

Q&A

REGISTERED DISABILITY SAVINGS PLAN



What is the Registered Disability Savings Plan?

Registered Disability Savings Plans (RDSPs) are long-term savings plans specifically designed to benefit people with disabilities (the “beneficiary”). RDSPs encourage long-term savings so that people with disabilities can financially support themselves later in life.

Who is eligible for an RDSP?

To be an eligible beneficiary of an RDSP, the person with a disability must have been approved for a Disability Tax Credit (DTC) Certificate and must be a Canadian resident with a valid social insurance number. The plan must be opened before December 31st in the year in which the person with a disability turns 59. An RDSP can be opened at one of several financial institutions across Canada.

Who can open an RDSP?

The person who opens and manages the RDSP is called the “plan holder.” A plan holder can be the beneficiary or a qualifying family member, if the beneficiary is not contractually competent to enter into an RDSP. Qualifying family members include legal parents, spouses or common-law partners of the person with a disability. (Note that qualifying family members are only permitted to open RDSPs until December 31, 2026.)

Who can contribute to an RDSP?

Both personal and government contributions can be made to an RDSP.

What is a personal contribution to an RDSP?

Personal contributions to an RDSP can come from the person with a disability, family members, friends or corporations. A lifetime maximum of \$200,000 can be made in personal contributions to an RDSP. These contributions require the written authorization of the plan holder and must be made by December 31 of the year in which the beneficiary turns age 59.

What is a government contribution to an RDSP?

The federal government can make contributions to the RDSP in the form of the Canada Disability Savings Bond and the Canada Disability Savings Grant. The amount of government contributions will depend on the beneficiary’s family income and personal contributions made to the RDSP. The beneficiary’s family income will differ if the beneficiary is under or over the age of 19. If the beneficiary is under 19, their parent or guardian’s family income is used to determine government contributions. If the beneficiary is over 19, family income is based on the beneficiary’s income (and that of any spouse or common law partner).

What is the Canada Disability Savings Bond?

The Canada Disability Savings Bond (the “Bond”) is a contribution made by the federal government to the RDSP of up to \$1,000 on an annual basis. A person with a disability must be 49 years of age or younger to receive the Bond. The Government will contribute up to \$20,000 over the course of the person’s lifetime. The amount of the Bond is based on the beneficiary’s family income, and no personal contribution is required to receive the Bond.

What is the Canada Disability Savings Grant?

The Canada Disability Savings Grant (the “Grant”) is an annual financial contribution of up to \$3,500 made by the federal government to a beneficiary’s RDSP. The person with a disability must be 49 years of age or younger to receive the Grant. The Government will contribute up to \$70,000 over the course of the person with a disability’s lifetime. The amount of the Grant is based on the person’s family income and personal contributions to the RDSP.

When can I make a withdrawal from an RDSP?

A plan holder must wait ten years from the date of the government’s last contribution to make a withdrawal from the RDSP without penalty. Early withdrawals (i.e., withdrawals made before ten years have elapsed since the government’s last contribution) are permitted, but a penalty applies, where \$3 must be repaid for every \$1 that is withdrawn (up to a maximum of total government contributions over the previous ten years). There are exceptions for beneficiaries who have a life expectancy of five years or less or if the beneficiaries turn 60 by December 31 of that year.

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How much can I withdraw from an RDSP?

There are two types of withdrawals that can be made from an RDSP: a Disability Assistance Payment (DAP) and a Lifetime Disability Assistance Payment (LDAP). A DAP is a single payment from the RDSP to the beneficiary or the beneficiary's estate. The maximum amount of the DAP depends on the proportion of government and personal contributions in the RDSP.

An LDAP is an annual payment to the beneficiary that begins no later than when the beneficiary turns 60 and ends when the RDSP is terminated or the beneficiary passes away. The amount of an LDAP is based on the fair market value of the RDSP and the beneficiary's age at the time of withdrawal.

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Do I have to pay tax on withdrawals from an RDSP?

Every dollar withdrawn from the RDSP is comprised of personal contributions, government contributions and growth. The proportion of the withdrawal that is made up of personal contributions is not considered taxable income. Government contributions, payments from designated provincial programs and any investment income earned within the RDSP are taxable income for the beneficiary in the year in which the withdrawal is made.

What if I am no longer eligible for the DTC?

In 2019, the federal government eliminated the requirement to close an RDSP when the person with a disability no longer qualifies for the DTC. The RDSP will remain open and any grants and bonds remaining in the RDSP will not need to be repaid back to the government. However, once DTC eligibility is lost, no government contributions will be made to the RDSP.

What happens to the RDSP after death?

If the person with a disability passes away, the RDSP must be closed by the end of the following calendar year. Any grant or bond received within ten years of death will be paid back to the federal government, and all remaining funds will be transferred to the person's estate. If the person with a disability has a Will, the remaining funds are taxed and distributed in accordance with the Will. In the absence of a Will, the remaining funds are distributed according to the law (i.e. based on the rules of intestacy, where they will likely go to the next of kin.)