

Registered Disability Savings Plan

The Registered Disability Savings Plan (RDSP) helps Canadians with disabilities and their families build a secure financial future.

What is the RDSP?

The RDSP is a long-term savings plan that benefits people with disabilities, and their families, in saving for their long-term financial needs in a tax-deferred environment. The RDSP combines individual or family contributions with government grants and bonds. By investing wisely, the RDSP can grow into a significant asset.

There are many reasons to open an RDSP:

- Depending on family net income, the Federal government may match each \$1 contributed with up to \$3 through the Canada Disability Savings Grant.
- For low-income Canadians, the Canada Disability Savings Bond provides up to \$1,000 per year with no contributions required.
- Savings in an RDSP grow tax-deferred, although contributions are not tax-deductible.
- The money coming out of an RDSP can be used for any purpose for the benefit of the plan's beneficiary.

Prior to implementing any tax planning strategies, a qualified tax advisor should be consulted about the tax implications specific to your situation.

Definitions:

- **Contributions** – funds that are deposited into an RDSP
- **Beneficiary** – individual with a disability that will benefit from an RDSP
- **Holder** – an individual or agency who opens the RDSP and makes investment decisions

Other RDSP Basics:

An RDSP can be opened and contributions made until the end of the year the beneficiary turns age 59.

A beneficiary can have only one RDSP and each RDSP can have only one beneficiary.

Once an RDSP is registered, it is irrevocable. The contributions belong to the beneficiary and cannot be returned to the individual who made the contribution.

There is no annual contribution limit, but there is a lifetime contribution limit of \$200,000.

Anyone can contribute to an RDSP – neighbours, family members, friends – with the written permission of the holder.

Beneficiaries of an RDSP must:

- Be eligible for the Disability Tax Credit (DTC) as defined in the Income Tax Act (Canada);
- Have a Social Insurance Number (SIN);
- Be a resident of Canada when the plan is opened and when each contribution is made; and
- Be under age 60 when the plan is opened, since contributions cannot be accepted after the end of the year the beneficiary turns 59.

Who can open and contribute to an RDSP?

- A person with a disability, who is of the age of majority (18 or 19 depending on the province) and has the legal capacity to manage his or her finances; or
- The legal parent of a child with a disability who has not attained the age of majority; or
- A guardian or other representative who is legally authorized to act on behalf of a person with a disability.

As of July 2011, upon the death of the parent or grandparent of a financially dependant child or grandchild with a disability, some or all of the deceased individual's retirement savings can be transferred tax-free to their dependent's RDSP. (The retirement savings must come from a RRSP, RRIF, or Registered Pension Plan. Transferred amounts will impact the lifetime contribution limit, and are not eligible for grant consideration.)



Government grants and bonds

The Canada Disability Savings Grant (CDSG) provides matching contributions of up to 300% annually until the end of the year the beneficiary turns age 49, to a lifetime limit of \$70,000. The amount of grant received depends on the family net income and contributions made (see table below).

Family Net Income*	Annual CDSG contribution on RDSP contribution	Maximum CDSG contribution
Less than \$83,088	300% contribution on the first \$500	\$1,500
	200% contribution on the next \$1,000	\$2,000
	Maximum annual contribution	\$3,500
Greater than \$83,088 (or no income tax return filed)	100% contribution on the first \$1,000	\$1,000
	Maximum annual contribution	\$1,000

The Canada Disability Savings Bond (CDSB) is paid into the RDSP to low-income individuals until the end of the year the beneficiary turns age 49, regardless of whether contributions are made to the RDSP (see table below). Once the plan has been opened, the maximum payment is \$1,000 annually, to a lifetime maximum of \$20,000.

Family Net Income*	CDSB contribution
\$24,183 or less	\$1,000
Between \$24,183 and \$41,544	\$1,000 is reduced on a prorated basis
Greater than \$41,544 (or no income tax return filed)	No bond paid

*Family net income is based on the income of the parents until December 31 of the year the beneficiary reaches age 18 and on the family net income of the beneficiary (and their spouse) beginning the year the beneficiary reaches age 19.

Income amounts shown are for 2011 based on income tax returns filed for the 2009 tax year. Family income from 2 years prior is used for assessing a potential bond or grant. This means that beneficiaries will have to file tax returns beginning the year they reach age 17 if they wish to receive the maximum grant and bond in the year they reach age 19.

Effective in 2011, carryforward of unused grant and bond entitlements from the past 10 years (starting from 2008, the year the RDSP became available) can be claimed if the beneficiary qualified for the grant or bond in those years.

Withdrawals from an RDSP

Withdrawals are referred to as Disability Assistance Payments.

These are payments that come out of the plan, including flexible and periodic payments. Withdrawals must begin by the end of the year the beneficiary turns age 60.

There are two types of withdrawals from an RDSP:

■ Flexible Payments

These can be requested at any time by the plan holder. Also, the beneficiary may request such payments if they have reached age 27 but not age 59 in the previous year and as long as contributions are less than the amount of grants and bonds in the RDSP.

■ Lifetime Disability Assistance Payments

These are regularly scheduled periodic payments that are based on a pre-calculated formula. These payments can start at any time, but must begin by the end of the year the beneficiary turns age 60. Once started, they continue for life, according to a defined payment schedule.

Note that if any RDSP withdrawals are made, all grant and bond amounts received in the last 10 years must be repaid to the government.

Tax implications of the RDSP

When withdrawing from the RDSP, the CDSG, CDSB and any investment gains are taxable. Personal contributions are not taxable.

Payments from the RDSP do not affect eligibility for Federal Government benefits such as the GST credit, OAS, GIS, CPP and the Canada Child Tax Benefit. The majority of provincial social assistance programs have also exempted the RDSP assets and income. Check your provincial assistance and other disability support payments that are income or asset tested before proceeding.

We can help

For anyone eligible for the Disability Tax Credit, the Registered Disability Savings Plan can help build a secure financial future. To learn more, please call 1-866-335-4054 to speak with an RBC® advisor.

RBC has joined forces with Planned Lifetime Advocacy Network (PLAN), a non-profit organization which led the advocacy for the creation of the RDSP, to help educate and offer advice to Canadians. RBC is PLAN's Preferred National RDSP Provider. Go to www.rdsp.com to learn more.



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