

# Registered Disability Savings Plan



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## Basics

- A tax deferred investment vehicle designed to help families with children who have disabilities save money
- Federally regulated registered savings plan similar to an RRSP or RESP

## Features

- \$200,000 lifetime contribution limit
- Canada Disability Savings Grants (CDSG): grants paid by the federal government to match contributions to RDSPs
  - \$1 for every \$1 contribution if family net income > \$83,088
  - \$3 for every \$1 contribution for the first \$500 of contributions if family net income < \$83,088
  - \$2 for every \$1 contribution for the next \$1,000 if family net income < \$83,088
  - \$3,500 annual maximum for net income < \$83,088, or \$1,000 for net income > \$83,088
  - CDSGs received within 10 years of the following events must be repaid to the government:
    - RDSP is closed or deregistered
    - Beneficiary dies or becomes ineligible for DTC

\* As per 2013 changes to the RDSP program, withdrawals no longer trigger the payback of 10 years worth of CDSGs and only require payback of \$3 for every \$1 in withdrawals, up to the cumulative amount of CDSG received within 10 years.

## Withdrawals

- Lifetime Disability Assistance Payments (LDAP)
  - Recurring annual payments to the beneficiary from the RDSP
- Disability Assistance Payments (DAP)
  - Lump sum payment made to the beneficiary's estate, able to be requested once the beneficiary reaches an age of 27
- Remember, once a LDAP or DAP has been collected, all CDSGs received in 10 years prior to the withdrawal must be repaid

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## Eligibility

- Beneficiary must be eligible to claim the Canadian Disability Tax Credit
- Beneficiary must possess a Social Insurance Number
- Beneficiary must be below the age of 60, and a Canadian resident
- One RDSP per beneficiary, one beneficiary per RDSP

## Account Holder

- The account holder, anyone with written permission of the account holder or the beneficiary's parent(s), spouse, or common-law partner (if the beneficiary is contractually unable) can contribute to the RDSP
- Account Holder:
  - Beneficiary < 18: legal parent, guardian, or public agency legally authorized to act on beneficiary's behalf
  - Beneficiary > 18: legal parent if RDSP was opened before beneficiary reached age of majority, or legal guardian or public agency
  - Beneficiary can be named account holder at age 18, if they are deemed legally competent to enter a contractual agreement

## Tax Considerations

- Tax deferred investment growth
- Contributions are not tax deductible (unlike RRSPs for example)
- Withdrawals from the plan are taxed in the hands of the beneficiary
- Income tax is paid on LDAP or DAP withdrawals, but only the capital gains portion of the withdrawals is taxable

## Account Closure

- At death of the beneficiary the proceeds less any CDSG repayments are directed to the beneficiary's estate
- If the beneficiary becomes unqualified, the proceeds less any CDSG repayments are paid directly to the beneficiary

## Sources

Canada Revenue Agency

<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rdsp-reei/menu-eng.html>

\*All conditions, benefit levels, and other figures apply to 2012 RSDP regulations.

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