

fact sheet

Registered Disability Savings Plan (RDSP)

What is the Registered Disability Savings Plan?

The Registered Disability Savings Plan (RDSP) is a new program from the federal government to help people with disabilities—including mental illness—and their families save for long-term financial security. The RDSP will become available on December 1, 2008.

How can people with disabilities benefit from the RDSP?

The RDSP will allow money to be invested, exempt from tax until it's withdrawn. The plan structure is similar to the Registered Education Savings Plan (RESP).

1) Contributions are matched by federal grants

The federal government will match contributions made to the RDSP with Canada Disability Savings Grants. The grant amount depends on the size of the annual contribution as well as family net income. Canadians with family incomes under \$75,769 who deposit \$1,500 can receive \$3,500.* These grants will be available until the year the beneficiary turns 49, to a maximum of \$70,000.

2) Low-income families receive an additional bond

Families whose net income is \$37,885 or less will receive annual Canada Disability Savings Bonds of up to \$1,000 towards the RDSP. Like the grant, these bonds can be received until the year the beneficiary turns 49 years old, up to a lifetime limit of \$20,000.

3) Investment income is tax-exempt until withdrawal

Earnings generated by contributions to the savings plan are tax-exempt while they stay in the plan. When earnings are withdrawn, they are taxable in the hands of the beneficiary and likely to be taxed at a lower rate.

Who Is eligible?

To qualify for the RDSP, you must be eligible for the Disability Tax Credit and have submitted a Form T2201, Disability Tax Credit Certificate to the Canada Revenue Agency. The two basic conditions are that (1) your disability has lasted (or is likely to last) at least 12 months and (2) your ability to carry out basic activities of daily living are significantly restricted. A brief questionnaire to help see if you qualify and Disability Tax Certificate application forms are available from the Canada Revenue Agency. Visit their website at www.cra-arc.gc.ca/E/pbg/tf/t2201 or call 1-800-959-8281. Remember that application forms can take several weeks to process.

Who can contribute?

Anyone can contribute to an RDSP with the written permission of the plan holder. Contributions may come from family members, friends or plan holders themselves—anyone who would like to invest in the person's long-term financial security. Contributions are allowed as long as the beneficiary is under 60 years of age and are limited to a lifetime maximum of \$200,000 with no annual limit.

What is the Ten Year Rule?

When a withdrawal is made from the RDSP, the last ten years of grants, bonds and associated investment income is repaid to the federal government. In other words, beneficiaries must wait 10 years after the last grant or bond is received to avoid penalties.

The reason for the Ten Year Rule is to ensure that the RDSP is used to promote long-term retirement savings. For example, if withdrawals are not made until age 59, no repayment will be necessary because the federal grants and bonds would have ended ten years ago at age 49.

Will the RDSP affect my eligibility for Disability Benefits?

The BC Government is exempting RDSP savings and income as assets. This means that money held in an RDSP will not affect the \$3000 limit placed on those receiving Persons With Disabilities (PWD) benefit or any other government assistance program.

* Canada Disability Savings Grants matching rate contributions on family net income up to \$74,357:
- 300% on the first \$500 in RDSP contributions
- 200% on the next \$1,000
Matching on family net income over \$74,357:
- 100% on the first \$1,000 in RDSP contributions

This document is for information only. It was based on information that was current at the time of writing. Policies and procedures may be subject to change.

Fact sheet prepared by:



CANADIAN MENTAL
HEALTH ASSOCIATION
ASSOCIATION CANADIENNE
POUR LA SANTÉ MENTALE

BC Division

(2008)

For more information on RDSPs, visit the Canada Revenue Agency website
or call 1-800-959-8281 (TTY users call 1-800-665-0354).