

## Community Inclusion - RDSP

### What is a RDSP?

A registered disability savings plan (RDSP) is a savings plan that is intended to help parents and others save for the long term financial security of a person who is eligible for the disability tax credit (DTC). Contributions to an RDSP are not tax deductible and can be made until the end of the year in which the beneficiary turns 59. Contributions that are withdrawn are not included as income to the beneficiary when they are paid out of a RDSP. However, the Canada disability savings grant, the Canada disability savings bond, investment income earned in the plan, and the proceeds from rollovers are included in the beneficiary's income for tax purposes when they are paid out of the RDSP.

The Registered Disability Savings Plan is a Canada-wide registered matched savings plan for people with disabilities. For every \$1 put in an RDSP account, the federal government will match it (if your family income is below \$95,259) with up to \$3! *This is the Canada Disability Savings Grant.*

You should consider opening a RDSP if you have a long-term disability and are:

- eligible for the Disability Tax Credit;
- under the age of 60 (if you are 59, you must apply before the end of the calendar year in which you turned 59);
- a Canadian resident with a Social Insurance Number (SIN); and
- looking for a long-term savings plan.

You may contribute any amount to your RDSP each year, up to the lifetime contribution limit of \$200,000. With written permission from the RDSP holder, anyone may contribute to the RDSP.

### RDSP Savings Calculator

The RDSP Savings Calculator (<http://www.esdc.gc.ca/cgi-bin/RdspCalculator-CalculatriceReei/calc.aspx?lang=en>) will help you anticipate how money contributed to your RDSP could grow over time by calculating the estimated amount of Grant and Bond you could receive, based on contributions and annual

family income, as well as the amount of interest accumulated.

### Who can become a beneficiary of an RDSP?

You can designate an individual as beneficiary if the individual:

- is eligible for the disability tax credit (DTC)
- has a valid social insurance number (SIN)
- is a resident in Canada when the plan is entered into and
- is under the age of 60 (a plan can be opened for an individual until the end of the year in which they turn 59). The age limit does not apply when a beneficiary's RDSP is opened as a result of a transfer from the beneficiary's former RDSP. A beneficiary can **only have one RDSP** at any given time, although this RDSP can have several plan holders throughout its existence and **more than one plan holder** at any given time. Anyone can contribute to an RDSP with the written permission of the plan holder.

### What is the contribution limit for RDSPs?

There is no annual limit on amounts that can be contributed to an RDSP of a particular beneficiary in a given year. However, the overall lifetime limit for a particular beneficiary is \$200,000 (all previous contributions and rollovers that have been made to an RDSP of a particular beneficiary will reduce this amount). Contributions are permitted until the end of the year in which the beneficiary turns 59. Amounts directly transferred from one beneficiary's RDSP to another RDSP for the same beneficiary do not count toward the \$200,000 overall contribution limit.

### How do you open an RDSP?

To open a RDSP, a person who qualifies to be a holder of the plan must contact a participating financial institution that offers RDSPs. These financial institutions are known as RDSP **issuers**. The **plan holder** is the person who opens the RDSP and



makes or authorizes contributions on behalf of the beneficiary. As long as conditions are met, there can be more than one plan holder at any time .

### **The beneficiary is under the age of majority**

If the beneficiary is under the age of majority, a qualifying person can open an RDSP for the beneficiary and become a holder if that person is any of the following:

- a legal parent of the beneficiary
- a guardian, tutor, or curator of the beneficiary, or another individual who is legally authorized to act for the beneficiary
- a public department, agency, or institution that is legally authorized to act for the beneficiary

The beneficiary has reached the age of majority and is contractually competent to enter into a plan. If the beneficiary has reached the age of majority and is contractually competent to enter into a plan the beneficiary can open an RDSP for themselves. If the legal parent(s), at the time the plan is established, are holders of a pre-existing RDSP for the adult beneficiary, the legal parent(s) could remain holder(s) of the new plan. The adult beneficiary could also be added as a joint holder along with their parents.

### **The beneficiary has reached the age of majority but their contractual competency to enter into a plan is in doubt**

The ability for a “qualifying family member” (QFM) to open a plan under these rules applies as of June 29, 2012 and ends on **December 31, 2023**. A QFM includes a spouse, common-law partner, or parent of an individual. The QFM measure cannot be used if the beneficiary is currently the beneficiary of an existing RDSP or if a qualifying person is authorized to act on behalf of the beneficiary.

A QFM can open an RDSP for the individual and become a holder if, after reasonable inquiry, it is the opinion of the RDSP issuer, that an adult individual’s contractual competency to enter into a plan is in doubt. A QFM is no longer qualified to be a holder if any of the following apply:

- in the issuer’s opinion, after reasonable inquiry, the beneficiary’s contractual competence to enter into a plan is no longer in doubt and the bene-

fiary notifies the issuer that they choose to become the plan holder

- the beneficiary is determined to be contractually competent by a competent tribunal or other authority under provincial law and the beneficiary chooses to replace the QFM as the plan holder
- a legal representative is later named in respect of the beneficiary, the legal representative will then replace the QFM as the plan holder

The RDSP issuer will be required to notify the individual if the individual becomes a beneficiary under an RDSP opened according to these rules.

### **The beneficiary has reached the age of majority but is not contractually competent to enter into a plan An individual who is eligible to be a beneficiary of an RDSP, (but for whom a plan has not yet been opened) may have reached the age of majority but may not be contractually competent able to enter into a plan.**

A qualifying person, who is legally authorized to act for the beneficiary, can open an RDSP for the individual and become a holder. When a plan is opened by a beneficiary’s legal parent(s), the legal parent(s) can continue as the holder(s) of the plan after the beneficiary reaches the age of majority. When the beneficiary reached the age of majority and is contractually competent to enter into a plan, the beneficiary can be added to the RDSP as a joint holder. The beneficiary is the only one who can be a holder of the plan once they have reached the age of majority and is contractually competent to enter into a plan. If a plan is opened by somebody other than the beneficiary or the beneficiary’s legal parent(s), that person or body must be removed as a holder of the plan when the beneficiary reaches the age of majority.

# RDSP

**Ask VAD for an RSPD referral!  
780-488-9088**