

# Financial Literacy – RDSP Plan

**Presented by :**

**Jeff Sirrs  
613-858-3892**

**Jeffrey.Sirrs@f55f.com**

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A division of London Life Insurance Company



# Registered Disability Savings Plan

- A registered disability savings plan (RDSP) is a savings plan intended to help parents and others save for the long term financial security of a person who is eligible for the disability tax credit (DTC).
- RDSP plans were established on December 1, 2008 by the Honorable Jim Flaherty who championed the RDSP concept within the government.
- Canada is the first country in the world to have a Registered Disability Savings Plan (RDSP).

# Registered Disability Savings Plan

- An RDSP allows you to save money for the future, without paying tax on the earnings. Depending on your family income, the federal government may contribute as much as **\$90,000 to YOUR account** over a lifetime. Your provincial government disability benefits will be unaffected.
- The grant and bond money available from the government is really incredible within an RDSP.

# Registered Disability Savings Plan

- **Top 8 reasons to open an RDSP**
  1. You choose where to invest your money. Almost all major Canadian financial institutions offer the RDSP.
  2. The government contributes very generously! Depending on your family income, for every \$1 saved, they will match up to \$3. This is the Canada Savings Grant.
  3. If you have a low income and cannot invest yourself, the government will still save for you! For people living on a low-income (less than \$31,120), the federal government will invest \$1000 each year for 20 years!

# Registered Disability Savings Plan

4. You can have money in an RDSP and still get your government benefits. (To find out how your province treats the RDSP, go to [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca).)
5. Anyone can contribute to an individual's RDSP: family, friends, neighbours, charities, foundations, and organizations. This gives people who want to help a way to do so! They just need the permission of the plan holder.
6. You can spend RDSP withdrawals as you wish. You can decide where and when to spend the money.

# Registered Disability Savings Plan

7. When you close an RDSP, your contributions and investment gained are yours.
8. The RDSP is a powerful tool for long-term financial security. **Someone saving \$1,500 a year, for over 30 years, may find their RDSP worth nearly half a million dollars!** Monthly payments out of the plan would start at about \$850 and grow annually.

# Registered Disability Savings Plan

- Contributions to an RDSP are not tax-deductible and can be made until the end of the year in which the beneficiary turns 59. Contributions that are withdrawn are not included as income to the beneficiary when they are paid out of an RDSP. However, the Canada disability savings grant (grant), the Canada disability savings bond (bond), investment income earned in the plan, and the proceeds from rollovers are included in the beneficiary's income for tax purposes when they are paid out of the RDSP.

# What is the Disability Tax Credit?

- A credit designed to reduce the amount of income tax that you have to pay
- For more information about the Disability Tax Credit (Disability Amount), visit the Canada Revenue Agency Web site [www.cra-arc.gc.ca/disability](http://www.cra-arc.gc.ca/disability) or call 1-800-959-8281 (TTY users call 1-800-665-0354)



# Who is Eligible for the DTC?

- You are eligible to receive the disability tax credit amount if:
  - You have had an impairment for at least 12 months
  - You have a vision impairment
  - Your impairment affects “basic activities of daily living”
  - You receive life-sustaining therapy
- A qualified practitioner completes and signs the application for you
- Proposed changes from budget

# What is the Canada Disability Savings Grant?

- The Government will match your contributions by up to 300% depending on the beneficiary's family income and the amount of your annual contribution
- A maximum of \$3,500 will be paid each year, with a lifetime limit of \$70,000
- Contributions made to an RDSP on or before December 31 of the year in which the beneficiary turns 49 are eligible to receive matching grants

# What is the Canada Disability Savings Bond?

- Depending on your beneficiary's family income you may receive a Canada Disability Savings Bond (CDSB) of up to \$1,000 per year
- You do not need to make any contribution to your RDSP in order to receive the bond. There is a lifetime limit CDSB of \$20,000
- Bonds will be paid into an RDSP on eligible requests made on or before December 31 of the year in which the beneficiary turns 49

# Beneficiary

- This is the person who will receive the money in the future.

The beneficiary must:

- Be under the age of 60;
- Be a Canadian resident;
- Be eligible for the Disability Tax Credit (Disability Amount); and
- Have a social insurance number

# Holder

- This is the legally authorized person or organization that opens and manages the RDSP on behalf of the beneficiary
- If the beneficiary has attained the age of majority when the plan is opened, the holder must be the beneficiary, unless the beneficiary is not competent to enter into legal contracts. In this circumstance, the holder must be a representative who is legally authorized to act on behalf of the beneficiary
- A holder can be:
  - A Legal parent;
  - An individual who is legally authorized to act for the beneficiary; or
  - A public department agency, or institution

# Who Can Contribute?

- Who can contribute?
  - The holder; and/or
  - Anyone with written permission from the holder, e.g. a family member or friend
- There is no annual contribution limit, but there is a lifetime contribution limit of \$200,000\*\*
- Contributions are permitted until the end of the year in which the beneficiary turns 59 years of age

# Family Income

- The amount of grant and/or bond for which a beneficiary qualifies depends on family income (tax return):
  - Until the beneficiary turns 18 years of age, family income is based on the income information that was used to determine the Canada Child Tax Benefit for that beneficiary
  - Beginning the year the beneficiary turns 19, family income is based on the beneficiary's own income (with that of his or her spouse)
- <http://www.esdc.gc.ca/cgi-bin/RdspCalculator-CalculatriceReei/calc.aspx?lang=en>

# Receiving the grant

- **Beneficiary's family income Grant**                      **Maximum**
- **\$97,069\* or less**
- On the first \$500                      \$3:\$1 contributed                      \$1,500
- On the next \$1,000                      \$2:\$1 contributed                      \$2,000
  
- **More than \$ 97,069 \***
- On the first \$1,000                      \$1:\$1 contributed                      \$1,000



# Receiving the Bond

- **Beneficiary's family income – Bond**
- **\$31,711\*** or less (or if the holder is a public institution) - \$1,000
- Between **\$ 31,711\*** and **\$48,535\*** - Part of the \$1,000 based on the formula in the *Canada Disability Savings Act*
- More than **\$ 48,535\*** - No bond is paid

# Back Dating

- Before the end of the year you turn 49 years of age, you can carry forward up to 10 years of unused grant and bond entitlements to future years, as long as you met the eligibility requirements during the carry-forward years (for example, if you were eligible for the disability tax credit and you were a Canadian resident). RDSP became available in 2008. If an RDSP was opened:
  - in 2020, the carry forward period would be from 2010 to 2020;
  - in 2022, the carry forward period would be from 2012 to 2022.

**The grant and bond will be paid on unused entitlements up to an annual maximum of \$10,500 for the grant and \$11,000 for the bond.**

# Investments

- The money you put into your RDSP can be invested in different ways
- In addition to receiving grants and bonds your RDSP can also grow with interest earned
- Depending on the types of investments you choose, the interest earned can be a significant amount of money
- While there is a \$200,000 contribution limit, there is no limit to the value your RDSP can reach

# Impact on other government programs

- Payments from an RDSP do not impact other income-tested federal government programs, including:
  - Old Age Security (OAS)
  - Guaranteed Income Supplement (GIS)
  - Canada Pension Plan (CPP)
  - The Goods and Services Tax Benefit (GST Benefit)
  - Social assistance benefits.

# Withdrawals

- Disability Assistance Payment (DAP):
  - A withdrawal from the RDSP to the beneficiary
- Lifetime Disability Assistance Payment (LDAP):
  - Regular withdrawals that must begin by the age 60 (but may begin earlier)
  - Once started, LDAPs must continue to be paid at least once annually until the beneficiary dies or the plan is closed

# Withdrawals

- You can withdraw from your RDSP at any time however it is important to be aware of the **10 year rule**:
  - If you decide to withdraw before a ten year waiting period is up, you will have to pay back any grant or bond that has been received in the last ten years
  - Private contributions and interest earned are exempt
- The money in your RDSP can be used for any purpose
- Only the beneficiary will be permitted to receive payments from the plan
- If the beneficiary has a shortened life expectancy (within 5 years) they can take out payments of any size

# Taxes

- Earnings accumulate tax-free until you take money out of your RDSP.
- When you do withdraw, the money accumulated through interest, Grants, and Bonds are taxed at your combined federal and provincial or territorial tax rate.
- Contributions are not tax-deductible for income tax purposes.

# Closing an RDSP

- Grants and bonds that have been in the RDSP for less than 10 years must be repaid to the government if:
  - The plan is closed or
  - The beneficiary dies.
  - If the beneficiary loses their eligibility for the Disability Tax Credit (Disability Amount), they do not have to pay it back. It remains in the account until age 59;



# More Information

- Grant and Bond:
  - Call: 1 800 O-Canada (1-800-622-6232);
  - TTY: 1-800-926-9105;
  - Email: [rdsp-reei@hrsdc-rhdsc.gc.ca](mailto:rdsp-reei@hrsdc-rhdsc.gc.ca);
  - Web site: [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca).
- RDSP:
  - Call: 1-800-959-8281;
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