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# Registered Disability Savings Plan and the Disability Tax Credit

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## What is it?

The Registered Disability Savings Plan (RDSP) is a savings plan that has been introduced by the federal government. The RDSP is designed to help people with disabilities and their families save money for their long-term financial security.

## What does the RDSP allow you to do?

With an RDSP you can:

- Make up to a maximum of \$200,000 in contributions. The tax on the money is deferred, which means you do not pay tax on your savings while it is in the savings account. Contributions cannot be made to the RDSP after you turn 60-years-old.
- Qualify for the Canada Disability Savings Grant (CDSG) and get up to \$3,500 annually. The CDSG is an income-tested grant from the federal government. Here's how it works: if your family income is under \$89,401\*, you may receive \$1,500 on the first \$500 of contributions and \$2,000 on the next \$1,000 contributions. You can receive a lifetime maximum of \$70,000 from this grant until you turn 50.
- Qualify for the income-tested federal Canada Disability Savings Bond (CDSB). This is an annual amount of \$1,000, up to a lifetime maximum of \$20,000, that you may receive if your family income is below \$26,021\*. If your family income is between \$26,021-\$44,701\* the grant may be pro-rated. Again, you cannot receive this after you are 50-years-old. No contribution is required to receive the CDSB.

\*These amounts are for 2015 and are adjusted each year by the Canada Revenue Agency.



**Disability Alliance BC**

Information in this Help Sheet is based on the legislation that was current at the time of writing.

The legislation and policy may be subject to change. Please check the date on this Help Sheet.



## Your provincial disability or income assistance benefits

Your provincial disability or income assistance benefits will not be stopped or reduced because of any RDSP savings or withdrawals. This is because the Ministry of Social Development and Poverty Reduction (MSDPR) has introduced regulations that exempt RDSP assets and income from being counted as unearned income.

## Requirements and Restrictions

To benefit from an RDSP you must:

- Be eligible for the Disability Tax Credit (DTC) and maintain this eligibility. (Please see below for more on this.)
- Have a Social Insurance Number (SIN)
- Be living in Canada when the RDSP is opened
- Be up-to-date with filing your income tax returns
- Be under 50 if you want to claim the CDSG and CDSB (grant and bond)
- Not make any withdrawals for at least 10 years if you want to keep all of the federal grants and/or bonds that you have received. This is because there is a special rule that says, if you withdraw any money from your savings plan, all or part of the grants and bonds paid into it in the preceding 10 years must be repaid to the government. Also, you may have to repay any CDSGs or CDSBs you have received in the preceding 10 years if you no longer qualify for the DTC.

## How to establish an RDSP

If you have already qualified for the DTC, you should contact a financial institution that offers the RDSP. Each financial institution has its own forms that you will be required to complete to access the RDSP. You can only have one RDSP at any given time. With your permission, other people can also contribute to your RDSP. Some banks will let you open an RDSP, if you have not already qualified for the DTC, but your RDSP will not be official until the DTC is approved.



## The Disability Tax Credit (DTC)

To qualify for the DTC, you must have a physical or mental impairment that is both severe and prolonged. Prolonged means that your impairment must be expected to last a continuous period of at least 12 months. Severe means that you are:

- blind,

or you are markedly restricted in any of the following activities of daily living:

- walking
- speaking
- hearing
- dressing
- feeding
- elimination (bowel or bladder functions)
- mental functions necessary for everyday life

or be significantly restricted in two or more activities of daily living (e.g., dressing, speaking, feeding, walking, mental functions necessary for everyday life, etc.)

or you need, and must dedicate a certain amount of time specifically for, life-sustaining therapy.

Even if you have qualified for the Persons with Disabilities (PWD) designation or Canada Pension Plan disability benefits, you may not necessarily qualify for the DTC. You must get the DTC Certificate (T2201) from the Canada Revenue Agency (CRA) and ask your doctor or other qualified health care professional to complete the form.

Once the form is filled out and submitted, you may have to wait several weeks before you find out whether or not you qualify. In some cases, you may wait up to several months if CRA seeks additional information on your application.

Keep in mind that even if you qualify for the DTC, Canada Revenue can ask you to re-apply in the future and/or decide you are no longer eligible.

## The Endowment 150 Fund

The Endowment 150 Fund is available to British Columbians with disabilities who received income assistance any time since January 1, 2008 (for adults), or the maximum Child Disability Benefit (for children). If this is you, when you open an RDSP with at least \$25, you can apply to receive a one-time \$150 grant from the Endowment 150 fund. This grant is administered by Plan Institute, and is in addition to the federal CDSGs and CDSBs (grants and bonds) that you may receive. Application forms can be found at: [www.rdsp.com](http://www.rdsp.com).



## Taking money out of an RDSP

Generally, there are two kinds of payments that can come out of an RDSP.

- **Lifetime Disability Assistance Payments (LDAPs)** are annual payments that, once started, must continue until the RDSP is spent. LDAPs can begin before the beneficiary turns 60, but must start when the beneficiary is 60. The LDAP has a maximum annual amount, which is set by a legislated formula, based on the value of the plan and life expectancy of the beneficiary.
- **Disability Assistance Payments (DAPs)** are one-time payments from the RDSP that can be requested at any time. However, talk to your bank about their policies on DAP payments. Each bank is permitted to have their own rules or restrictions on these payments.

### Repayment Rules

If any money is taken out of an RDSP, you have to repay the federal government all or part of the grants and bonds put into your RDSP in the previous 10 years.

## Financial institutions that are offering the RDSP

Most financial institutions are currently offering RDSPs, including the following:

- Bank of Montreal (BMO)
- Canadian Imperial Bank of Commerce (CIBC)
- Central 1 Credit Union
- Community Savings Credit Union
- Desjardins Trust Inc.
- Envision Investment Services Ltd.
- Investors Group Trust Co. Ltd.
- Mackenzie Financial Corporation
- Royal Bank of Canada (RBC)
- Scotia Bank
- TD Canada Trust
- Vancity Credit Union

**NOTE: Banks' RDSP policies vary. For example, they may have different restrictions on when you can make withdrawals from an RDSP. Be sure to ask your bank about these policies before you set up an RDSP.**



## RDSP: Pros and cons

### Pros

- The RDSP provides generous grants and bonds from the federal government, and is an excellent savings opportunity for many people with disabilities.
- For people on income assistance, the provincial government has made RDSP assets and withdrawals exempt. This means that people can save and use this money without having their monthly income assistance affected.
- For people who receive lump-sum payments (such as an ICBC settlement), the RDSP is a practical alternative to a trust, to exempt the asset.
- The RDSP can provide long-term financial security.

### Cons

- The older you are, the fewer financial incentives you will have to start an RDSP. For example, if you are over 49, you cannot qualify for the federal grants and bonds going forward.
- You must meet a relatively strict definition of disability to qualify for the DTC. If you do qualify, but lose your eligibility at a later time, you may have to close your RDSP. However, an RDSP may remain open, if you meet certain criteria. Please see “If You Are No Longer Eligible for DTC” on page 6.
- The Repayment Rules mean that you have to pay back all or part of the grants and bonds you have received in the past 10 years when you withdraw any amount of money from the RDSP.

## Carry Forward and Rollover Provisions

The Carry Forward provision allows people who may not be able to contribute regularly to their RDSP to claim unused grant and bond entitlements for a 10-year period (starting from 2008, when the RDSP first became available). The annual maximum for unused grants is \$10,500, for unused bonds it is \$11,000.

The Rollover provision allows the Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) or Registered Pension Plan (RPP) of a deceased family member to be rolled over into the RDSP of a dependent child or grandchild.



## Proportional Repayment Rule

If grant and bond payments have been made to your RDSP in the last 10 years, and you withdraw money from it, you may have to pay back a portion of the grants and bonds you received. Under the Proportional Repayment Rule, for every \$1 withdrawn from an RDSP, \$3 of any grants or bonds received in the past 10 years must be repaid.

## If You Are No Longer Eligible for the DTC

It is important to re-apply for the DTC if you have an RDSP. If you cease to qualify for the DTC and do not re-qualify, your RDSP will likely be closed. The period an RDSP can remain open after your DTC eligibility expires may be extended up to five years, with certification from a medical practitioner that you will likely re-qualify for the DTC in the foreseeable future.

## Other Resources

Plan Institute operates an RDSP and disability planning information hotline (1-844-311-7526), hosts RDSP workshops, and helps individuals and families with low-incomes save for their future through the Endowment 150 fund, which provides a one-time \$150 gift to help their RDSP grow. Website: <http://planinstitute.ca/>.

Details about the RDSP can be obtained from the Canada Revenue Agency (CRA). Information about the DTC can also be obtained from the CRA. Phone your local CRA office or go to [www.cra.gc.ca](http://www.cra.gc.ca) for more information.

The financial institutions that offer the RDSP have also produced information materials and have financial advisors that may be able to answer your questions.

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