

# Access RDSP Level 1 Webinar Notes Package

## A Brief History of the RDSP

- Canada is the first country in the world to have a Registered Disability Savings Plan (RDSP).
- The federal government implemented the RDSP on December 1, 2008.
- By the end of December 2017, over 168,000 RDSPs were registered



## A Brief History of the RDSP

- Canada is the first country in the world to have a Registered Disability Savings Plan (RDSP).
- The federal government implemented the RDSP on December 1, 2008.
- By the end of December 2017, over 168,000 RDSPs were registered. We don't have more recent data due to the delay in the publishing of the 2018 Annual Statistical Review of the RDSP.

## What is the RDSP?



- A federal government plan which takes the form of a long-term investment account
- Like a Registered Education Savings Plan (RESP)
- Does not affect federal disability benefits
- Does not affect most provincial disability benefits
- You can have up to \$200,000 in personal contributions and could receive up to \$90,000 in government contributions, plus interest earned

## What is the RDSP?

- A federal government plan which takes the form of a long-term investment account
- Contributions are not tax-deductible
- Like a Registered Education Savings Plan (RESP)
- Does not affect federal disability benefits
- Does not affect most provincial disability benefits
- You can have up to \$200,000 in personal contributions and can receive up to \$90,000 in government contributions, plus interest earned
- The RDSP will...
  - Provide a powerful vehicle for saving and investing
  - Permit family and friend contributions without risking most disability or income benefits
  - Allow freedom for the beneficiary to determine how best to spend the money
  - Only assure a good life when used along with other future planning tools

## RDSP Eligibility Checklist:

- Be a Resident of Canada
- Hold a valid Social Insurance Number (SIN)
- Must open before the end of the calendar year in which the beneficiary turns 59
- Have the Disability Tax Credit (DTC)



## RDSP Eligibility Checklist:

- Be a Resident of Canada
  - This includes currently living in Canada
- Hold a permanent Social Insurance Number (SIN)

- You only have a permanent SIN once you become a permanent resident, which means that you would only qualify for grants and bonds as a permanent resident
- Must open before the end of the calendar year in which the beneficiary turns 59
- Have the Disability Tax Credit (DTC)

#### What is the DTC?

- The qualifying factor to open an RDSP
- The T2201 form from the Canada Revenue Agency (CRA)
- Can be used as a tax deduction
- Helps individuals access other tax benefits
- A transferrable tax credit
- Can be claimed retroactively up to 10 years



#### What is the DTC?

- The qualifying factor to open an RDSP
- The T2201 form, which is submitted to and approved by Canada Revenue Agency (CRA)
  - <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t2201.html>
- Can be used as a tax deduction and helps individuals access other tax benefits
- A transferrable tax credit
  - Consult with your accountant to see who might be eligible to claim the DTC on the beneficiary's behalf
- Can be claimed retroactively up to 10 years
  - If you (or the person in which the DTC was transferred to) has paid taxes in those years, you/them may be eligible to receive money back from the government

#### Talking with your Medical Practitioner

- Have an open discussion with your medical practitioner about your situation and the impacts of your disability
- Give specific examples and details regarding the effects on your life daily
- Eligibility for the DTC is based on the effects of the impairment, not on the medical condition itself
- Ensure that you and your medical practitioner keep all records of documentation received and submitted



#### Talking with your Medical Practitioner

- Have an open discussion with your medical practitioner about your situation and the severity of your disability
- Give specific examples and details regarding the effects on your life daily
- Eligibility for the DTC is based on the effects of the impairment, not on the medical condition itself

- Medical Practitioners can charge a fee to complete the form. If the cost is a concern, ask your medical practitioner if they would consider waiving or lowering their fee. You may be able to claim these fees as medical expenses on line 330 or line 331 of your tax return.

#### Notice of Determination

- Your Notice of Determination may say:
  - You are approved for a certain number of years, typically 5
  - CRA requires additional information from your medical practitioner before they can decide
  - Your application is declined



#### Notice of Determination

- Your Notice of Determination may say:
  - You are approved for a certain number of years, typically 5
    - Generally, for chronic conditions when the physician indicates no foreseeable improvements in functioning, the CRA may grant approval for 5, 10 or more years. For conditions when the physician is unsure of the duration, successful applications result in one or more years.
  - CRA requires additional information from your medical practitioner before they can decide
  - Your application is declined
    - There is a possibility that you will be declined or have another form sent to the doctor on the first try. If this happens, don't be discouraged – you have the right to reapply or appeal
    - Contact our Helpline for support with this: 1-844-311-7526 or info@rdsp.com

#### Free Money

To start receiving up to \$70,000 in Canada Disability Savings Grants and/or up to \$20,000 in Canada Disability Savings Bonds, the beneficiary's household must:

- File an Income Tax Return for two years prior, and continue to file annually

Grants and bonds can only be received until December 31<sup>st</sup> of the year in which the beneficiary turns 49



#### Free Money

- To receive up to \$70,000 in Canada Disability Savings Grants and/or up to \$20,000 in Canada Disability Savings Bonds, the beneficiary's household must:
  - File an Income Tax Return for two years prior, and continue to file annually (Example - 2019 & 2020 tax returns for 2021 contributions; the government

won't know what money you're making this year, so they must base it on previous years)

- Hint: Start filing income taxes for your child with a disability at age 16 to avoid any problems with the RDSP grants and bonds. Beginning the year the beneficiary turns 19 until the RDSP is closed, the beneficiary's family income is based on the beneficiary's income plus their spouse's income. If their income taxes are not filed, the government will assume that the person is a high-income earner and they will not be eligible for the correct amount of grants or any of the bonds.
- If you are trying to go back retroactively 10 years, you do need to have your taxes done all the way back 12 years
- Grants and bonds can only be received until December 31st of the year in which the beneficiary turns 49

#### Canada Disability Savings Grant – 2021 Amounts

- The Federal Government matches annual contributions at the following rates, up to a lifetime maximum of \$70,000:

Annual Income	Amount of Grant Money
Less than or equal to \$98,040	- \$3 for every \$1 contributed on the first \$500 (up to \$1,500) - \$2 for every \$1 contributed on the next \$1,000 (up to \$2,000) - Total of \$3,500
More than \$98,040 *Or no tax return filed	\$1 for every \$1 contributed on the first \$1,000 (max \$1,000)

- This will take a minimum of 20 years to obtain \$70,000 without including retroactive contributions – can get the full amount if you start by the age 30

#### Canada Disability Savings Bond – 2021 Amounts

- Annual Federal Government contributions to RDSPs of people with low and modest incomes, and does not require personal contributions

- Up to \$1,000 each year, to a lifetime maximum of \$20,000

Annual Income	Amount of Bond Money Per Year
Less than or equal to \$32,028	\$1,000
Between \$32,028 and \$49,020	Up to \$1,000 Calculated on a pro-rated basis
Higher than \$49,020	\$0

- Only requirement is that your taxes are filed
- Bonds are deposited automatically
- You need a minimum of 20 years to obtain the maximum bond amount without including retroactive contribution room

**Retroactive Grants and Bonds**

- Bond amounts will be paid automatically
- Grant amounts can be received by making contributions for previous years
- You can only access them until the end of the calendar year in which the beneficiary turns 49
- The government will put in a maximum of \$10,500 in any one year for the grant, and up to \$11,000 for the bonds




### Retroactive Grants and Bonds

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- Grant amounts can be received by making contributions for previous years
- You can only access them until the end of the calendar year in which the beneficiary turns 49
- The government will put in a maximum of \$10,500 in any one year for the grant, and up to \$11,000 for the bonds
- The retroactive amounts are calculated in a complicated way, and it's best to contact our helpline to have an advisor work through your personal situation
  - 1-844-311-7526 or info@rdsp.com

**Reasons to open an RDSP in your 50s**

- Having an RDSP after 50 can be a great way to save and invest money without having any of your federal disability benefits and most provincial benefits impacted.
- When you choose to withdraw your money, you will be able to decide what you want to spend the money on.



### Reasons to open an RDSP in your 50s

- Having an RDSP after 50 can be a great way to save and invest money without having any of your federal disability benefits and most provincial benefits impacted. This is particularly beneficial for people who have or are about to receive a large sum of money, such as through an insurance settlement, as an inheritance, or from the sale of assets such as real estate.

- When you choose to withdraw your money, you will be able to decide what you want to spend the money on.

#### 10 Year/Proportional Repayment Rule

- Normal withdrawals from RDSPs start at age 60. One-time withdrawals can also be made in certain circumstances at any age. These however are subject to the 10 Year/Proportional Repayment Rule.
- In short: If there were any grants or bonds deposited into the RDSP in the last 10 years, you are not able to make a withdrawal without a penalty. This includes withdrawals of grants and bonds received retroactively for previous years.



#### 10 Year/Proportional Repayment Rule

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  - The 10-year repayment requirement is counted from the most current grant or bond paid, thus the \$3 per \$1 withdrawn penalty continues to apply to grants and bonds deposited within the last 10 years
- In short: If there were any grants or bonds deposited into the RDSP in the last 10 years, you are not able to make a withdrawal without a penalty. This includes withdrawals of grants and bonds received retroactively for previous years.
- Please note that once a withdrawal happens from the RDSP, the maximum limits do not reset. For example, if you have received \$10,000 in grants and must repay those due to a withdrawal you are now only eligible for an additional \$60,000. This is the same for personal contributions as well. If you deposit \$50,000 into the RDSP you would have room for an additional \$150,000 in personal contributions. If you withdraw the full \$50,000, you can still only deposit another \$150,000 total into the RDSP.

#### Who can set up an RDSP?

**For a Minor**  
Parents or legal guardians set up the plan and have the option to remain as sole or co-holder once the beneficiary becomes an adult

**For an Adult**  
The holder and beneficiary can be the same person, though it may be somebody else dependent on contractual competence

**Contractual Competence**  
It depends on the nature of the disability and whether this impacts cognitive ability

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- For a Minor:
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- For an Adult:

- The holder and beneficiary can be the same person, though it may be somebody else dependent on contractual competence
- A note on Contractual Competence
  - It depends on the nature of the disability and whether this impacts cognitive ability. Every beneficiary should have a power of attorney
  - Read the following article for more information on contractual competence:  
[www.rdsp.com/2011/06/10/rdsp-barrier-8-contractual-competency-should-someone-lose-their-decision-making-rights-just-so-they-can-open-an-rdsp/](http://www.rdsp.com/2011/06/10/rdsp-barrier-8-contractual-competency-should-someone-lose-their-decision-making-rights-just-so-they-can-open-an-rdsp/)

#### Responsibilities of the Holder

- Managing the RDSP
- Working with the financial institution/representative
- Choosing and approving investments
- Supervising withdrawals



#### Responsibilities of the Holder

- The holder of the RDSP account is somebody who is responsible for the following tasks:
  - Managing the RDSP
  - Working with the financial institution/representative
  - Choosing and approving investments
  - Supervising withdrawals
- You can have more than one holder on an RDSP account at one time
- For adult beneficiaries who do not have contractual competence, a Qualifying Family Member (QFM) can be added as a holder of the account until 2023. A QFM is one of the following:
  - A legal parent of the beneficiary
  - A spouse or common-law partner of the beneficiary who is not living apart and separate from the beneficiary because of a breakdown of their marriage or common-law partnership

### How do I open an RDSP?



- Many financial institutions now offer the RDSP. There are also independent financial professionals that can open an account for you, and they usually offer home or electronic/virtual visits to set up an RDSP.
- To find where and with whom you would like to open up your RDSP you will need to do some research.
- Some key considerations are fees, lump sum payment options after age 60, investment options, and accessibility.

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### Some Final Helpful Hints

- The RDSP is intended to be a 30+ year savings plan, and is more beneficial the earlier you open one
- Do your research or ask somebody you trust to help with this so that you can choose the best financial institution/professional to work with to grow your RDSP
- Open a Registered Education Savings Plan as well as an RDSP for the beneficiary if possible
- Withdrawals are restricted - build up an emergency savings fund
- Revisit your long-term financial strategy with your trusted financial professional once/year and always feel free to ask for a second opinion

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- Open a Registered Education Savings Plan as well as an RDSP for the beneficiary if possible
- Withdrawals are restricted - build up an emergency savings fund
- Revisit your long-term financial strategy with your trusted financial professional once/year and always feel free to ask for a second opinion
- For some people it will be a much shorter or a much longer savings plan – call our helpline and speak with a Helpline adviser about how withdrawals might work for you!
  - 1-844-311-7526

### Free Support

- Helpline: 1-844-311-7526, [info@rdsp.com](mailto:info@rdsp.com)
- [www.rdsp.com](http://www.rdsp.com)
- Visit [www.rdsp.com/calculator/](http://www.rdsp.com/calculator/) to calculate what your RDSP could look like!
- RDSP Tutorial: <https://www.rdsp.com/rdsp-tutorial/>
- \$150 Endowment 150 Grant for BC Residents: <https://www.rdsp.com/endowment-150/>
- RDSP Level 2: <https://plaininstitute.ca/registered-disability-savings-plan/>

## Free Support

- Helpline: 1-844-311-7526, [info@rdsp.com](mailto:info@rdsp.com)
- [www.rdsp.com](http://www.rdsp.com)
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