

4 Steps on the path to a better future with the RDSP

The Disability
Tax Credit

The Registered Disability
Savings Plan

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

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

The RDSP

- Is a federal government initiative and takes the form of an INVESTMENT ACCOUNT
- 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

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)

What is the DTC?

- It is a non-refundable tax credit that **reduces the amount of taxes** you pay
- It may help you to access:
 - Working Income Tax Benefit Disability Supplements
 - Child Disability Benefit
- It is the **qualifying factor** to open a Registered Disability Savings Plan (RDSP)
- It can be transferred to an eligible family member or caregiver



DTC eligibility

A qualified practitioner must certify that the applicant has a **severe** and **prolonged** impairment in mental or physical functions. A prolonged impairment is expected to last at least 12 months

Even though someone may have qualified for federal or provincial disability benefits, they may not qualify for the DTC

DTC Eligibility

A “severe” impairment is:

- ✓ Being markedly restricted in at least one basic activity of daily living, (e.g. vision, speaking, feeding, hearing, walking, eliminating, dressing and mental functions necessary for everyday life) or;
- ✓ A cumulative effect of significant restrictions in any two of the above, that exist together substantially all of the time (at least 90%) or;
- ✓ You need life-sustaining therapy to support a vital function, and you need this therapy at least three times a week, for an average of 14 hours a week

DTC eligibility

- Obtain the Disability Tax Credit Certificate (form T2201) from the Canada Revenue Agency (CRA)
- Fill out the front page of the form, on your own or with help from a support person
- Take the form to a doctor or other qualified health professional to be completed (doctors are allowed to charge a fee for filling out the form)
- Consider taking a sample of a completed form to your doctor. Include information on your disability's day-to-day effects. This will help your doctor and make your application more accurate

DTC eligibility

- Keep a copy of your application in a safe place
- Mail the completed application form to the Winnipeg Tax Centre
- If the application does not thoroughly describe your disability and its effects, the government may ask the doctor to provide more information—which can delay a decision
- CRA will send you a DTC eligibility decision letter, usually within a few months

Talking to your doctor about the DTC

- ✓ Good rapport is important!
- ✓ Your doctor may charge a fee to complete the form
- ✓ Remind the doctor you are on a budget.
Ask if they would consider waiving or lowering their fee
- ✓ Discuss which disability category applies to you
- ✓ Eligibility is not based on your diagnosis, but on your symptoms and how they impact your day-to-day life
- ✓ Share lots of details of the effects of your impairments and provide examples



Examples of information your doctor may include in your application:

WALKING

Due to the MS, Alex has chronic pain affecting her back and legs. She uses a cane to assist with walking.

Even with the cane, Alex estimated that it takes her at least **three times** as long to walk somewhere compared to an average person her age without her condition. This occurs **all the time**.

DRESSING

Alex reports that she must take extra caution not to trigger additional pain. For example, she requires more time to sit and slowly dress herself. Particularly, putting on pants and socks requires additional time and care.

She estimates that it takes her at least 3 times longer than the average person her age without her impairment to get dressed and this occurs at least 90% of the time.

Qualifying based on mental function

Applicants
do not
necessarily
need to
display
symptoms
90% of the
time to
qualify for
the DTC

Past applications have qualified based on:

- ✓ unpredictable conduct
- ✓ risk of relapse at any time, without continuous display of symptoms
- ✓ inability to live and function independently and competently, and
- ✓ need for daily supervision

Example of how to describe mental functions

ADAPTIVE FUNCTIONING – SELF-CARE

Alex indicated that she is unable to engage in self-care activities substantially all the time. These activities include exercising, showering, brushing her teeth and eating. This is due to depression, lack of memory and lack of motivation. She receives help from others to engage in these activities.

PROBLEM SOLVING

Alex indicated that she is unable to make simple decisions substantially all the time. For example, if she had an appointment and transit services were suddenly unavailable, she would need assistance to plan an alternative arrangement.

CRA response to your application

It may take several months for CRA to make a decision and inform you by letter (Notice of Determination)

- When DTC designations are time-limited, eligibility can be periodically reviewed by the CRA

Your letter may say:

- ✓ You are approved for 1 or more years
- ✓ You are approved indefinitely (very few individuals qualify for this)
- ✓ CRA requires additional information before making a decision
- ✓ Your application is declined

If the CRA declines your application:

More Documents?

Ask yourself: “Would additional medical information better explain my disability?”

Has Health Changed?

If you were denied and your health situation changes, include information about the changes and apply again



You have the right to reapply or appeal.
There is a two-stage process:

- 1** You may file a Notice of Objection within 90 days of the date the Notice of Determination was sent
- 2** If the Objection is declined, a Notice of Appeal must be filed with the Tax Court. You may need a lawyer to represent you.

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).

For Adults



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



- Currently, until the end of 2023, **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

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 (2014 & 2015 tax returns for 2016 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 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

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

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



Maggie



Josh



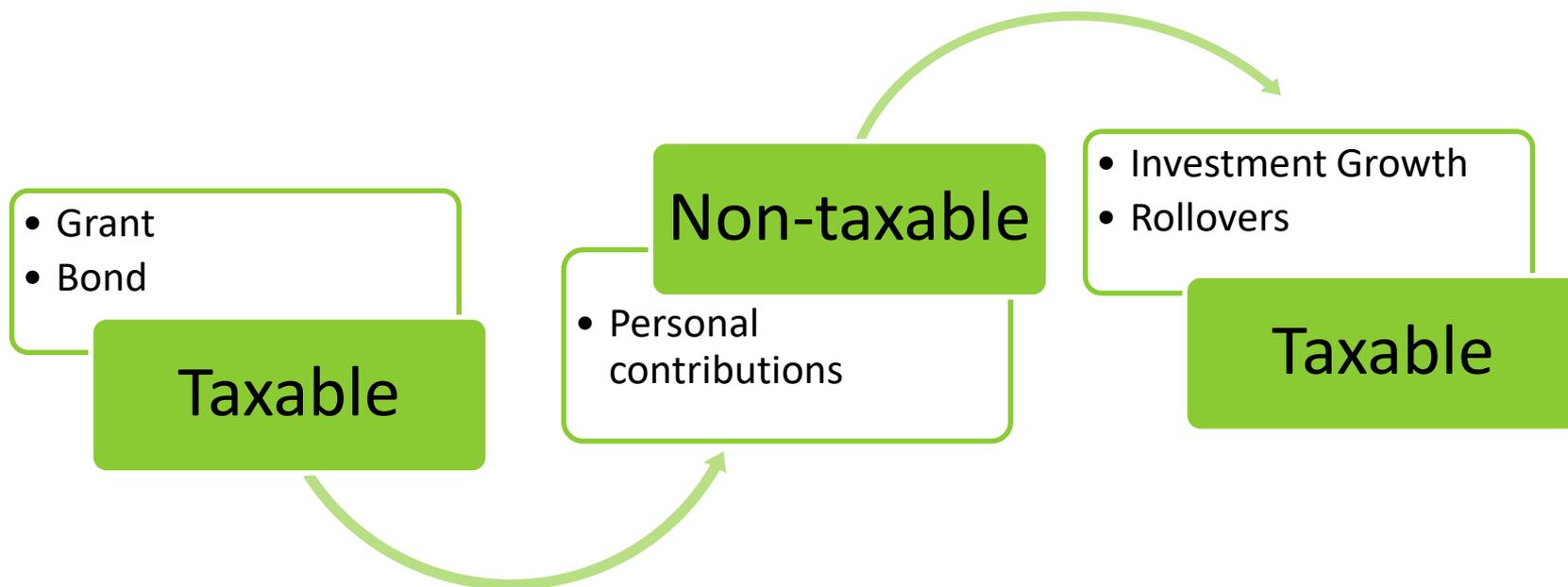
Ranjeet

\$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 \$46,605 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

- 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:** 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

Taxation of RDSP



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

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

The money comes out...

1. Government contributions exceed private contributions:

- Must follow formula of regularly scheduled withdrawals (LDAP)

2. Private contributions exceed government contributions:

- No limitations on maximum amounts or schedules (DAP)

The 10-Year Repayment Rule

The New Proportional Repayment Rule

- 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
 - 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
- 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)

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

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

Provincial and Federal Implications

BC Exemptions

- Assets in an RDSP do not determine eligibility for BC Disability Benefits

Federal Exemptions

- 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
- The 10 Year rule
- The growth and government contributions are taxable
-
- The remainder passes on to beneficiary's estate

Your Scenario – The RDSP Calculator



Free RDSP Calculator for Canadians

The RDSP Calculator will help Canadian families project the estimated future value of an RDSP and will help determine how it can enhance the quality of life for a family member with a disability. By answering a few simple questions, the Calculator will determine the amount of Grant and Bond a person is eligible for, and the approximate value of future withdrawal payments. Run various scenarios to see how it would affect the value of your RDSP.

Note that the RDSP Calculator is a tool to help you assess the potential of opening and contributing to an RDSP. The estimates provided by the Calculator are for information purposes only. The profile of your RDSP may differ from the RDSP Calculator projection. **Start planning now!**

LEARN MORE:

- [What is the RDSP?](#)
- [How do I qualify?](#)
- [Where do I get it?](#)
- [About PLAN](#)
- [About Prosper Canada](#)

Getting started

User:

Your age:

Year you opened your RDSP:

Have you qualified for the Disability Tax Credit (DTC)? No, or not sure Yes

Family Income (before 18):

Family Income (18 and after):

Your contributions

Annual contribution:

Contribute until (age):

Investment strategy before payment begins:

Investment strategy after payment begins:

Will you make any lump-sum contributions? No Yes

Will you roll over any RRSP funds? No Yes

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

Extra \$150 Grant – Endowment 150

- \$150 grant to help you grow your RDSP
- 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

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
- 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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Email: info@rdsp.com

Visit: www.rdsp.com

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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