

## Registered Disability Savings Plan (RDSP)

This document provides some general information about RDSP accounts and how eligible beneficiaries and their family may benefit from this program. For a more comprehensive explanation of the rules and regulations that govern the administration of RDSP accounts please consult Employment and Social Development Canada's website: <http://www.esdc.gc.ca/eng/disability/savings/index.shtml>

### Contributions & Attracting Grants:

- Lifetime contributions to an RDSP are capped at \$200,000.
- Both the CDSG and CDSB use income testing to determine the level of grants to be paid into an RDSP. The calculation used to establish the beneficiary's "family" income to determine eligibility depends on their age:
  - o 18 and under: The household's net income (i.e. father and mother)
  - o 19 and over: Beneficiary's family income is based on his or her income **plus** his or her spouse's, or common-law partner's income.

**Note:** The income information must be accessible through CRA, meaning whoever's income is being used for the calculation in any given year (the beneficiary, their spouse or their parents) must have filed tax returns.

- CDSG (Canada Disability Savings Grant):
  - o If the beneficiary's annual family income is less than or equal to \$90,563:
    - First \$500 earns \$1,500 in grants (300%)
    - Next \$1,000 earns \$2,000 in grants (200%)
  - o If the beneficiary's annual family income exceeds \$90,563:
    - First \$1,000 earns \$1,000 in grants (100%)
  - o Unused grants can be carried forward. The grant will be paid on unused entitlements up to an annual maximum of \$10,500.
  - o When calculating grant carry-forwards, the Government will use the appropriate income calculation given the beneficiary's age for each year that the beneficiary was eligible.

**Note:** This is very important to understand when trying to get the most out of your RDSP contributions.

- o The grant is calculated on all unused contribution entitlements at the highest eligible grant rate first until all unused grant entitlements at that level are used up after which, it will begin calculating at the second highest grant level.

- CDSB (Canada Disability Savings Bond):
  - o A beneficiary whose family income is:
    - less than or equal to \$26,364 receives a bond of up to \$1,000;
    - between \$26,364 and \$45,282 receives a bond based on a legislative formula
    - more than \$45,282 receives no bond;
  - o No contribution required.
  - o Can only be carried back 10 years.
  - o The maximum you can get in first year would be \$11,000 (current year + 10 prior years)
  - o As of 2016 the carry forward period is 2008 to 2015 for a maximum of \$7,000. Including the \$1,000 bond for 2016 provides a highest total possible bond of \$8,000 for 2016.

### Contribution Schedule to Maximize Grants/Bonds Catch-up

The RDSP can be a very powerful tool. The following illustrates the level of contributions required in order to obtain the maximum level of grants and bonds per dollar contributed as of 2016, assuming:

- Beneficiary was eligible for an RDSP as of the RDSP's inception in 2008.
- Beneficiary's family income is below \$26,364 in all eligible years, making them eligible for the highest level of grants and bonds.

Year	2016	2017	2018	2019	Total
<b>Contribution</b>	\$ 3,500.00	\$ 4,750.00	\$ 5,000.00	\$ 3,250.00	\$ 16,500.00
<b>Grant @ 300%</b>	\$ 10,500.00	\$ 3,000.00	\$ 1,500.00	\$ 1,500.00	\$ 16,500.00
<b>Grant @ 200%</b>		\$ 7,500.00	\$ 9,000.00	\$ 5,500.00	\$ 22,000.00
<b>Bond</b>	\$ 8,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 11,000.00
<b>Total</b>	\$ 22,000.00	\$ 16,250.00	\$ 16,500.00	\$ 11,250.00	<b>\$ 66,000.00</b>

	2016		2017		2018		2019	
	Available	Used	Available	Used	Available	Used	Available	Used
<b>Contribution Room @ 300% Level</b>	\$4,000	\$3,500	\$1,000	\$1,000	\$500	\$500	\$500	\$500
<b>Contribution Room @ 200% Level</b>	\$8,000		\$9,000	\$3,750	\$6,250	\$4,500	\$2,750	\$2,750

### RDSP Taxation

- Contributions are not taxable upon withdrawal.
- Grants, Bonds, Investment Income & RRSP rollovers are taxable upon withdrawal and included as income (similar to RESP)

- A specific formula determines which portion of the withdrawal represents the non-taxable return of contributions and which portion represents the taxable investment gains, grants and bonds.

**Note:** The Ontario government fully exempts RDSP assets and money withdrawn from the plan when determining eligibility for social assistance.

## Withdrawals

2 types of withdrawals:

- **1 time withdrawals** (Disability Assistance Payments): DAPs are **discretionary payments** from the RDSP that can normally be made at any time to a beneficiary or a beneficiary's estate. Restricted to 10% of the account's fair market value if the total government contributions (grants/bonds) exceed the private contributions at the time of the withdrawal.
- **Lifetime withdrawals** (Lifetime Disability Assistance Payments): Payments which, once started, are payable at least annually until either the plan is terminated or the beneficiary dies. LDAPs must begin no later than the end of the calendar year in which the beneficiary turns 60. Follows a schedule.

## Proportional Repayment Rule

- If only a portion of the account is taken out of the account as a withdrawal, a penalty of \$3 for every \$1 withdrawn will apply. (i.e. withdrawal: \$1,000, lose \$3,000 in grants/bonds).
- This penalty will apply as long as there are grants that have been paid into the account within the last 10 years.
- The repayment is capped at the amount of the outstanding Assistance Holdback Amount (total of grants paid in last 10 years)
- There is an exception for shortened life expectancies of less than 5 years. In this case, individuals can file to be able to access the contributed portion of the account without triggering a repayment of grants/bonds paid in the last 10 years.

## 10-Year Repayment Rule

- If the plan is deregistered, the beneficiary becomes ineligible for the disability tax credit or passes away; the full amount of the grants/bonds paid in the last 10 years must be repaid.

## Assistance Holdback Amount

- To ensure the funds in an RDSP are available to meet potential obligations under the 10-year repayment rule, RDSP issuers must track an "assistance holdback amount" equal to the total grant and bond paid into the RDSP in the preceding 10 years less any grant and bond already repaid in respect of that 10-year period.
- The assistance holdback amount can still be invested.