

PURPOSE OF BRANCH REPORT

Via the Ottawa Branch Report, e-mails and general meetings, the Branch provides information on issues, products and services of general interest to our membership. The Branch's purpose is not to endorse a particular position on an issue, or a product or a service, as suitable for individual members but to bring such information to their attention so that they can make up their own minds.

Registered Disability Savings Plan



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Launched in 2007, the Registered Disability Savings Plan (RDSP) offers a very advantageous way to provide for the financial needs of people with disabilities. While contributions to an RDSP are made with “after-tax” funds, in the Plan funds are tax sheltered, similar to a Registered Education Savings Plan. In addition, two federal mechanisms supplement Plan benefits. While complex, the RDSP

offers a range of interesting possibilities for disabled individuals to increase savings until needed in a “protected” environment.

- To qualify as an RDSP beneficiary, a qualified practitioner must certify an individual using the “Disability Tax Credit Certificate” (CRA Form T2201). There is no minimum age to qualify, but the beneficiary cannot be older than 59. For beneficiaries who are under the age of majority, or who have reached majority but are not competent to enter into contracts, a Plan can be opened by a parent, guardian or another person or institution legally authorized to act for the beneficiary. Anyone can contribute to the Plan including the beneficiary, family members and friends.
- The maximum lifetime contribution limit is \$200,000 and it must be made before the beneficiary turns 59. The beneficiary can withdraw individually contributed funds tax-free, but income tax must be paid on withdrawals attributed to interest/investment growth and government contributions.
- A **Canada Disability Savings Grant (CDSG)** will be credited to the Plan based on the amount contributed and the beneficiary's family income. The maximum grant is \$3,500 per year, with a lifetime

maximum of \$70,000.
(Calculation of the grant amount is complex and readers should refer to the CRA web site for more information.)

- In addition, a **Canada Disability Savings Bond (CDSB)** is available to Plan beneficiaries whose household or family income is below \$38,832. In these circumstances, up to \$1,000 per year can be added into a beneficiary's Plan by the federal government, with a lifetime maximum of \$20,000.
- Payments to the beneficiary (i.e., withdrawals from the Plan) can commence at any time from age 28 to 58, with the amount paid out per year subject to a formula. Any annual government contributions (CDSG or CDSB) to the Plan must be returned unless they are held in the Plan for at least 10 years.

Improvements to the Plan were announced in the March 2010 budget in recognition that families of children with disabilities may not be able to contribute regularly to their Plan. The improvements also allow a rollover of a deceased individual's RRSP/RRIF proceeds to the RDSP of a financially dependent infirm child or grandchild.

The Registered Disability Savings Plan offers FSNA members, and all Canadians, an advantageous way to

provide for their children, grandchildren or friends with disabilities. The program is in its early stages and not all financial institutions are familiar with it. The CRA and HRSDC web sites offer a great deal more information. Also, valuable information is provided on a blog (www.rdsp.wordpress.com) authored by a member of the Planned Lifetime Advocacy Network (PLAN), a Vancouver-based non-profit organization. The PLAN site (www.plan.ca) is also a good resource. As always, before making decisions one should talk to a trusted financial adviser.

***Note:** The facts and opinions expressed in this article are those of the author, Robert Todd; they should not be understood to necessarily reflect the policy or opinion of the FSNA Ottawa Branch.*

Robert Todd is an FSNA member and a Director of Tradex, an Ottawa-based Member of the Mutual Fund Dealers Association of Canada. Tradex was established in 1960 by employees of the Departments of Trade and Commerce and of External Affairs. Its services are available exclusively to current and retired public sector employees and their family members. Their web address is www.tradex.ca.