

# THE RDSP AND PEOPLE RECEIVING SOCIAL ASSISTANCE



HOW PEOPLE WITH A LOW INCOME CAN BENEFIT  
FROM THE REGISTERED DISABILITY SAVINGS PLAN

2015

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## Acknowledgements

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This Guide is part of a community legal education project that includes videos and other resources.

Visit [www.disabilityalliancebc.org/rdsp](http://www.disabilityalliancebc.org/rdsp) to access All our free RDSP materials and to see RDSP updates.

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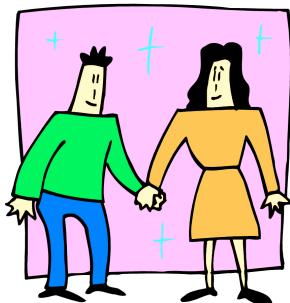
### **Disclaimer**

This Guide is based on a comprehensive study and review of the legislation and information available at the time of writing. It is not meant to replace the expertise of any lawyer or financial advisor that any individual may wish to consult.

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## Introduction to the 2015 Edition

This printing of *The RDSP and People Receiving Social Assistance* contains significant updates to the version printed in 2012.

In particular, it includes details about positive changes to the rules concerning the withdrawal of bonds and grants, implemented by the federal government in 2014.

## What is the RDSP?

**Did you know that, if you do nothing but deposit a \$250 GST cheque each year, starting when you're 32 years old, by the time you are 60, the value of an RDSP Could be as high as \$100,000?**

This is the power of the Registered Disability Savings Plan (RDSP): a long-term savings program for people with disabilities and their families, introduced by the federal government in 2007.

**Disability Alliance BC (DABC) has created this Guide, and an accompanying video series, to encourage people with disabilities to open an RDSP, regardless of their level of income.** The RDSP program includes generous grants and bonds from the federal government, to help individuals and families save money to increase their long-term financial security.

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We use various acronyms throughout this Guide and provide an acronym list in the Appendices for reference.

## Who is this Guide For?

**This Guide is written specifically for adults with disabilities who receive social assistance.** People living on social assistance may not look into RDSPs because they have little or no money to put aside for savings. However, there are ways they can receive substantial benefits from an RDSP, even if they make no contributions of their own.

## Why open an RDSP?



- ✓ Benefits even if you have little or no money to contribute
- ✓ Grants and bonds up to \$4,500/year
- ✓ RDSP savings and payments considered exempt assets and income

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**In addition to the government's grants and bonds program, people with disabilities who receive social assistance should consider opening an RDSP because the Ministry of Social Development and Social Innovation (MSDSI) considers the money in an RDSP to be an exempt asset and payments from an RDSP as exempt income.**

This is a great advantage and means that people with disabilities who receive social assistance have a new option to protect their savings and supplement their social assistance income, without any loss of benefits.

In this Guide, we will explain:

- who is likely to qualify for an RDSP
- the importance of the Disability Tax Credit
- how to get money into and out of an RDSP, including applying for grants and bonds
- why people with disabilities should open an RDSP, even if they have a low income
- what people with disabilities on social assistance need to know.

# RDSP BASICS

## Who Qualifies?

To qualify for the RDSP, applicants must:

- have a valid Social Insurance Number
- be a resident of Canada when the plan is opened
- be under 60 years old
- be eligible for the Disability Tax Credit
- have filed income tax returns for the past two years and keep their returns up to date—if they want to be eligible for the maximum federal grants and bonds.

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### How do I open an RDSP?



- ✓ Apply for the DTC
- ✓ Choose a bank
- ✓ Open an RDSP
- ✓ Create a savings plan, to take advantage of grants and bonds

## Setting Up an RDSP

Any Canadian adult with disabilities who qualifies for an RDSP can open one at a participating bank. They become the **beneficiary** or **holder** of the plan.

One of the changes in the 2012 federal budget made it so that another person can be the holder of an RDSP for an individual who is 18 years of age or older, if the person is deemed to be “mentally incompetent.” A spouse, common-law partner or parent of a person with a disability can be the RDSP holder.

For people who are capable of making their own decisions, but want help with managing their RDSP, it is possible to make a Representation Agreement or Power of Attorney. With these documents, the beneficiary is still the plan holder, but a representative can assist them in managing their RDSP.

## RDSP Facts

- ✓ Beneficiaries can apply for grants and bonds until the end of the year they turn 49.
- ✓ Contributions can be made up to the end of the year the beneficiary turns 59.
- ✓ There are no annual contribution limits.
- ✓ There is a lifetime limit for beneficiary contributions of \$200,000.
- ✓ Withdrawals can be used for any purpose that benefits the beneficiary.
- ✓ The beneficiary must begin receiving RDSP payments by the end of the year they turn 60.

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## Putting Money in an RDSP

Once the RDSP is set up, there are three ways to put money in:

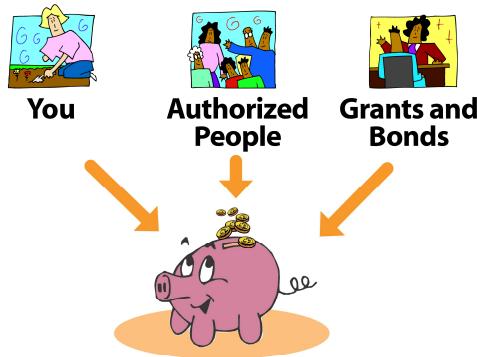
1. Beneficiary contributions
2. Contributions from people the beneficiary has authorized
3. Federal grants and bonds.

There is no **annual** limit to the contributions that can be made by beneficiaries or other authorized people, but there is a **lifetime** maximum limit of \$200,000. Contributions are permitted until the end of year in which the beneficiary turns 59.

Income earned on plan contributions grow on a tax-sheltered basis, until money is withdrawn, but tax may be payable on withdrawals. If your annual income is below the taxable limit, for example, you will not pay tax on RDSP withdrawals.

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### 3 Ways to Put Money in



## Grants

**One of the main benefits of an RDSP is the significant grants and bonds the federal government will contribute to a person's plan.** The grants and bonds program was established to assist people with disabilities and families, to grow substantial savings in RDSPs over the long term.

To receive the Canada Disability Savings Grant (CDSG), the beneficiary's bank applies on their behalf to the government for matching grants. These grants range from 100% to 300% of the beneficiary's annual contributions (and contributions of family or friends).

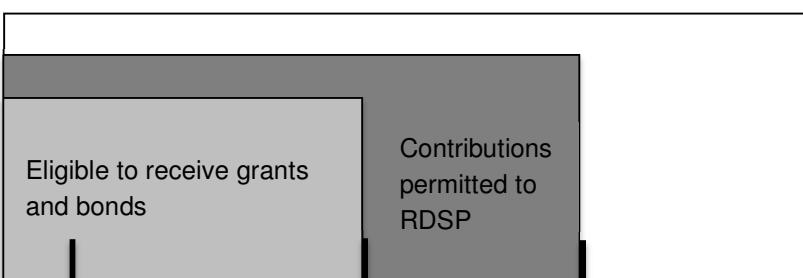
The amount of the CDSG is based on the beneficiary's family income. **Here are a few examples of contributions and grants for family incomes below \$89,401.**

How government contributions "match" individual contributions (annual figures)		
INDIVIDUAL/FAMILY	GOVERNMENT	TOTAL CONTRIBUTIONS
\$250	\$750	\$1,000
\$1,500	\$3,500	\$5,000
\$2,500	\$3,500	\$6,000

If the beneficiary's family income is **more than \$89,401** (or if no income tax return is filed), the grant is \$1 for every \$1 contributed on the first \$1,000, for a grant maximum of \$1,000.

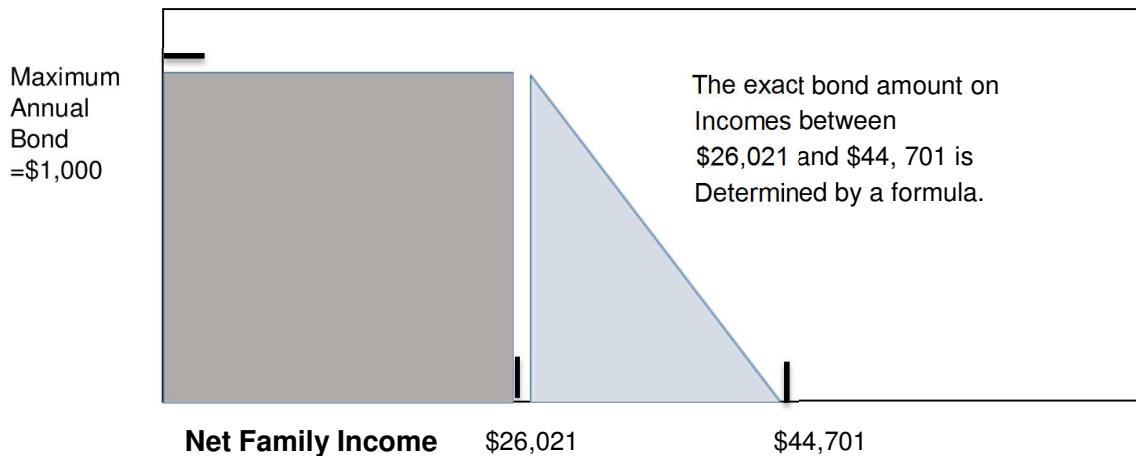
Please note that the family income thresholds are indexed each year to inflation and the amounts shown above are for 2012, based on the 2010 tax return.

**The maximum grant that can be paid in one year is \$3,500 and a beneficiary is eligible to receive grants until December 31 of the year they turn 49 years old. The CDSGs can total up to \$70,000 over the beneficiary's lifetime.**



## Bonds

**In addition to grants, Canadians with disabilities living on a low income can apply for the Canada Disability Savings Bond (CDSB).** The federal government will pay income-tested bonds of up to \$1,000 a year, even if the beneficiary makes no contributions of their own.

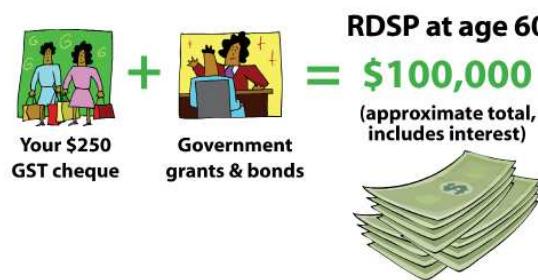


The maximum lifetime government bond contribution is \$20,000. **This means that the beneficiary can receive a \$1,000 government bond into their RDSP every year for 20 years, until the end of the year they turn 49.**

Family income thresholds are based on the net adjusted income declared on the income tax return from two years ago and these thresholds are indexed to inflation. The amounts shown above are for 2015, based on the beneficiary's 2013 income tax return.

## Growth with Grants and Bonds

**Example: Start depositing annual GST cheques at age 32**



For families with incomes between \$26,021 and \$44,701, the federal government will issue part of the \$1,000 based on a formula taken from the *Canada Disability Savings Act*. People with family incomes above \$44,701 are not eligible for the bond.

When a person with a disability opens an RDSP, claims a yearly bond of \$1,000 and makes modest contributions, it will not take long for the RDSP to grow. If this money is not touched, and the beneficiary continues to apply for bonds and grants, in 20 years there will be a substantial amount of money in the RDSP.

 See examples of RDSP growth in the Scenarios section of the Appendices.

## Carry Forward and Rollover Provisions

In 2011, the federal government announced new “carry forward” and “roll over” provisions that benefit RDSP holders.

People can now claim unused grant and bond entitlements for a 10-year period. For example, if you open an RDSP in 2015, and you acquired your disability in 2010, you can claim grants and bonds back to 2010.

The other new provision allows a deceased person’s Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) or Registered Pension Plan (RPP) to be rolled over, tax free, into the RDSP of a financially-dependent child or grandchild with a disability.

## Endowment Fund 150

The provincial government has made efforts to encourage social assistance recipients with disabilities to set up RDSPs, even if they only have a few dollars to deposit. The province has provided a \$5 million grant to the Vancouver Foundation to create the Endowment 150 fund.

**When British Columbians receiving social assistance open an RDSP with \$25, they can apply to receive a one-time \$150 grant from the Endowment 150 fund.** The grant is available to people who are on social assistance or have received social assistance any time after January 1, 2008. This grant is in addition to the federal bonds and grants they may be eligible to receive.

People apply for the Endowment 150 after the RDSP account has been set up, by providing the RDSP number and verification of a minimum \$25 deposit.

 See the Appendices for a copy of the Endowment 150 form.

## Taking Money Out

**The RDSP is designed to be a long-term savings plan, so there are restrictions and regulations about making withdrawals.**

Some rules are in the federal RDSP regulations and some are specific policies of banks that offer RDSPs. Policies among banks can vary; for example, on the maximum amounts for one-time payments from the RDSP.



**Withdrawals are a mix of taxable and non-taxable amounts. Beneficiary contributions are not taxable. Interest, capital gains, grants and bonds are taxable.**

**There are two kinds of payments that can be made to a beneficiary of an RDSP and both trigger the Proportional Repayment Rule which went into effect in 2014.** This rule is described later in this section. The two kinds of payments are:

- Disability Assistance Payments (DAPs)
- Lifetime Disability Assistance Payments (LDAPs)

## Disability Assistance Payments

**Disability Assistance Payments (DAPS) are one-time payments from the RDSP to the beneficiary.**

Generally, the beneficiary can request these lump-sum or unscheduled payments at any time. However, there are often restrictions on the amount of money that can be taken out of the RDSP. These restrictions are determined by factors such as the beneficiary's age, the amount of personal contributions and federal contributions, and how long funds have been in the RDSP.

Banks are permitted to make their own rules regarding DAPs, so people wishing to set up an RDSP should understand their bank's policies before opening their plan.

## Lifetime Disability Assistance Payments

Lifetime Disability Assistance Payments (LDAPs) are one of the key reasons people set up an RDSP: to have additional income in later years.

These are annual payments that, once started, continue until the funds in the plan are gone or the beneficiary dies.

LDAPs **may** begin before the beneficiary turns 60, but they **must** start by the end of the year in which the beneficiary has their 60th birthday. They are calculated through a legislated formula based on the fair market value of the plan and the life expectancy of the beneficiary.

Here is the formula used to calculate the LDAPs:

**$A \div (B + 3 - C) = \text{the amount of the Lifetime Disability Assistance Payment}$**

**A** = the fair market value of the plan at the beginning of the year

**B** = the greater of 80 or the age of the beneficiary at the beginning of the year

**C** = the actual age of the beneficiary at the beginning of the year

In simple terms, this means that the formula calculates the first LDAP payment based primarily on the amount in the plan and the person's age. **And, the LDAPs increase as the beneficiary grows older.**

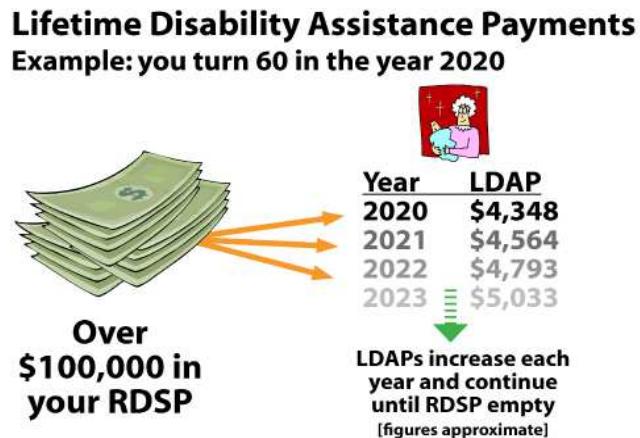
- **Maximum LDAP example:**

\$100,000 RDSP, beneficiary life expectancy 80, age 60

$$\text{Maximum LDAP} = \frac{\text{value}}{3 + ( \text{life expectancy} - \text{age} )}$$

$$\frac{\$100,000}{3 + ( 80 - 60 )} = \$4,348 \text{ annual maximum LDAP}$$

The graphic below gives an example of LDAPs, using the figures from the formula on the previous page.



## New Option for RDSP Withdrawals

Some people who want to benefit from their RDSP sooner, and have more flexibility in withdrawals, have more choice starting in 2013.

Where government contributions are greater than the beneficiary's contributions, RDSP holders will have the option to withdraw funds according to the LDAP formula **or** to withdraw up to 10% of the market value of the RDSP annually. Under the old rules, only LDAP formula withdrawals were allowed.

## The Proportional Repayment Rule

When the RDSP was first established, one of the most difficult policies for RDSP holders was the “10-year rule.” Under this rule, when a person withdrew any amount from an RDSP, all the federal grants and bonds paid into the RDSP in the previous 10 years had to be repaid to the federal government. Disability organizations urged the federal government to adopt less punitive rules.

In 2014, the Proportional Repayment Rule replaced the 10-year rule. For any \$1 withdrawn from an RDSP, \$3 of any grants and bonds received in the previous 10 years must be repaid.



Here is how the new rule benefits RDSP holders. For example, Wendy is a person who has an RDSP of \$60,000, including \$45,000 in grants and bonds that were contributed in the last 10 years. She withdraws \$2,000.

Up to 2014, Wendy would have been required to return \$45,000—all the grants and bonds from the last 10 years.

From 2014 on, Wendy will be required to return only \$6,000—her withdrawal of \$2,000 multiplied by 3.

The amount in a person's RDSP equal to 10 years of grants and bonds is called the **"assistance holdback amount."** RDSPs must always keep enough money in the plan to cover this amount. Banks protect beneficiaries from withdrawing payments that would cause the value of the plan to go below the assistance holdback amount.

## Special Situations

Some events still trigger the 10-year repayment of all government bonds and grants contributed to an RDSP. These are:

- Closure of the RDSP
- The beneficiary loses their Disability Tax Credit and is unable to prove they will requalify in the near future (please see the DTC section of this Guide)
- The beneficiary dies.

Also, there are some situations when RDSP payments can exceed the LDAP limits.

## Terminal Illness or Short Life Expectancy

If a doctor provides documentation to a person's bank that they are not likely to live more than five years, then any amount up to the total in the RDSP may be withdrawn (although, starting in 2013, the Proportional Repayment Rule will apply).

People who have a life expectancy shorter than the 83 years of age used to calculate the LDAPS also have an alternative. Without a doctor's note, they can withdraw up to 10% of the RDSP annually, based on the value of the plan at the beginning of the year they are eligible to withdraw funds.

## When Personal Contributions Exceed Federal Contributions

If there is more of the beneficiary's money than government grants and bonds in an RDSP, then there are fewer restrictions on the amount of money the beneficiary can take

out. The Proportional Repayment Rule always applies, but there should be no LDAP maximum to the amount you can take out in one year—unless the bank has specific policies that limit all payments to the LDAP formula.

## No Grants and Bonds

If someone opens an RDSP and contributes only their own money into the plan (or the money contributed by friends and family), there should be no restrictions on when they can withdraw money from the plan or how much. Whether or not there are restrictions, depends on the policies of the bank holding the RDSP.

Once the beneficiary turns 60, the Lifetime Disability Assistance Payments begin, but beneficiaries may still be allowed to take out as much as they want, whenever they want. Because there have been no government bonds and grants, beneficiaries do not have to worry about the assistance holdback amount.

Again, some banks place restrictions on the maximum amount of annual payments, so it is important to find out financial institutions' policies regarding LDAPs before opening an RDSP.

## RDSP Calculator

The RDSP Calculator is an excellent tool developed by the Planned Lifetime Advocacy Network (PLAN). The calculator allows people to estimate the earning and income potential of opening and contributing to an RDSP.



By answering a few simple questions, the calculator determines the amount of grants and bonds someone is eligible for, and the approximate value of LDAPs. The calculator cannot provide exact figures because some variables, such as interest, are impossible to predict. However, it will give users a good idea of the long-term financial implications of various contributions to an RDSP.



See the Appendices for a link to the Calculator and for Calculator examples.

## RDSP Closure

There are some circumstances that cause the RDSP to be closed. **If the beneficiary is no longer eligible for the DTC (or the four-year DTC extension) or the beneficiary dies, the RDSP must be closed and all amounts must be paid out of the plan by December 31 of the following calendar year.** After repayment of all government grants

and bonds for the previous 10 years, any remaining funds are paid to the beneficiary or their estate.

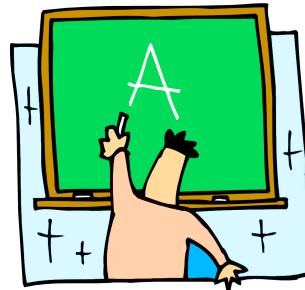
## Tax Considerations

**Beneficiaries are not required to pay taxes on the plan, until payments are made from the RDSP or when the RDSP has to be terminated.**

A beneficiary's contributions—and contributions made by others on behalf of the beneficiary—are not taxable. However, the grants, bonds, and investment income earned in the plan must be included in the beneficiary's income for tax purposes, when paid out of the RDSP.

# THE DISABILITY TAX CREDIT

**The main requirement for opening an RDSP is qualifying for the Disability Tax Credit (DTC). Because the DTC is a crucial part of RDSP eligibility, we will look at it in detail.**



The DTC is a federal program designed to reduce the income tax that some people with disabilities pay. For people with disabilities with a low income who don't pay income tax, there has not previously been any reason to apply for the DTC.

With the introduction of the RDSP, there is now a compelling reason for people living on low incomes to apply.

**It's important to understand that, even though a person has qualified for other disability programs—such as the Persons with Disabilities designation or the Canada Pension Plan (CPP) disability benefits—they may not qualify for the DTC.**

To apply for the DTC, applicants should:

- obtain an application form (T2201) from the Canada Revenue Agency (CRA)
- take the form to their doctor or other qualified health professional to be completed and return the form to CRA.

It can take a few months for the applicant to receive a decision from the CRA. Although individuals can open an RDSP account before DTC eligibility is confirmed, the RDSP will not be officially recognized until the DTC has been approved.

## Getting a DTC Form

“Form T2201 – Disability Tax Credit Certificate” is the official name of the DTC application. Copies are available from the Canada Revenue Agency either by phone or by downloading it from the CRA website. The T2201 can also be found in the CRA booklet called “Medical and Disability-Related Information.”

 See Web Resources in the Appendices for a link to the DTC form.

## Eligibility

To qualify for the DTC, there are specific requirements that a person with a disability must meet. A qualified practitioner needs to certify on the DTC Certificate that s/he has a **severe** and **prolonged** impairment, as defined in the *Income Tax Act*.

Under the *Act*, an impairment is considered **prolonged**, if it has lasted, or is expected to last, a continuous period of at least 12 months.

An impairment is considered “**severe**,” if the applicant meets one of the following requirements:

- S/he is blind, or
- S/he receives **life-sustaining therapy**, or
- The effects of his/her impairment causes the person to be **markedly restricted** in one of the following activities of daily living: speaking, hearing, walking, elimination (bowel and bladder functions), feeding, dressing or mental functions necessary for everyday life, or
- S/he meets **all** the following conditions:
  - S/he is **significantly restricted** in two or more of the basic daily living activities listed above, **or** s/he is significantly restricted in vision and at least one of the basic activities listed above, even with therapy, medication, and devices.
  - These significant restrictions are all present all the time or most of the time.
  - The **cumulative effect** of these significant restrictions—their effect taken together—is equivalent to being markedly restricted in one basic activity of daily living.

## Definitions

Here are the CRA definitions of the key eligibility criteria in bold text above:

**Qualified practitioner** is a medical doctor, optometrist, audiologist, occupational therapist, physiotherapist, psychologist or speech pathologist. Page 1 of the DTC form lists which sections of the form each practitioner can certify.

**Life-sustaining therapy** is defined as a therapy that is needed to support life, such as kidney dialysis or chest physiotherapy to facilitate breathing. The therapy must be required regularly—at least three times a week for an average of at least 14 hours a week.

**Markedly restricted** means that all, or substantially all, the time a person is either unable to perform one or more basic living activities or takes an inordinate amount of time to do it—even with the use of medication, therapy or assistive devices.

**Significantly restricted** means that although a person may not meet the criteria for markedly restricted, their ability to perform a basic activity of daily living is substantially restricted.

## Importance of the Doctor's Section

**A successful application depends on a qualified practitioner detailing how and why their patient satisfies the criteria.**

Most questions in the practitioner's Part B of the form require a "yes" or "no" answer. However, these questions provide many ways for the practitioner to explain how their patient's impairment markedly or significantly restricts their ability to perform basic daily living activities. **For most applicants, this is a critical part of the form.**



**The more informed the doctor is about how their patient's medical conditions restrict daily functioning, the greater the chance of success with the DTC application.**

Many people will ask their family doctor to complete the application because they are often the most knowledgeable about their patient's disability. And, the more informed the doctor is about how patients' medical conditions restrict daily functioning, the greater the chance of success with the DTC application.

For example, it's important for doctors to understand the "marked restriction" requirement. This refers not only to whether someone can perform a certain activity, but also whether it takes them an "inordinate amount of time" to do it.

Also, since the introduction of the "cumulative effect of significant restrictions," more people have qualified for the DTC. If the applicant has several "less serious" impairments, they may still qualify because of their cumulative effect. Changes have also been introduced for impairments of mental function. "Mental functions necessary for everyday life" are defined as memory (simple instructions, basic personal information, material of importance), problem solving, goal setting and judgement, and adaptive functioning (including self-care, health and social skills). These changes allow more people with mental disabilities to qualify for the DTC.



See Web Resources in the Appendices for information from the Canadian Psychological Assoc.

**No matter which health practitioner is completing the form, applicants should do their best to ensure the practitioner understands the applicant's disability and the impact it has on daily living—using the DTC definitions and terms.**

If the federal government is not convinced an applicant meets the DTC eligibility requirements, the doctor may be sent a questionnaire seeking additional, detailed information.

## **Submitting the Application**

Once the DTC application is completed by the qualified practitioner, it is mailed to the regional tax centre, along with any additional information. For example, medical reports and opinions that describe how an applicant's medical condition restricts their basic daily functioning are the most helpful.

The federal government can take several weeks or longer to make an eligibility decision, if additional information is sought. If the DTC is denied, the applicant has the right to appeal.

## **DTC is Subject to Review**

**The DTC designation is not permanent and may be reviewed by the federal government.** It is not possible to predict if or when these reviews will occur. However, someone with an episodic condition or one that is likely to improve, is more likely to be reviewed than someone who has a permanent disability.

Reviews usually involve providing current medical documents confirming that the person still has a severe and prolonged disability. If, on the basis of this review, the DTC is revoked, the individual is advised in writing and notified of their right to appeal.

Since RDSP holders must have the DTC, losing this designation puts your RDSP at risk. However, in 2012, a new measure was proposed that allows people with disabilities to keep their RDSP open for four years after their DTC is revoked.

The change allows people with intermittent or fluctuating disabilities to keep their RDSP open and avoid the need to reapply for the DTC. A medical practitioner must certify, with a form called an "election", that the person is likely to requalify for the DTC in the near future because of the nature of their disability.

Here are some of the important rules that apply, starting in the first full calendar year when the beneficiary is not eligible for the DTC:

- Contributions are not allowed to the RDSP
- The RDSP is not eligible for new grants and bonds
- The 10-year repayment rule applies
- The beneficiary can make withdrawals.



## DTC Challenges

**Some disabling conditions fit the DTC definition of disability better than others.** For example, someone who uses a wheelchair all the time is clearly markedly restricted in their ability to walk, and someone who is profoundly deaf is clearly unable to hear.

However, people with conditions such as depression typically have a more difficult time qualifying for the DTC because doctors may be reluctant to confirm that their patients are markedly restricted in their mental functions “all the time” or “substantially all the time”.

Historically, people who have variable or episodic conditions tend to be unable to qualify for the DTC or, if they do qualify, they often find it difficult to maintain eligibility over the long term. The new four-year DTC extension will help some people in this situation.

The introduction of the “cumulative effect of significant restrictions” and the changes to how “mental functions” are defined has made it easier for some people to qualify for the DTC. However, if someone thinks they will have difficulty in qualifying, or has been turned down for the DTC in the past, it is a good idea to talk to an advocate or someone that is familiar with the DTC application process.

## The Right to Appeal

**If the DTC application is denied or revoked, it is possible to request an appeal. The appeal process has two stages: the Notice of Objection and the Notice of Appeal.**

1. A **Notice of Objection** must be filed with the Appeals Section of the regional tax office of CRA within 90 days of the date of the Notice of Assessment disallowing the tax credit. The person should provide the reasons for the objection in detail, along with all related information, such as medical letters of support.

The Notice of Objection will be reviewed by the office of the Minister of Finance who will then send one of two letters:

- a) A Notice of Reassessment allowing the Disability Tax Credit, or
- b) A Notice of Confirmation from the Minister of Finance that CRA has reviewed the Objection and is confirming the original Notice of Assessment—that the DTC is still denied.

2. If you want to appeal the Notice of Confirmation, a **Notice of Appeal** must be filed with the Tax Court of Canada within 90 days of the date of the Notice of Confirmation from CRA. People can represent themselves in Tax Court or be represented by a lawyer or an agent, such as an accountant or a relative. However, we recommend that legal advice is found because this is a formal legal proceeding.

## **Appeal or Re-apply?**

People who are denied the DTC can re-apply, instead of launching an appeal. If the person chooses to do a second application, it is important that new information is included. And, if the applicant has another doctor or qualified practitioner who is more familiar with their disability, the more knowledgeable practitioner can be asked to complete the new application form.

# MSDSI POLICY ON THE RDSP

People receiving social assistance are subject to strict rules about income and assets. For example, a single person with the PWD designation can have up to \$5,000 in assets, not including a car they own or a house they live in. If a person's assets exceed \$5,000, and the amount that is over this \$5,000 limit is not placed in an RDSP or Trust to exempt the asset, the Ministry of Social Development and Social Innovation (MSDSI) will discontinue the person's monthly social assistance payments.



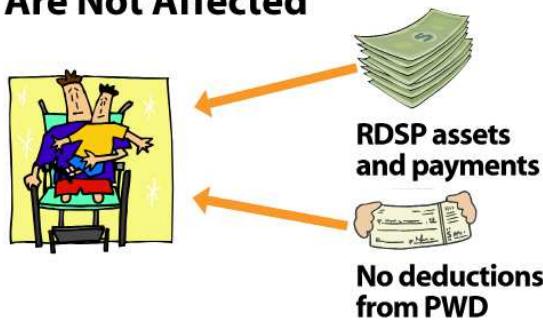
**If you receive social assistance, having an RDSP will not affect your benefits because MSDSI considers money in an RDSP to be an exempt asset and payments from an RDSP to be exempt income.**

**The Ministry's RDSP regulations and policy allow people to hold funds in an RDSP as an exempt asset and receive payments from an RDSP as exempt income.**

This means that a person can have an unlimited amount of funds in an RDSP and this amount will not affect their provincial disability income. Payments or withdrawals from the RDSP will also not affect the beneficiary's disability assistance. RDSP payments can be used for whatever the beneficiary chooses, without the need for permission from MSDSI.

People may withdraw a payment from their RDSP and put it into their bank account, for up to one month. After a month, if the money is not spent, it is considered part of the assets in the bank account, subject to the maximum asset levels—\$5,000 for a single person for example. If the assets are over the maximum, the person is no longer eligible to receive their disability assistance cheque.

## Provincial Disability Benefits Are Not Affected



## Lump-Sum Payments

**MSDSI policy also allows lump-sum payments to be put into an RDSP without penalty.** Examples of lump-sum payments include inheritances, Insurance Corporation of BC (ICBC) settlements, WorkSafeBC settlements and lottery winnings. If a person chooses to put a lump-sum payment directly into an RDSP, the Ministry will not withhold benefits because of “disposing of assets”.

MSDSI will discontinue social assistance if a client receives a lump sum and does not place it in an exempt asset, such as a Trust or an RDSP, and the lump sum exceeds their allowed asset limit.

**When a person receives a lump-sum payment, they must report the income to the Ministry in the month it is received by noting the amount on their cheque stub.** This money will be considered “unearned income” so it will affect the person’s disability assistance for one month. In most cases, the disability cheque will be stopped the month after the income is reported. After the first month, this money is no longer classified as “income” and becomes an “asset”.

Social assistance recipients should be advised by the Ministry that they have at least three months to set up an RDSP. In the first month, the lump-sum payment is considered unearned income, but for the next two months it is not considered an asset.

If it takes longer than three months to set up the RDSP, MSDSI can exempt the asset on a month-to-month basis, as long as the person can show they are making reasonable efforts to set up an RDSP.

A person receiving disability benefits does not have to wait until they get a lump-sum payment to set up an RDSP. However, there is an added incentive for someone whose asset level is likely to be more than \$5,000 (or \$10,000 if they have dependents). If they set up an RDSP, they do not risk having their disability cheques stopped.

Clients have to report to MSDSI when they make contributions to, or receive payments from, their RDSP. However, they do not have to report third-party contributions to their RDSP. For example, if a relative deposits \$500 directly into a client’s RDSP, the client does not have to report it on their cheque stub. It will not affect their disability assistance and clients do not have to report RDSP balances.



See Ministry of Social Development and Social Innovation Policy in the Appendices.

## The RDSP and Other Programs

In addition to the provincial social assistance benefits, RDSP assets and payments have no effect on the following federal programs:

- Old Age Security
- Canada Pension Plan benefits
- Goods and Services Tax (GST) rebate.



Furthermore, the RDSP should not limit the amount of the Guaranteed Income Supplement (GIS) that Canadians are eligible to receive at the age of 65.

And, although not all income-tested and asset-tested programs have finalized their policies about RDSPs, we do not expect that RDSP assets and payments will have a negative impact on eligibility for programs such as subsidized housing and long-term care.

## Special Issues

**Not every person with disabilities receiving social assistance will be able to take advantage of the RDSP.** The following are some barriers or challenges that some people with disabilities experience.

### Not Qualifying for the DTC

Although there are some similarities between the definition of “disability” in the federal *Income Tax Act* and the Persons with Disabilities definition in the *Employment and Assistance for Persons with Disabilities Act*, there are a significant number of people who receive provincial disability assistance that will not qualify for the DTC. This is partly due to the fairly strict “markedly restricted” requirement of the DTC. Another consideration is that practitioners are not paid by the government for completing the application and many people on assistance cannot afford to pay doctors for this.

### Risk of Losing the DTC

If the federal government revokes a person’s DTC—and they are unable to keep their DTC open through the four-year extension option—they must close their RDSP and the funds will no longer be an exempt asset, as far as MSDSI is concerned. The person will therefore be at risk of having their provincial disability benefits stopped. People who are facing the termination of an RDSP, should consider putting the funds into another kind of exempt asset, such as a non-discretionary Trust.

## Age

Age is an important factor when considering an RDSP. The older the beneficiary is, the less financial incentive there is to open an RDSP. People over the age of 49 do not qualify for the federal grants and bonds, and those over 59 are not eligible to open an RDSP.



**What if you're over 49 years old? Although you will not be able to receive grants or bonds, you can still open an RDSP and contribute until you are 60 years old. You can have unlimited assets and payments that will not affect your disability benefits or federal Guaranteed Income Supplement, once you turn 65.**

## Poverty

For someone who lives month-to-month on a modest disability income, the reality of having an account that may contain thousands of dollars, but cannot be touched for 20 to 30 years (assuming they want to take advantage of grants and bonds), may be a hard thing to accept.

## Lack of Banking Experience

Some people receiving social assistance do not have bank accounts or have very little contact with banks. Many people are intimidated by banks and are reluctant to pick up the phone or walk in the door to set up an RDSP.

## Getting it Done

Establishing an RDSP involves a number of steps. For a person with a disability, it may take longer or they may need assistance to set up the plan. Also, some people do not file their income tax returns on time which will affect or delay their eligibility for grants and bonds.

## RDSPs vs. Trusts

Before the introduction of the RDSP, people with disabilities on social assistance had few ways to exempt assets or potential assets. One of the common options was to set up a discretionary or non-discretionary Trust.

Now there is a choice for people who are expecting to receive lump-sum payments or who want to keep money that exceeds their asset limits.

**Here is a quick look at the differences between RDSPs and Trusts.**

Comparison of Trusts and RDSPs	Trust	RDSP
Lawyer, or someone with legal knowledge, needed to set it up	✓	X
Trustee needed to oversee account	✓	X
Lifetime contribution limit \$200,000	✓	✓
Legal fees or minimum balance needed to set it up	✓	X
Grants and bonds contributed by federal government	X	✓
Withdrawals of any amount can be made without affecting social assistance.	X	✓
MSDSI conditions on how funds are spent	✓	X

For a person receiving social assistance who has received a lump-sum payment, the differences between a Trust and RDSP are important considerations. However, it may be in someone's best interest to open both a Trust and an RDSP.

 See Scenario 2 in the Appendices for an example of using an RDSP and a Trust.

## Summary of RDSP Concerns

- As with all new programs, there are some unanswered questions about how RDSPs work in practice.
- The DTC eligibility requirement will make it difficult for some people—for example people with a mental illness—to qualify. For others, there is a risk they will have to close the RDSP in the future if they lose the DTC.
- If money is taken out of an RDSP “early”, some grants and bonds must be repaid

- The federal government imposes some limits on RDSP payments.
- Each bank will have slightly different policies on how they administer RDSPs. Some banks offer less flexibility when it comes to withdrawals.

## Financial Institutions

Almost all financial institutions now offer RDSPs.

**Here are some things to consider when you are discussing RDSPs with your bank.**

- The RDSP is a relatively new plan, so the person you contact at the bank may not be familiar with all aspects of the RDSP.
- Most bank employees are not familiar with MSDSI policies. They may not be able to advise customers of any potential impact the bank's RDSP policies may have on social assistance payments. For example, they may lack an understanding of how RDSPs will work for someone who does not want a long-term savings plan, but does want to create an exempt asset they can access in the short term.
- Some banks offer in-person assistance to set up an RDSP, some only offer assistance over the phone.
- There are differences in how banks administer RDSPs. For example, some banks may impose limits on the amount people can withdraw from their own contributions before turning 60, while other banks will not. It is important to know what the bank's withdrawal policies are before setting up an RDSP.
- A potential beneficiary should select a bank that offers an RDSP that best suits their needs. Their own bank, if they have one, may not necessarily be the best option.
- Some banks will initiate an RDSP before the potential plan holder has the DTC. This may save time and allow the plan holder to apply for grants and bonds sooner (especially at year end), but if the plan holder is unsuccessful in obtaining the DTC, the RDSP cannot be opened.
- Also, some banks charge fees and some do not. People should ask their bank if it charges RDSP fees of any kind. Some may charge an administration or set-up fee, or there may be management fees, if RDSP funds are invested.

## Conclusion

**The RDSP is an excellent opportunity for people with disabilities to establish long-term savings, as well as exempting income and assets for those who receive social assistance.**



In addition to the substantial grants and bonds the federal government can contribute until beneficiaries turn 50, there are ways to create and use an RDSP to supplement the low income of people receiving assistance. And, RDSPs can be set up and grow considerably over time, even if the beneficiary cannot afford to make their own contributions.

We hope this Guide has provided a basic understanding of RDSPs and will encourage people with disabilities to open an RDSP, regardless of their income level. Please see the Appendices in this Guide for links to other helpful resources, as well as examples of how people with disabilities can use an RDSP in various ways.

For people with disabilities receiving social assistance, we know that long-term financial planning is usually not a priority. But, the RDSP offers unprecedented opportunities for people living on a low income to increase their financial security.

## Frequently Asked Questions

**Q:** Does someone need the PWD designation to qualify for the RDSP?

**A:** No, but they must have the Disability Tax Credit. A person can qualify for the DTC without having the PWD designation (and vice versa). It is also possible that someone with the PPMB designation could qualify for the DTC and open an RDSP.

**Q:** Can a person exempt monthly CPP disability payments and other monthly income by depositing them into an RDSP?

**A:** No. MSDSI does not allow someone to exempt monthly income by putting it in an RDSP. If it is put in an RDSP, the Ministry will still consider it unearned income which means this amount will continue to be deducted from provincial benefits.

**Q:** What will MSDSI do if my DTC is discontinued and I have to collapse my RDSP?

**A:** If an RDSP no longer exists, MSDSI will no longer consider the assets that were in the RDSP exempt. Therefore, a person with disabilities is at risk of having their disability assistance discontinued, until the assets fall below the single person's asset limit of \$5,000. If this happens, it would be good idea for the person to put the assets in another exempt vehicle such as a Trust. (It is unclear at this time whether MSDSI will allow the client time to do this.)

**Q:** If a person urgently needs money and needs to take some of their own contributions out of an RDSP, will they still be subject to the Proportional Repayment Rule?

**A:** Yes. If they take any money out of an RDSP, the beneficiary has to pay back three times the amount of the withdrawal to the federal government.

**Q:** Can someone open an RDSP with their bank and then open up a second RDSP with another bank?

**A:** No, a beneficiary is only allowed to hold one RDSP at a time. They would have to close the current RDSP and transfer all the funds to a new RDSP. The transfer to the new RDSP must be completed within 120 days or the new RDSP will be considered invalid and the prior RDSP will continue as the ongoing plan.

# Appendices

## Acronyms

Here is a list of the acronyms used in this Guide and the Appendices.

<b>CDSB</b>	Canada Disability Savings Bond
<b>CDSG</b>	Canada Disability Savings Grant
<b>CPPD</b>	Canada Pension Plan Disability
<b>CRA</b>	Canada Revenue Agency
<b>DABC</b>	Disability Alliance BC
<b>DAP</b>	Disability Assistance Payment
<b>DTC</b>	Disability Tax Credit
<b>EA</b>	Employment and Assistance Act
<b>EAPWD</b>	Employment and Assistance Act for Persons with Disabilities
<b>GIC</b>	Guaranteed Investment Certificates
<b>GIS</b>	Guaranteed Income Supplement
<b>GST</b>	Goods and Services Tax
<b>ICBC</b>	Insurance Corporation of BC
<b>LDAP</b>	Lifetime Disability Assistance Payment
<b>MSDSI</b>	Ministry of Social Development and Social Innovation
<b>PGT</b>	Public Guardian and Trustee
<b>PLAN</b>	Planned Lifetime Advocacy Network
<b>PPMB</b>	Persons with Persistent and Multiple Barriers to Employment benefit
<b>PWD</b>	Persons with Disabilities benefit
<b>RDSP</b>	Registered Disability Savings Plan

## Web Resources

### DABC: publications, videos and resources

[www.disabilityalliancebc.org/rdsp.htm](http://www.disabilityalliancebc.org/rdsp.htm)

### Community

Planned Lifetime Advocacy Network

[www.plan.ca](http://www.plan.ca)

-RDSP Calculator

[rdsp.com/calculator/](http://rdsp.com/calculator/)

-RDSP Blog

[www.rdsp.com](http://www.rdsp.com)

Child Development Resource Connection (Ontario)

[www.cdrcp.com](http://www.cdrcp.com)

Community Living Windsor (Ontario)

[www.clwindsor.org](http://www.clwindsor.org)

### Government and Disability Tax Credit

Canada Revenue Agency

[www.cra-arc.gc.ca/disability](http://www.cra-arc.gc.ca/disability)

Disability Tax Credit forms

[www.cra-arc.gc.ca/E/pbg/tf/t2201/](http://www.cra-arc.gc.ca/E/pbg/tf/t2201/)

Canadian Psychological Association

[http://www.cpa.ca/cpasite/UserFiles/Documents/Practice\\_Page/Disability\\_Tax\\_Article\\_June2007.pdf](http://www.cpa.ca/cpasite/UserFiles/Documents/Practice_Page/Disability_Tax_Article_June2007.pdf)

### Endowment 150

Vancouver Foundation

[www.endowment150.ca](http://www.endowment150.ca)

### Banks

Bank of Montreal

[www.bmo.com/rdsp](http://www.bmo.com/rdsp)

CIBC

[www.cibc.com](http://www.cibc.com)

RBC Royal Bank

[www.rbcroyalbank.com](http://www.rbcroyalbank.com)

Scotiabank

[www.scotiabank.com](http://www.scotiabank.com)

TD Canada Trust

[www.tdcanadatrust.com](http://www.tdcanadatrust.com)

Central 1 Credit Union

[central1.com/](http://central1.com/)

Desjardins Trust Inc.

[www.desjardins.com/en/index.jsp](http://www.desjardins.com/en/index.jsp)

Investors Group Trust Co. Ltd

<http://www.investorsgroup.com/en/default.aspx>

Mackenzie Financial Corporation

<http://www.investorsgroup.com/en/default.aspx>

Vancity Credit Union

[www.vancity.com](http://www.vancity.com)

Community Savings Credit Union

[www.comsavings.com/Personal](http://www.comsavings.com/Personal)

Envision Investment Services Ltd.

[www.envisionfinancial.ca](http://www.envisionfinancial.ca)

## Scenarios

To illustrate some of the ways people living on social assistance can use RDSPs, we have created some “real life” scenarios.

In this section, you can see three examples of how RDSPs can be used to grow savings, protect assets and provide income.

---

### Scenario 1

#### Susan’s Story | The RDSP as a long-term savings plan

Susan is a 32-year-old woman diagnosed with Bipolar disorder who has been receiving provincial disability assistance for the past three years.



Susan does not have much money left once she pays her monthly expenses, but thinks she can save the \$250 GST cheques she receives annually. She would like to open an RDSP, so she can build her modest savings over time and take advantage of the generous grants and bonds from the federal government. She understands that, to avoid any payback of the grants and bonds, she will not be able to withdraw money for a very long time.

The first thing Susan does is to apply for the Disability Tax Credit (DTC). She speaks to her psychiatrist about completing the application form. The psychiatrist certifies that she is “markedly restricted” in her mental functions. The form is sent in and, in a few weeks, she learns that she has been approved for the DTC. Susan also realizes that people with mental health conditions often have their DTC status reviewed.

The next step is to contact her bank and ask about setting up an RDSP. She makes an appointment with a representative from the bank who sits down with her and completes the necessary paperwork and discusses investment options. She learns she will receive quarterly financial statements and that the bank will automatically apply for the federal grants and bonds each year.

Susan applies to the Endowment 150 fund and advises MSDSI that she is setting up an RDSP. She is not required to inform MSDSI of her RDSP balance or when she makes her own contributions to her plan (except if she receives a lump-sum payment). When the time comes, she will advise MSDSI of any RDSP payments. These payments do not affect her provincial disability payments, but they do have to be reported.

Over the years, Susan is required to re-apply for the DTC several times. However,

because her mental health condition, which includes major depression, is long-standing and severe, and she has the support of her doctors, she is able to maintain her eligibility for the DTC.

Susan will get regular payments from the RDSP once she turns 60 and she wants to accumulate as much money as she can in her RDSP before she reaches that age. In the meantime, her bank applies for the \$1,000 bond and approximately \$750 in grants each year. (She is able to contribute the \$250 GST cheque each year.) Grants and bonds are applied for a period of 18 years, until she reaches the age of 50. During this time she does not touch a penny in the RDSP and the amount in the plan grows to over \$100,000 by the time she reaches the age of 60.

At 60, Susan starts receiving annual payments. Based on the market value of \$100,000, Susan is eligible to receive an annual amount in the first year of about \$4,500 and this amount will gradually increase each year until she reaches the age of 83, when the funds will be exhausted (assuming Susan is still alive).



**See details on Susan's RDSP calculations later in Appendices.**

## Scenario 2

### Marco's Story | Using the RDSP and a non-discretionary Trust to exempt assets, grow long-term savings and use exempt payments

Marco is a 41-year-old man who has received provincial disability assistance for the last year. He has been diagnosed with Hepatitis C, depression and a severe back injury.



Marco will receive an inheritance of \$70,000 in the near future. He has heard about the RDSP and how it is an excellent savings opportunity, but is concerned that he won't be able to use the funds in an RDSP for a very long time. However, he also learns that, if he establishes a non-discretionary Trust, he will be able to take advantage of exempt payments from the Trust right away.

Because Marco already has the DTC, the first step he takes is to consult with a lawyer who understands Trusts. He names his brother as a trustee and the lawyer creates a Trust agreement that follows the rules on Trusts in MSDSI regulations and policy.

When the \$70,000 is received, Marco:

1. Places \$66,500 into the non-discretionary Trust.
2. Goes to his bank and opens up an RDSP and deposits \$1,500 to maximize his grant and bond entitlements for the year (\$3,500 in grants and a \$1,000 bond).
3. Keeps \$2,000 for living expenses in the coming month.
4. Reports on his social assistance cheque stub the total income of \$70,000.

By saving the money this way, Marco can:

1. Continue receiving provincial social assistance payments because the inheritance is held in a Trust and an RDSP which are both deemed to be exempt assets by MSDSI (his benefits may be suspended for one month because the month in which the inheritance is received the money is considered "income" and is not exempt).
2. Use disbursements from his Trust for his immediate disability-related needs.
3. Take \$1,500 out of the Trust each year until he turns 50 and deposit these funds in his RDSP, so he can claim the maximum grants and bonds.
4. Not use the funds in his RDSP, until he has to take annual payments when he turns 60 which allows the RDSP funds to grow and avoid any repayment of the grants and bonds.



See details on Marco's RDSP calculations later in Appendices.

## Scenario 3

### Jack's Story | The RDSP as a way to exempt a lump-sum payment and to use exempt payments

Jack is a 53-year-old man with Rheumatoid Arthritis who has been living on provincial disability assistance for the past eight years.

Jack will receive a \$25,000 ICBC settlement in the next couple of months. He has been told by an advocate that one of the ways he can exempt this money as an asset, allowing him to keep receiving his provincial disability income, is to put the money into an RDSP. He knows he is too old to apply for the federal grants and bonds. He also believes that he will need to access these funds before he turns 60.

First, Jack visits his family doctor and asks him to complete the Disability Tax Certificate (DTC). Jack feels that he is "significantly restricted" in at least two living activities because it takes him a long time to walk short distances and dress each morning. He discusses these issues with his doctor who agrees with him, completes the certificate and mails it to CRA.

Jack receives the ICBC settlement of \$25,000 before his DTC is confirmed. He is required to report to MSDSI that he has received the income. He also tells MSDSI that he plans to put the money in an RDSP. He is told by the Ministry worker that he has three months to do this, and there should only be an interruption of one month to his disability benefits. Jack plans to put \$20,000 in the RDSP, use \$2,500 to top-up his bank account to the allowed asset level, and spend the remaining \$2,500 on living expenses and pay some debts.

Jack asks his local bank about their RDSP program. Because he is too old to qualify for the grants and bonds, he is particularly interested in learning about bank withdrawal policies. A bank employee phones their office in Ontario and advises Jack that the bank will place annual limits, based on the LDAP formula, on any Disability Assistance Payments he may request.

Jack wants flexibility in accessing the RDSP funds, so he contacts another bank. The second bank advises him that, if he does not have any grants and bonds, they will not put any restrictions on the amount of lump-sum withdrawals he makes before turning 60. However, the bank makes it clear that the RDSP is not like a savings account where a person can take small amounts of money out every few weeks. Jack asks if he can open an RDSP with this bank, even though he has not received confirmation of his DTC yet. He is told that he can.

Two weeks after opening the RDSP, he gets word that his DTC application has been accepted. He takes a copy of his RDSP account information to his MSDSI office.

Two years later, Jack decides he wants to take \$5,000 out of his RDSP to take a

three-week vacation. He contacts the bank and is told that he will need to sign some forms, and it will take 24 hours for the funds to be released. Jack informs MSDSI of this RDSP payment by recording it on his cheque stub, but he knows this will not affect his social assistance payments nor will he have to justify how he spends the money.

Over the next few years, Jack takes other lump-sum payments out of his RDSP. Before he reaches the age of 60, all the money is spent and the RDSP is closed.

## RDSP Calculator Examples

The following pages show examples of RDSP growth and payments, generated by the PLAN RDSP Calculator available for download at  
<http://www.rdsp.com/sections/calculator.html>.

Each example shows two of the many pages the Calculator provides.

### Examples

1. **Susan** (from Scenario 1): RDSP growth from her GST deposits
2. **Susan**: GST deposits, plus a lump-sum deposit.
3. **Marco** (from Scenario 2): RDSP growth



Thank you to PLAN and Simon Evans for permission  
to use the calculator.

## Scenario 1A, Susan

At age 32, begins depositing her annual \$250 GST cheques.

*The Calculator is a tool to help you assess the potential of opening and contributing to an RDSP. The estimates provided by the Calculator are for information purposes only. The profile of your RDSP may differ from the Calculator projection.*

*Once you have answered the questions below and viewed the projections, you can print this report. Run various scenarios to see how it would effect the value of your RDSP.*

### Answer these 12 questions to see what your RDSP could look like

Open RDSP at age...	32		<b>Enter your info in the cells to the left</b>
Eligible for Disability Tax Credit?	Yes		
Contribute to RDSP till age....	59		
Adjusted Family Income is...	Less than \$21,287		
Annual Family Contribution	\$250		<b>Use your tab key to move between cells, input numbers or select options from the drop down menus when they appear.</b>
Investment Strategy	Conservative-GIC's, Bonds, Mutual Funds (5.)		
Lump Sum Contribution?		At age..	44
Earning your wings early?	No	At age..	
Ideal age to start receiving payments from the plan?			60
Province/Territory of residence?			BC

**Click here and scroll down to view report**

### Based on the data you entered above, here are some projections

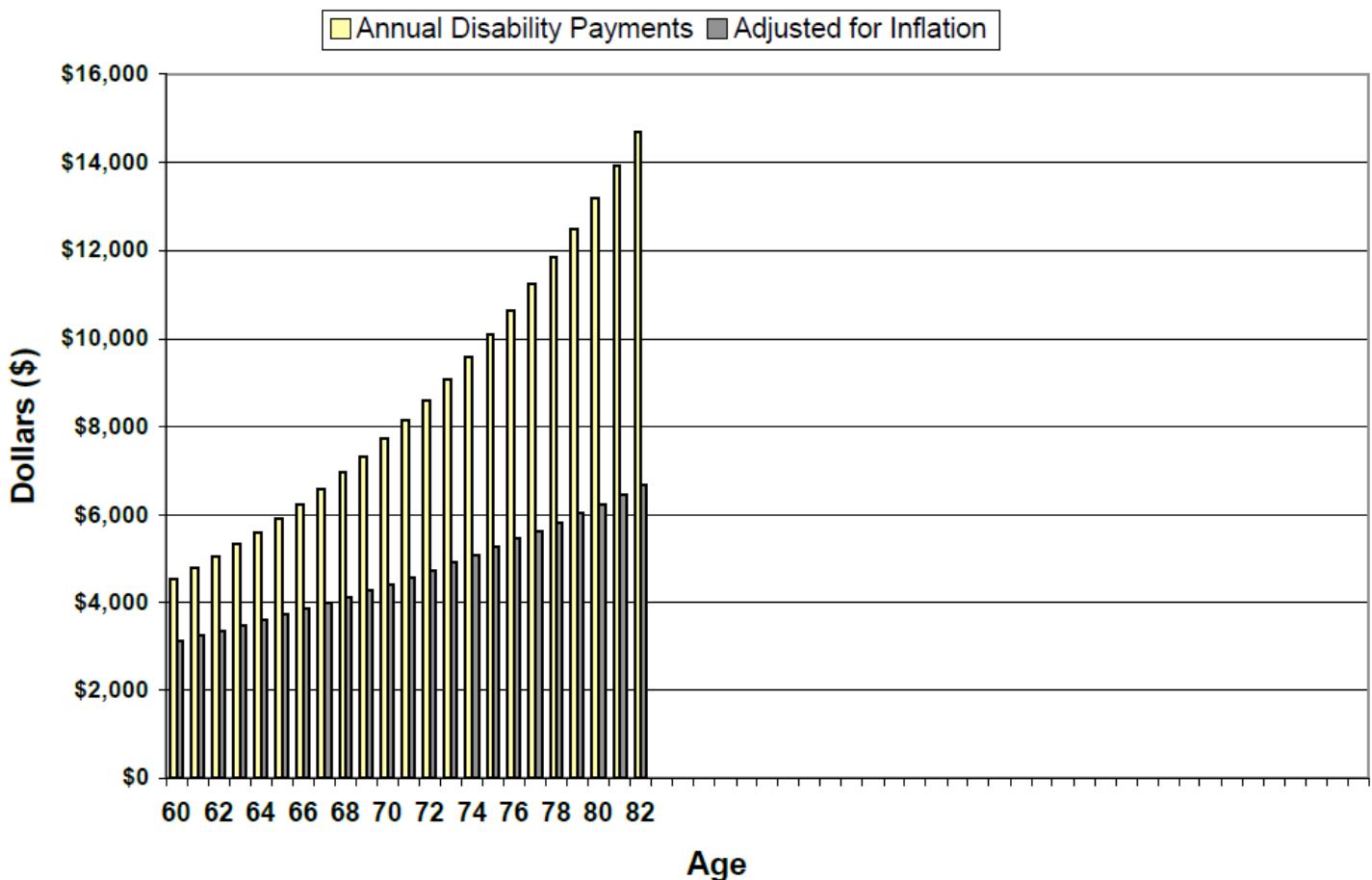
Estimated Grant on Lump Sum Contribution			\$0
Estimated Annual Grant before age 19	0 years @	\$0	= \$0
Estimated Annual Grant as an Adult	18.0 years @	\$750	= \$13,500
Estimated Annual Bond before age 19	0 years @	\$0	= \$0
Estimated Annual Bond as an Adult	18.0 years @	\$1,000	= \$18,000
<b>Estimated Total Government Grants &amp; Bonds</b>			<b>\$31,500</b>
Estimated Annual Family Contribution	28 years @	\$250	= \$7,000
Estimated Lump Sum Family & Friends Contribution			\$0
<b>Estimated Total Family &amp; Friends Contribution</b>			<b>\$7,000</b>
<b>TOTAL Contributions from all sources</b>			<b>\$38,500</b>

What will be the impact of RDSP's on provincial benefits?

None

Your Provincial Government totally supports the RDSP.

## The approximate Lifetime Disability Payment schedule from your RDSP



Value of RDSP when you start withdrawals at age.....

60

\$103,777.00

Annual payments from this RDSP may start at approximately.....	\$4,519
and based on your investment profile, may increase annually by..	5.5%
Annual payments (in terms of today's dollar), may start at.....	\$3,133
assuming a 2% annual rate of inflation, and may increase by.....	3.5%
Number of years Lifetime Disability Payments will need to last.....	23
based on your ideal age to start receiving payments.	
Was lump sum payment made <b>after</b> Disability Payments start....	No
Disability Payment may start at	\$4,519
	at age
	60

## Scenario 1B, Susan

Along with her \$250 GST deposits, Susan deposits a \$10,000 lump sum payment

*The Calculator is a tool to help you assess the potential of opening and contributing to an RDSP. The estimates provided by the Calculator are for information purposes only. The profile of your RDSP may differ from the Calculator projection.*

*Once you have answered the questions below and viewed the projections, you can print this report. Run various scenarios to see how it would effect the value of your RDSP.*

### Answer these 12 questions to see what your RDSP could look like

Open RDSP at age...	32	←	<b>Enter your info in the cells to the left</b>  <i>Use your tab key to move between cells, input numbers or select options from the drop down menus when they appear.</i>
Eligible for Disability Tax Credit?	Yes		
Contribute to RDSP till age....	49	←	
Adjusted Family Income is...	Less than \$21,287		
Annual Family Contribution	\$250		
Investment Strategy	Conservative-GIC's, Bonds, Mutual Funds (5.)		
Lump Sum Contribution?	\$10,000	←	
Earning your wings early?	At age..	50	
Ideal age to start receiving payments from the plan?	60		
Province/Territory of residence?	BC		

**Click here and scroll down to view report**

### Based on the data you entered above, here are some projections

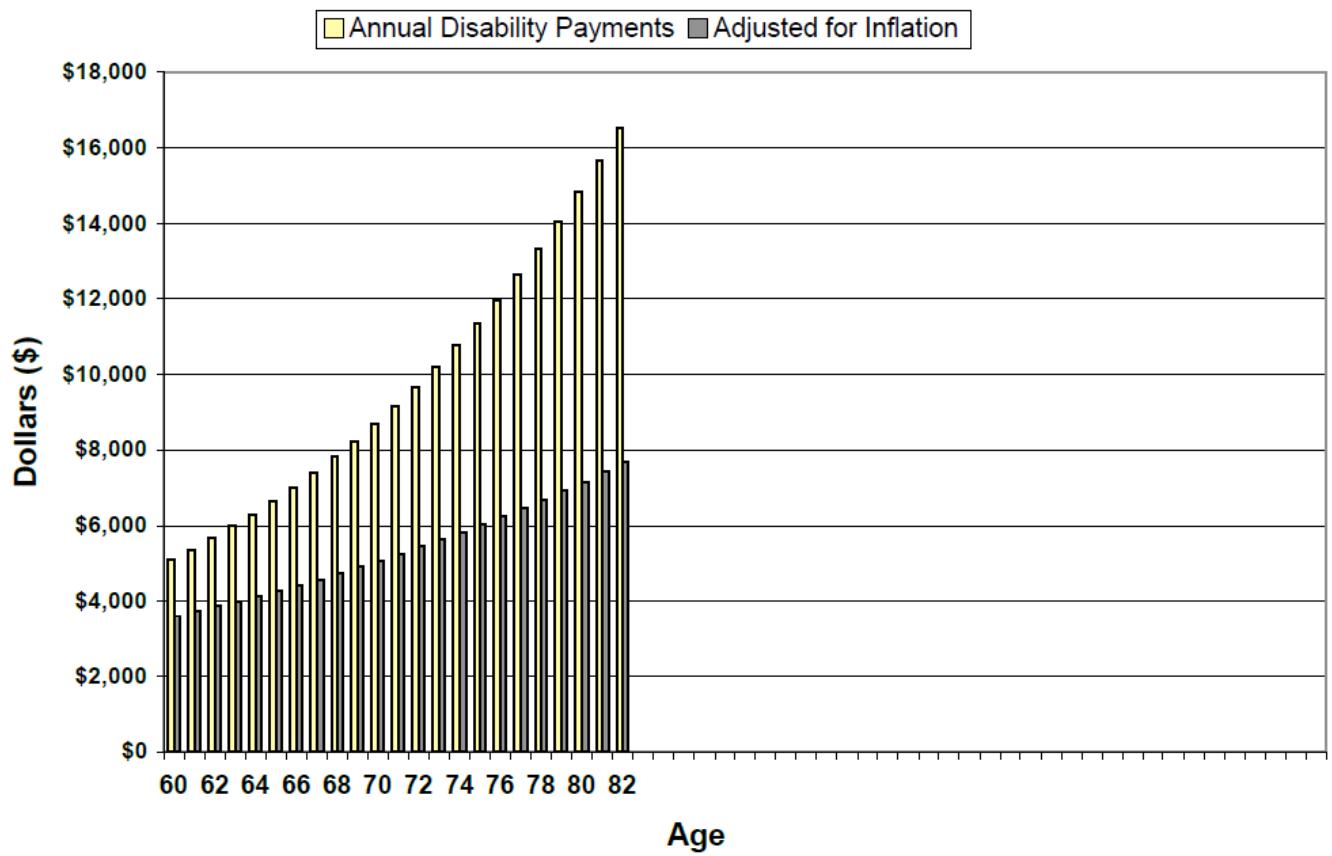
Estimated Grant on Lump Sum Contribution				\$0
Estimated Annual Grant before age 19	0 years @	\$0	=	\$0
Estimated Annual Grant as an Adult	18.0 years @	\$750	=	\$13,500
Estimated Annual Bond before age 19	0 years @	\$0	=	\$0
Estimated Annual Bond as an Adult	18.0 years @	\$1,000	=	\$18,000
<b>Estimated Total Government Grants &amp; Bonds</b>				<b>\$31,500</b>
Estimated Annual Family Contribution	18 years @	\$250	=	\$4,500
Estimated Lump Sum Family & Friends Contribution				\$10,000
<b>Estimated Total Family &amp; Friends Contribution</b>				<b>\$14,500</b>
<b>TOTAL Contributions from all sources</b>				<b>\$46,000</b>

What will be the impact of RDSP's on provincial benefits?

None

Your Provincial Government totally supports the RDSP.

### The approximate Lifetime Disability Payment schedule from your RDSP



Value of RDSP when you start withdrawals at age.....	60	\$116,907	<input type="button" value="Edit"/>
Annual payments from this RDSP may start at approximately.....	\$5,083	<input type="button" value="Edit"/>	
and based on your investment profile, may increase annually by..	5.5%	<input type="button" value="Edit"/>	
Annual payments (in terms of today's dollar), may start at.....	\$3,598		
assuming a 2% annual rate of inflation, and may increase by.....	3.5%		
Number of years Lifetime Disability Payments will need to last.....	23		
based on your ideal age to start receiving payments.			
Was lump sum payment made <b>after</b> Disability Payments start....	No		
Disability Payment may start at	\$5,083	at age	60

## Scenario 2, Marco

Opens an RDSP at age 41, contributing \$1,500 each year.

*The Calculator is a tool to help you assess the potential of opening and contributing to an RDSP. The estimates provided by the Calculator are for information purposes only. The profile of your RDSP may differ from the Calculator projection.*

*Once you have answered the questions below and viewed the projections, you can print this report. Run various scenarios to see how it would effect the value of your RDSP.*

**Answer these 12 questions to see what your RDSP could look like**

Open RDSP at age...	41		<b>Enter your info in the cells to the left</b>
Eligible for Disability Tax Credit?	Yes		<b>Use your tab key to move between cells, input numbers or select options from the drop down menus when they appear.</b>
Contribute to RDSP till age....	49		
Adjusted Family Income is...	Less than \$21,287		
Annual Family Contribution	\$1,500		
Investment Strategy	Conservative-GIC's, Bonds, Mutual Funds (5.		
Lump Sum Contribution?	At age..		
Earning your wings early?	At age..		
Ideal age to start receiving payments from the plan?	60		
Province/Territory of residence?	BC		

**Click here and scroll down to view report**

**Based on the data you entered above, here are some projections**

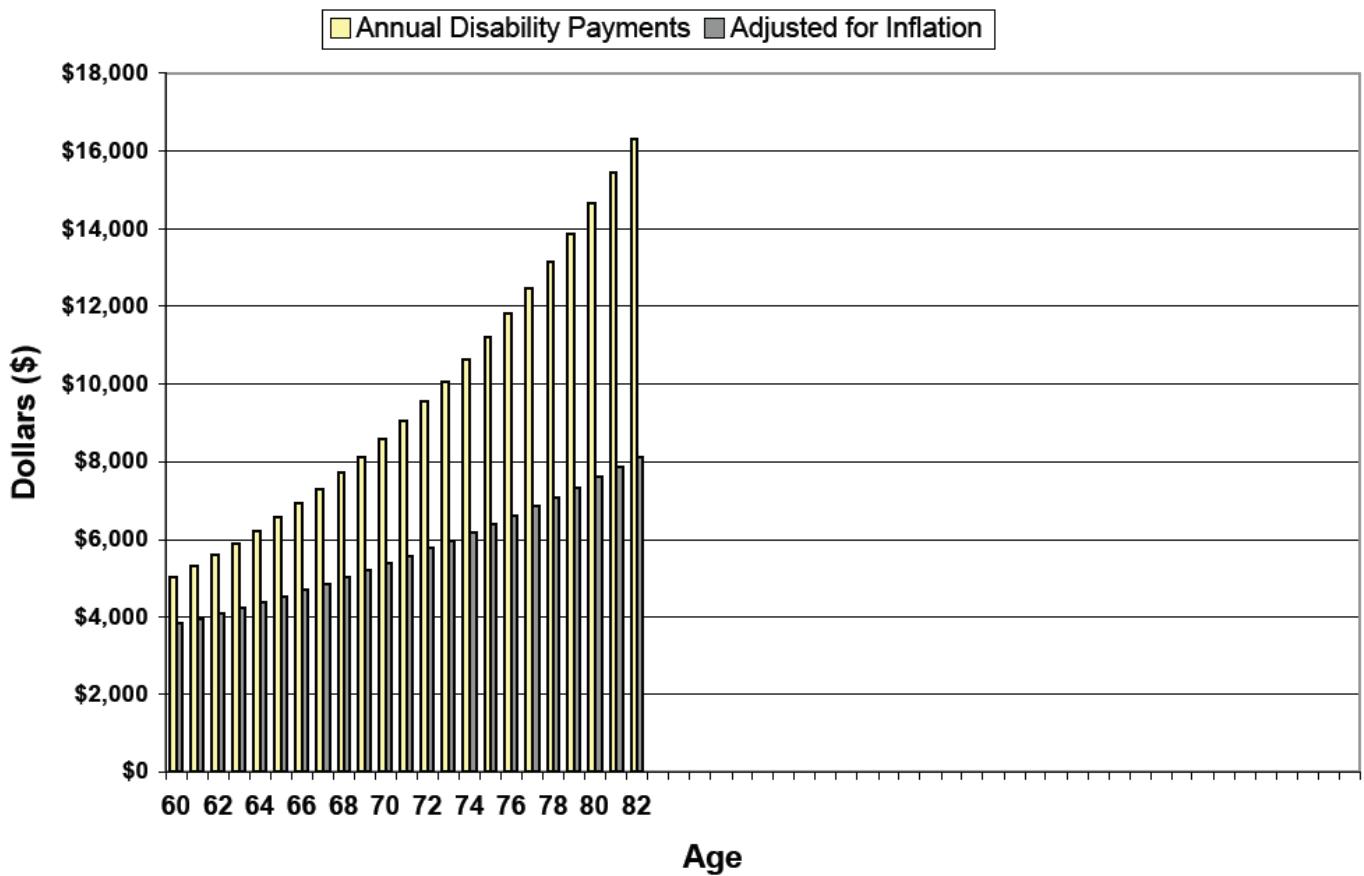
Estimated Grant on Lump Sum Contribution				\$0
Estimated Annual Grant before age 19	0 years @	\$0	=	\$0
Estimated Annual Grant as an Adult	9.0 years @	\$3,500	=	\$31,500
Estimated Annual Bond before age 19	0 years @	\$0	=	\$0
Estimated Annual Bond as an Adult	9.0 years @	\$1,000	=	\$9,000
<b>Estimated Total Government Grants &amp; Bonds</b>				<b>\$40,500</b>
Estimated Annual Family Contribution	9 years @	\$1,500	=	\$13,500
Estimated Lump Sum Family & Friends Contribution				\$0
<b>Estimated Total Family &amp; Friends Contribution</b>				<b>\$13,500</b>
<b>TOTAL Contributions from all sources</b>				<b>\$54,000</b>

What will be the impact of RDSP's on provincial benefits?

None

Your Provincial Government totally supports the RDSP.

### The approximate Lifetime Disability Payment schedule from your RDSP



Value of RDSP when you start withdrawals at age.....	60	\$115,364	
Annual payments from this RDSP may start at approximately.....		\$5,016	
and based on your investment profile, may increase annually by..		5.5%	
Annual payments (in terms of today's dollar), may start at.....		\$3,815	
assuming a 2% annual rate of inflation, and may increase by.....		3.5%	
Number of years Lifetime Disability Payments will need to last.....		23	
based on your ideal age to start receiving payments.			
Was lump sum payment made after Disability Payments start....		No	
Disability Payment may start at	\$5,016	at age	60

## MSDSI Policy - July 13, 2015

### Registered Disability Savings Plans (RDSP)

The ministry's Registered Disability Savings Plan (*RDSP*) policy allows eligible clients to hold funds in an RDSP as an exempt asset and receive disbursements from an RDSP as exempt income. RDSP disbursements can be used for any purpose and do not impact eligibility for hardship assistance, income assistance or disability assistance.

RDSP disbursements are exempt as an asset. A disbursement from an RDSP remains exempt even if it is converted to a non-exempt asset. It is, however, the responsibility of the client to clearly document that the funds originated directly from an RDSP.

For example, a client withdraws money from an RDSP and keeps the funds as cash while the client shops for a non-exempt vehicle. Both the cash and the non-exempt vehicle could still be considered exempt provided the client clearly documents the origin of the funds used to make the purchase.

Any ministry client can set up an RDSP if they meet the federal government's criteria. To meet the federal government's criteria, clients must be under 60 years of age and must apply and be found eligible for the Disability Tax Credit. Not all PWD clients will qualify for the Disability Tax Credit as provincial and federal disability criteria differ.

Up to \$200,000 can be contributed to an RDSP. The federal government provides bonds and matching grants for contributions to RDSPs. Clients may also be eligible for a \$150 gift to their RDSP from the Vancouver Foundation's Endowment 150 program.

Two types of disbursements are permitted from RDSPs: Lifetime Disability Assistance Payments and Disability Assistance Payments. Lifetime Disability Assistance Payments are annual lifetime payments and Disability Assistance Payments are lump-sum payments. The type of payments and the payment amounts depend on how much was contributed to an RDSP and when.

Eligible clients may choose to transfer newly received assets into an RDSP (or trust), to avoid being over the asset limit in subsequent months [see Procedures].

#### Reporting Contributions

Clients do not need to report RDSP balances or contributions from outside their family unit, but are required to report personal contributions, contributions from their family unit, and disbursements. [see Procedures]

[For more information on RDSPs and Endowment 150, see Resources for Clients.]

## MSDSI Procedures

### Registered Disability Savings Plans (RDSP): October 1, 2012

October 1, 2012

If an eligible client receives earned income or unearned income, it is considered income in the month received. Certain income exemptions apply. Received income becomes an asset in subsequent months unless it is spent [see Related Links - Income and Exemptions].

Clients must be informed of the ministry's trust and RDSP provisions. [see Related Links – Trusts - Procedures]. While ministry workers can advise clients that the option to open an RDSP exists, no advice may be provided to the client regarding whether an RDSP or trust is appropriate or better for a particular client. Clients will be advised to seek independent advice.

If an eligible client does not have an RDSP and the client wishes to transfer an asset to an RDSP, the ministry allows the client up to three months to do so (the first month being the month in which the asset is received). During this time, the ministry will exempt assets intended for the RDSP. If after three months, the client has not set up an RDSP, the client's circumstances will be reassessed. If the client provides documentation from a financial institution to prove they are making reasonable efforts to establish an RDSP, and the delay is beyond their control, the exemption for the asset may be extended on a month-by-month basis. The client must provide documentation each month for which an extension is requested. The exemption ceases to apply if the Ministry becomes aware of information that indicates that a client does not intend to contribute the asset or a portion of the asset to an RDSP.

Expenditures from an asset intended for an RDSP will be exempt only so long as they are spent on "disability-related costs" [See Related Links - Trusts - Policy - Trust Payments]. However, if the client does not receive assistance for a month because of excess income in the month received, expenditures from the asset intended for an RDSP are not restricted during this month (short of transactions making s. 13 of the *EAPWD Act* or s. 14 of the *EA Act* applicable).

Examples of when an asset is not considered income in the month received:

- Funds rolled into an RDSP directly from a deceased parent's RRSP or Registered Retirement Income Fund.
- An exempt asset transferred into an RDSP, for example a transfer from a trust; the asset remains exempt and does not impact eligibility for assistance.

- An asset passes directly into an RDSP, and the client never receives the asset.
  - Example: if a relative chooses, in their will, to disburse assets directly into an RDSP for the client, those assets will not be considered income.

Examples of when an asset is considered income in the month received:

- Earned or unearned income (such as CPP disability payments or earned income). This income cannot be redirected into a RDSP without first being counted as income in the month received.
- A client has an entitlement to an asset, but directs the person who has to transfer the asset to the client to instead transfer the asset into an RDSP.
  - Example: a client is named as a beneficiary in a will, but there is no testamentary trust – the client is simply entitled to receive the inheritance. The client then requests the executor to transfer it into their RDSP. In such a case, it is the client and not the transferor who has chosen to transfer the asset into the RDSP. Accordingly, the ministry treats this situation the same as if the client actually received the asset before it was transferred to the RDSP.



## Helping people with disabilities save for the future

Endowment 150 offers eligible people with disabilities a one-time gift of \$150 to help their Registered Disability Savings Plan (RDSP) grow. This \$150 gift, plus grants and bonds available from the Federal Government, will grow and help you save for your future or that of a loved one.

### Who can apply?

Endowment 150 is available to adult residents of BC who:

- have a disability and receive the federal Disability Tax Credit
- are under 60 years of age
- have received provincial income assistance any time after January 1, 2008
- have an RDSP with at least \$25 deposited
- have not previously received a \$150 gift from Endowment 150

Children with disabilities are also eligible. For details, please see the application form for children.

### How to apply

Complete the application form on the reverse of this page and mail it, along with:

- A copy of your RDSP statement clearly showing the:
  - RDSP holder's name
  - RDSP beneficiary's name (if different from the holder)
  - RDSP account number
  - account balance of more than \$25
  - statement date which is less than 6 months ago
- A copy of your provincial income assistance T5007 from 2008 or later
  - this should include your name, an amount in Box 11, and your SIN number
  - this does not have to be submitted but your application will take longer to process

### Need more information?

Registered Disability Savings Plan (RDSP)	Federal Disability Tax Credit (DTC)	Provincial Income Assistance (T5007)
<p>Learn more about the RDSP and how to open an account  <a href="http://www.rdsp.com">www.rdsp.com</a>            1.800.622.6232</p>	<p>Find out about eligibility and see if you qualify  <a href="http://www.cra-arc.gc.ca/disability">www.cra-arc.gc.ca/disability</a>            1.800.959.8281</p>	<p>Check if you've received income assistance and/or request a reprint of your T5007            Contact a government office near you:  <a href="http://www.eia.gov.bc.ca/contacts/city.htm">www.eia.gov.bc.ca/contacts/city.htm</a>            Or call: 1.877.815.2363 - Option 0</p>

### Contact Endowment 150

Find us on the web: [www.endowment150.ca](http://www.endowment150.ca)  
 Send us an email: [info@endowment150.ca](mailto:info@endowment150.ca)  
 Leave us a message: 1.888.707.9777

#### Mailing address:

Endowment 150  
 200 - 475 West Georgia St.  
 Vancouver, BC V6B 4M9



## APPLICATION FORM – ADULT

To apply for a one-time \$150 gift to your Registered Disability Savings Plan (RDSP):

- Complete this application form  
ALL fields are required
- Copy your recent RDSP statement  
Dated within the last 6 months
- Copy your T5007  
From 2008 or later

### 1. Eligibility Criteria

**ALL criteria must apply to be eligible. Please check**

- The beneficiary currently resides in BC (British Columbia)
- You receive the federal Disability Tax Credit (DTC)
- The beneficiary has received provincial income assistance at any point after January 1, 2008
- You hold (or hold on behalf of the beneficiary) an RDSP with a minimum balance of \$25

### 2. Beneficiary (the person with a disability who will benefit from this contribution to their RDSP)

Beneficiary First Name

Mailing Address

(        )        -       

Phone

      -      -      

Social Insurance Number (SIN)

RDSP Number

Beneficiary Last Name

BC

Postal Code

City

E-mail Address

      /      /      

Date of Birth (mm/dd/yyyy)

Financial Institution where the RDSP is held

### 3. Holder (only complete this section if the RDSP beneficiary is NOT the RDSP holder)

Holder First Name

Holder Last Name

Relation to Beneficiary (e.g. legal parent, guardian, etc.)

OR

Public Department/Agency/Institution (if applicable)

Contact Name at Public Department/Agency/Institution (if applicable)

Mailing Address

City

BC

Postal Code

(        )        -       

Phone

      -      -      

Social Insurance Number (SIN)

E-mail Address

      /      /      

Date of Birth (mm/dd/yyyy)

### 4. Disclosure

**Please read carefully, check  each item, and sign below**

- I certify that the information provided in this application is true, correct and complete to the best of my ability.
- I authorize Endowment 150 and/or Vancouver Foundation staff to disclose this information to:
  - Ministry of Social Development and Social Innovation (MSDSI) to confirm receipt of income assistance;
  - Human Resources and Skills Development Canada (HRSDC) for reporting purposes.

Signature of RDSP Holder

Date

Mail your application form, RDSP statement, and T5007 to:

→ Endowment 150, 200-475 West Georgia Street Vancouver, BC V6B 4M9 ←

Any missing information will result in a delay in processing your application.

Updated 10/01/2014



# THE RDSP AND PEOPLE RECEIVING SOCIAL ASSISTANCE

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