

# Registered Disability Savings Plans (RDSPs) – A smart option

## What are they?

Registered Disability Savings Plans (RDSPs) can provide a long-term savings option for eligible individuals living with disabilities in Canada. Savings grow in a tax deferred environment and the plans are eligible for government grants and bonds. There is no annual plan contribution limit, however, the maximum lifetime contribution limit is \$200,000. RDSPs can be opened at major financial institutions in Canada. These are referred to as RDSP issuers.

## Who is eligible?

Individuals who are affected by a severe disability and are eligible for the Disability Tax Credit may qualify for an RDSP. The individual must be a resident of Canada and have a valid Social Insurance Number. To be eligible for the Disability Tax Credit, a qualified practitioner must certify that the individual has a “severe and prolonged impairment in physical or mental functions” on *Form T2201, Disability Tax Credit Certificate*.

## Key Facts

- Children’s Aid Societies may act as account holders for Crown wards in their care – until their 18<sup>th</sup> birthday, the Crown ward is considered the Beneficiary of the plan
- Contributions may be made to the plan until the end of the year that the beneficiary turns 59
- Contributions are not tax deductible – investment income remains tax-deferred
- Contributions cannot be recovered from the RDSP once paid
- CASs do not face the financial eligibility test for the Canada Disability Savings Grant (CDSG) and the plans automatically qualify for the Canada Disability Savings Grant (CDSG) which matches contributions 300% to a maximum of \$3500 per year (up to \$70,000)
- As above, the plans will automatically qualify for the Canada Disability Savings Bond (CDSB) of \$1000 per year (up to \$20,000) \*\*whether or not contributions are made to the plan
- The CDSG and the CDSB may be paid until the end of the year that the beneficiary turns 49
- Withdrawals may be made at any time and used in any way that supports the plan’s beneficiary (disabled person) – **repayment of CDSG and CDSB amounts for the previous 10 years will apply**
- The beneficiary must begin to receive payments from the plan no later than the end of the year they turn 60
- Anyone may contribute to the RDSP as a gift with permission from the account holder
- When a child turns 18, they may then become the account holder of the RDSP

**A Registered Disability Savings Plan is a valuable savings tool to consider when planning ahead for eligible disabled children and youth in care. A small annual contribution can result in up to \$4500 per year in federal grants and bonds being paid into the plan.**