Jack's RDSP at age 40 could be worth $216,700



Interest is based on 3% annual rate

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The 10-year waiting period

RDSPs are long-term savings plans.

All Bonds and Grants are intended to encourage savings and should remain in an RDSP for at least 10 years.

Jack earned his last bond/grant at the age of 30 and ideally will wait until he is 40 to take his first withdrawal.

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What if you need more before the 10-year waiting period

You must repay $3 to the Government of Canada for every $1 that is withdrawn, up to the total amount of bonds and grants paid in the last ten years.

What will happen if Jack has a financial crisis and requires $1,000 to repay a personal debt before all bonds and grants were left in the account for 10 years?

Answer: Jack would need to repay $3,000. Three times his withdrawal of $1,000.

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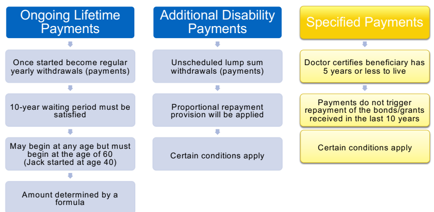
Types of withdrawals (payments)

All payments received from an RDSP are for the purposes of the beneficiary or their estate.



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How is the RDSP taxed?

All withdrawals (payments) from an RDSP are considered to be made up of three parts:

- Personal contributions (never taxed)
- Interest (taxable)
- Bonds & Grants (taxable)

You will only have to pay taxes on the taxable portion of the amount withdrawn.

Taxes will be held at source starting in 2014.

Jack would be taxed only on the taxable portion of his $1,000 withdrawal.

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RDSP Closure

If the plan is closed voluntarily or if the beneficiary passes away, Bonds and Grants that did not satisfy the 10-year waiting period are removed from the RDSP by the financial institution and returned to the government.

All other money in the RDSP, including private contributions, investment income earned, and bonds and grants in the RDSP for more than 10 years, is paid to the beneficiary or the beneficiary's estate.

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Loss of DTC

Since 2021, if a beneficiary is no longer approved for the DTC, the holder of their RDSP has the option of closing the plan or keeping it open.

If the holder decides to keep it open, money can still be withdrawn from the plan, but:

- contributions are not allowed
- grants or bonds cannot be paid
- amounts from a deceased parent or grandparent's registered retirement savings can only be rolled over into the plan within 4 years after the year in which the beneficiary loses DTC approval

You do not have to repay the grants and bonds that are in the plan solely due to the loss of DTC approval.

Making withdrawals without DTC approval

Money from the plan can still be withdrawn at the request of the holder. Prior to the year the beneficiary turns 60, withdrawals will result in the repayment of grants and bonds that were paid into the RDSP in the 10 years before the beneficiary lost DTC approval.

If the beneficiary regains DTC approval, the plan will operate normally, and contributions can be made.

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Rolling over RRSPs & RESPs

Rollover of Retirement Savings Plans

- Rollover of deceased individual's **retirement savings** proceeds (RRSP, RRIF, RPP) can be transferred to a financially dependent child or grandchild's RDSP tax-free.

Rollover of an RESP

- Registered education savings plan's proceeds to an RDSP tax-free as long as the beneficiary is common to both plans.

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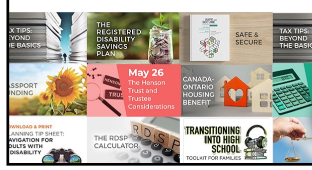

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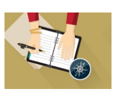

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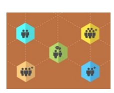

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