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RDSP

The Registered Disability Savings Plan

Saving for the future

Funding for these information sessions is provided by: **vancouver foundation**

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Workshop Outline

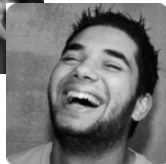
- About the RDSP
- About the DTC
- Money going in...
- In the meantime...
- Money coming out...
- The RDSP and you
- More information and resources

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PLAN: Planning for a Good Life

- Two Pillars for "A Good Life"
 - *Financial well-being*
 - *Social well-being*
- RDSP: A world's first
- One of a range of financial planning tools
- Future planning resources:
www.futureplanningtool.ca ; www.planinstitute.ca

Three stories about the RDSP



Bruce and Flora dream big for Maggie



- Maggie is 10 years old
- Her family earns more than \$91,831 year
- "We envision a life for Maggie where she lives in her own home".

Cathy and Ted plan for Josh's health and happiness



- Josh is 25 years old
- His annual income is about \$12,000
- Josh's RDSP will pay for future medical expenses, and supports and services

Ranjeet wants to enjoy his life and friends



- Ranjeet is 38 years old
- His annual income is about \$25,000
- “I envision a life where I can go on vacation, have dinner with my friends, and have a bit more money each month.”

The RDSP

- Is a federal government program
- Is available at Canada’s major financial institutions and a number of credit unions
- Includes contributions from the government
- Does not require any contribution
- Does not affect your BC Disability Benefits

The RDSP will...

- Provide a powerful vehicle for saving and investing
- Permit family and friend contributions
- Allow you or your relative to determine how best to spend their money

The RDSP will not...

- Replace your or your relative's requirements for support and income assistance
- Assure a good life or future security without other planning

Comparison of Registered Plans in Canada

	Registered Disability Savings Plan	Registered Education Savings Plan	Registered Retirement Savings Plan	Tax Free Savings Account
Incentives	Grant + Bond	Grant + Bond	Tax Deduction	None
Treatment of Income	Tax-deferred Growth	Tax-deferred Growth	Tax-deferred Growth	Tax-free Growth
Withdrawals	Partly Taxable	Partly Taxable	Fully Taxable	Not Taxable
Effect on Provincial Benefits	No effect on <i>most</i> disability benefits	Reduces disability benefits	Reduces disability benefits	Reduces disability benefits

Comparison RRSP Tax Deduction to Canada Disability Savings Grant (RDSP)

	Maximum RRSP Tax Deduction (45%)	Maximum Canada Disability Savings Grant
Contribution of \$500	\$225	\$1,500
Contribution of \$1,000	\$450	\$2,500
Contribution of \$1,500	\$675	\$3,500

Eligibility for the RDSP

- Resident of Canada
- Valid Social Insurance number
- Under the age of 60 at the end of the year of the initial contribution
- Disability Tax Credit (and Canada Child Tax Benefit if under 18)



Bruce and Flora claim the DTC/CCTB; need to apply for SIN



Josh has his DTC but needs to file taxes



Ranjeet needs to apply for his DTC

What is the Disability Tax Credit?

- A federal tax credit available to individuals living with "severe and prolonged impairments" (review T2201)
- Severe impairment =
 - Blind
 - Life sustaining therapy
 - "Markedly" restricted in one activity of daily living
 - "Significantly" restricted in two activities of daily living



Maggie may need to re-apply as an adult; her parents currently claim her DTC.



Josh has a life long disability and is eligible for his lifetime.



Ranjeet has schizophrenia and will probably need to re-apply periodically.

Value of the Disability Tax Credit

- Provides a federal tax reduction of up to \$1,165 (for 2016 – the amount goes up a little each year)
- Additional benefit for those under 18, worth up to an extra \$680 (for 2016)
- Each province provides additional tax credits, worth about half of the federal amount
- All can be paid retroactively for 10 years
- Can all be transferred to an eligible family member

Broader Understanding of the DTC

- The Disability Tax Credit is the mechanism by which the CRA determines eligibility for a broad range of supports available to persons with disabilities, including:
 - Non-refundable tax credits
 - **Registered Disability Savings Plan (RDSP)**
 - Working Income Tax Benefit Disability Supplement
 - Child Disability Benefit
- This broader understanding better encapsulates the true potential of the DTC.

Eligibility for the DTC

- Applicant must have a severe and prolonged disability
- Expected to last at least 12 months
- And they are:
 - Blind/significantly visually impaired; or
 - Receive Life Sustaining Therapy (at least 14 hrs/wk); or
 - Markedly restricted in one or more of the following:
 - Speaking, hearing, walking, eliminating, feeding dressing, performing mental functions necessary for everyday life
 - If a marked restriction cannot be established, an applicant may still qualify if they can demonstrate that they have multiple significant restrictions which amounts to a marked restriction overall
- These eligibility criteria are subject to definitions outlined by the CRA

Key Terms

- "Severe and prolonged":
 - Severe is not explicitly defined. Prolonged is defined as lasting or expected to last at least 12 continuous months.
- "Daily Living Activities":
 - Feeding, dressing, speaking, hearing, eliminating, walking, mental functioning
- "Markedly restricted" (with respect to daily living activities):
 - Even with appropriate therapy, the individual is unable or takes an inordinate amount of time to perform the activity in question all or substantially all of the time.

Key Terms continued...

- “Significantly restricted” (with respect to daily living activities):
 - A significant restriction is one that falls short of a marked restriction. A significant restriction in one daily living activity is insufficient to satisfy the eligibility criteria. If an applicant cannot demonstrate a marked restriction in one area, the CRA must be satisfied that they have significant restrictions in multiple areas of daily living which amount to a marked restriction overall. If you are applying on the basis of multiple significant restrictions your doctor should complete the “Cumulative effects of significant restrictions” section.
- “Blind”:
 - Visual acuity of 20/200 or less in both eyes or person has a reduced diameter of field of vision totaling 20 degrees or less.
- “Life sustaining therapy”:
 - Therapy required to support a vital function needed at least 3 times per week for an average of 14 hours a week.

How to apply for and claim the DTC

- Qualified health practitioner fills out the form (T2201), submit and wait for approval
- Applicants must submit the completed form T2201 to the CRA. In BC, T2201 forms can be sent to the Surrey Tax Centre
 - The updated T2201 form consists of a one-page applicant’s section and a five-page doctor/medical practitioner’s section. In reality the doctor’s section is actually likely to be closer to two-pages.
- Applicant’s section: Requires contact details and other basic information. No medical information is required.
- Medical Professional section: Must confirm in which areas the applicant is impacted (vision, life sustaining therapy, other daily living activities), and complete a one page section indicating the effects and duration of the impairment.
- DTC application does not need to be submitted at the same time as filing taxes
- A DTC application will be denied if the person is ineligible or if a mistake was made in the application process—in the second case an appeal will often be successful

Doctor Fees for DTC Application

- Doctors are allowed to charge fees to fill out the DTC Certificate
 - Fees can vary depending on the doctor and the patient
- When you decide to apply, we recommend:
 - Set up a separate appointment with your doctor to discuss applying for the DTC
 - Be prepared to advise your doctor which categories you think might apply to you
 - Remind your doctor if you are on a tight budget and ask whether or not they will charge a fee
- If you have a good rapport with your doctor and make their job as easy as possible, they are more likely to offer a reduced fee or waive their fee

DTC Approval

- Once an application has been reviewed, one of three things may happen:
 - Approval
 - Denial
 - Request for additional information
- You can appeal a denial of the DTC, however time limits apply
- Depending on the information provided, CRA may either approve someone for the current year, a prior year, or a future year.
 - Most applicants for the DTC are not approved for life and will need to reapply for the DTC at a future date

Other Benefits of the DTC

- **Working income tax benefit disability supplement:** The WITB is a tax benefit available to certain people with relatively low income who have earned income from employment or business.
 - The WITB disability supplement makes it easier to qualify for the WITB and increases the amount a recipient can potentially receive.
 - The Disability Supplement to the RDSP makes it much more likely that a person receiving PWD benefits and working would qualify for the WITB.
- **The Disability Amount (Non-refundable Tax Credit)**
 - The Disability Amount (for self) appears on line 316 of the General Income Tax and Benefit Return
 - For the 2015/16 tax year, the eligible amount for an adult with the DTC is **\$8,001**.
 - Note, the actual amount of taxes this could offset will only be a percentage of this total. For most people, the actual amount of taxes that could be offset would be about \$1184 (considering a base taxation rate of 15%)

Help with the DTC

- Preliminary DTC information:
<http://equalfutures.ca/index.php/see-if-you-qualify/#top>
- DTC support by Disability Alliance of BC (DABC), via Access RDSP: 1-800-663-1278
 - TTY line: 604-875-8835
- For more disability planning support and information, call 1-844-311-PLAN (7526)

Who can set up a plan?

For a Minor



- Parents or legal guardians set up the plan (parents can remain holders even after the beneficiary becomes an adult).
Bruce and Flora are the holders, are eligible to remain so when Maggie becomes an adult and joint-holder.

For Adults



Ranjeet manages his affairs and is the holder for his RDSP

- A person appointed by the courts to act on the beneficiary's behalf may also be the holder.



Josh's father has been appointed as Representative to manage his finances.

- Currently, until the end of 2018, parents and spouses can become the account holder for an adult who cannot enter into a contract.

The money goes in...

- Anyone may contribute to the plan with the written consent of the holder
- \$200,000 lifetime contribution limit
- No annual contribution limit
- Contributions are not tax-deductible
- Contributions can be made up to the end of the calendar year in which the beneficiary turns 59

Maggie, Josh and Ranjeet: Contributions



Maggie



Josh



Ranjeet

\$150/month \$1800/year	\$125/month \$1500/year	\$0 No Contribution
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Federal Contributions

To receive the Canada Disability Savings Grant and/or the Canada Disability Savings Bond, the beneficiary must:

- File an Income Tax Return for two years prior (2015 & 2016 tax returns for 2017 contributions)
- Apply for the Canada Child Tax Benefit if the beneficiary is a child

*Grant and bond can only be received until Dec 31st of the year in which the beneficiary turns 49

Canada Disability Savings Grant

Federal Government matches annual contributions at the following rates:

Family Income (2017)	Grant (2016)	Lifetime Maximum
\$93,208 or less	\$3 for every \$1 contributed on the first \$500 (max. \$1,500)	\$70,000
	\$2 for every \$1 contributed on the next \$1,000 (max. \$2,000)	
More than 93,208 * or no tax return	\$1 for every \$1 contributed on the first \$1,000 (max. \$1,000)	\$70,000

Maggie, Josh and Ranjeet: Canada Disability Savings Grant



Maggie



Josh



Ranjeet

\$150/month \$1800/year	\$125/month \$1500/year	\$0 No Contribution
Family income over \$98,831 Grant= \$1,000/year	Josh's income under \$91,831 Grant= \$3,500/year	Ranjeet's income under \$91,831 Grant= \$0/year

Canada Disability Savings Bond

Annual Federal Government contribution to RDSPs of people with low and modest incomes
Up to \$1,000 each year to a lifetime maximum of \$20,000 (no contributions necessary but taxes must be filed)

Annual Income (2016)	Amount of Bond \$\$ (2016)
\$30,450 or less	\$1,000
\$30,450 - \$46,605	\$1,000 reduced on a pro-rated basis

How Maggie, Josh and Ranjeet will benefit from grants and/or bonds:



Maggie



Josh



Ranjeet

\$150/month \$1800/ year	\$125/ month \$1500/ year	\$0 No Contribution
Family income over \$93,208 Grant= \$1,000	Income under \$93,208 Grant= \$3,500	Income under \$93,208 Grant= \$0
Family income over \$45,605 Bond= \$0	Income under \$30,450 Bond= \$1,000	Income under \$30,450 Bond= \$1,000
Total= \$2,800	Total = \$6,000	Total = \$1,000

Grant and Bond can be claimed retroactively for ten years

- People who are opening RDSPs or who didn't contribute enough to get all the Grant they were entitled to in previous years can now receive Grant and Bond amounts from previous years (provided they were DTC eligible and filed their taxes)
- Bond amounts will be paid automatically
- Grant amounts can be received by making contributions now for previous years (Note: the government will put in a maximum of \$10,500 in any one year)
- Don't wait too long to use retroactive grant amounts – you can only access them for 10 years and only if you make contributions before Dec 31st of the calendar year in which you turn 49
- Only goes back to 2008, the year the RDSP was launched

Extra \$150 Grant – Endowment 150

- The Endowment 150 grant helps individuals and families with low incomes save for their future by providing a one-time \$150 grant to help their RDSP grow.
- Eligibility:
 - Be a BC resident
 - Have an RDSP open and are under the age of 60
 - Have received provincial income assistance at one point since 2008 or have income below \$25,000 (adult)
 - For more information and applications, go to: <http://www.rdsp.com/endowment-150/> or email e150@planinstitute.ca

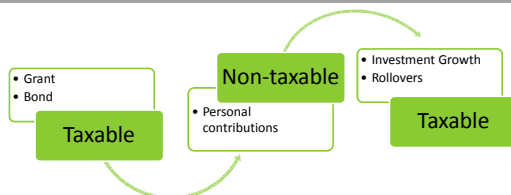
Rollovers of Other Registered Plans

- RRSPs and RRIFs may be rolled over at death to RDSPs of children and grandchildren who are financially dependent
- After 2013, investment income earned in an RESP can be transferred on a tax-free basis to an RESP beneficiary's RDSP

Note that Rollovers:

- Like all contributions, cannot make the RDSP exceed \$200,000
- Do not trigger Canada Disability Savings Grant
- Are taxable upon withdrawal
- Result in a significant tax savings
- Check with your lawyer or accountant

Taxation of RDSP



**Effective January 2014, financial institutions will deduct income tax from RDSP payments at source*

Growing your Wealth

- Lump sum contributions—inheritance, gifts, lottery winnings, annuities
- Investment decision time—high, medium or low risk—speak to your financial planner!
- More or less than government contribution?
- What about a crisis?
- What if the RDSP collapses?

RDSP Savings Over Time

If an RDSP is opened at age 5 or age 19, and **no** personal contributions are made...

RDSP Growth with Endowment 150

Janet receives the \$150 E150 Grant at age 5 and deposits it into her RDSP account.

At 60, Janet's average annual payment would be \$10,300.

Jeff receives the \$150 E150 Grant at age 19 and deposits it into his RDSP account.

At 60, Jeff's average annual payment would be \$11,372.

Without any personal contributions, just the government E150 grant, Canada's Disability Savings Grant is a valuable RDSP option that could provide you with a solid financial future.

RDSP Savings Over Time

- If an RDSP is opened at age 19, and **no** personal contributions are made...

	Invest at 5%	Value at Age 59
E150 (one time addition)	\$150	\$1,056
Grant (one time addition)	\$450	\$3,168
Bond (\$10,000 added at age 19, then \$1000 each year)	\$1,000	\$127,479
Total		\$131,703
Average annual payment		\$11,372
Total lifetime payment		\$261,557

* Government grants and bonds are based on net annual family income of two years earlier. The government sets the income thresholds annually, illustrated are 2017 income thresholds, based on 2015 net annual income.

Maggie, Josh and Ranjeet: In the Meantime

 Maggie  Josh  Ranjeet

Lump-sum contributions	\$13,000 at age 10	Age 54, \$55,000 gift	Age 42, \$15,000 inheritance
Possible interest rate over long term	5.5%	5.5%	5.5%
Crisis	None	None	Problems with creditors

The money comes out...

1. Government contributions exceed private contributions:

- Must follow formula of regularly scheduled withdrawals (LDAP)
- Must begin by the end of the calendar year in which the beneficiary turns 60
- Can start before 60, but this may require repaying some grants and bonds
- After 2013: *Maximum* withdrawal limits will increase to 10% of the plan's value as determined at the beginning of that year

Much more flexible withdrawal limits are available for someone with a shortened life expectancy of five years or less

The money comes out...

2. Private contributions exceed government contributions:

- No limitations on maximum amounts or schedules (DAP)
- Can choose to follow formula of regularly scheduled withdrawals (LDAP)
- After 2013: For everyone over 60, *minimum* withdrawals must follow the LDAP formula

The 10-Year Repayment Rule

Previously, any withdrawal would result in the repayment of any Grants and Bonds received in the last 10 years

The New Proportional Repayment Rule—after 2013

- For each \$1 withdrawn from an RDSP, \$3 of any grants or bonds paid into the plan in the past 10 years must be repaid
- Repayments against grants and bonds will begin with the oldest government contributions
- People with a terminal illness have greater allowances
- The 10-year repayment rule will continue to apply where the RDSP is terminated or deregistered, or the RDSP beneficiary ceases to be eligible for the DTC or dies

Shortened Life Expectancy




- When life expectancy is 5 years or less withdrawals will not be limited to the LDAP formula
- Withdrawals will not trigger repayment of the holdback amount, provided the taxable portion does not exceed \$10,000
- Upon the death of the beneficiary the holdback amount must be repaid, if there is a sufficient amount remaining in the plan
- If a person's medical prognosis changes, they can reverse the process (notify the bank, stop withdrawals and begin to make contributions again)

DTC Ineligibility and RDSP Termination

- Currently, if someone loses their DTC eligibility, their RDSP collapses and all grants and bonds are to be repaid
- This is burdensome for those with cyclical disabilities
- After 2013, if a medical practitioner certifies the disability means the beneficiary will likely be eligible for the DTC again in the foreseeable future—the RDSP can remain open for up to four years
- During the eligibility gap, no contributions can be made, although retirement rollovers are allowed

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Assessing Alternatives

Maggie, Josh and Ranjeet's Withdrawals

 Maggie  Josh  Ranjeet

Amount accumulated	\$330,000	\$426,000	\$74,000
Withdrawal at..	40 years old	55 years old	60 years old
Type of payments	LDAPs, 10%, flexible-DAPs, beneficiary requested DAPs *Formula limited	LDAPs, flexible-DAPs, *Not formula limited	LDAPs, 10%, flexible-DAPs, beneficiary requested DAPs, *Formula limited
Payments	\$640/month-LDAP \$33,000 1 st Year-10%	\$1,250/month lump sum	\$270/month LDAP \$7,400 1 st Year-10%
What does it mean?	Strata fees	Supports and medications	Vacations and dinners

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Assessing Alternatives

Provincial Implications

BC Exemptions

- Assets in an RDSP are exempt for determining eligibility for BC Disability Benefits
- Funds received from RDSPs can be used for any purpose as long as they are for the benefit of the beneficiary

Plan Institute
Assessing Alternatives

Federal Implications

The RDSP will not impact:

- Old Age Security (OAS)
- Canadian Pension Plan (CPP)
- Guaranteed Income Supplement (GIS)
- Employment Insurance Benefits
- GST Benefit

When the beneficiary dies...

- RDSP must be closed by the end of the following calendar year
- Any Grant or Bond received within the last 10 years must be repaid to the government
- The balance, with the exception of personal contributions, is taxable
- The remainder passes on to beneficiary's Estate

Your Scenario – The RDSP Calculator



- Visit www.rdsp.com
- Click on "Calculator"
- Fill in fields
- Click on "Calculate"
- Check out your results!

10 Steps For RDSP Success

1. Apply for a Social Insurance Number
2. Apply for the Disability Tax Credit
(If beneficiary is a child, apply for the Canada Child Tax Benefit)
3. File an Income Tax Return for two years prior
4. Choose your financial institution
5. Choose your holder (if necessary)
6. Open your RDSP
7. Apply for an Endowment 150 Grant and invest your money
8. Update/write your Will
9. Protect yourself
10. The Path Ahead – Planning



RDSP & DTC Support

- Access RDSP: A partnership between Plan Institute, Disability Alliance BC and BC Aboriginal Network on Disability Society have support related to the following area:
 - RDSP sessions, set up and support
 - DTC eligibility and application
 - Indigenous RDSP info and system navigation
 - **Call: 1-844-311-PLAN (7526)**
 - **Email: info@rdsp.com**
 - **Visit: www.rdsp.com**



More Information & Resources

- Endowment 150 grant: <http://www.rdsp.com/endowment-150/> or email e150@planinstitute.ca
- Canada Revenue Agency: <http://www.cra-arc.gc.ca/>
- ESDC: www.disabilitysavings.gc.ca
- Future Planning Tool: www.futureplanningtool.ca
- Plan Institute Workshops: <https://store.planinstitute.ca/>
 - Personal Network Facilitation: *Weaving The Ties That Bind*
 - Succession Planning: *Facing The Future Together*
 - Advocacy Workshops
 - Caregiver's Retreat



Questions?

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