

Registered Disability Savings Plan (RDSP)

A Registered Disabilities Savings Plan (RDSP) is a federal program designed to support Canadians with disabilities and their families when planning for future financial needs. Crowe MacKay's trusted advisors review what a Registered Disability Savings Plan (RDSP) is, who is eligible, and how to best plan so you get the most out of your savings, including taking advantage of government assistance like bonds and grants and maximizing savings through contributions and tax-deferred growth on the income.

**In this article a holder is referred to as the individual(s) who set-up the RDSP*

Who is eligible for an RDSP?

To be eligible for an RDSP the following requirements must be met:

- The beneficiary and the holder must have a valid Social Insurance Number (SIN)
- The beneficiary is eligible for the disability tax credit (DTC)
- The beneficiary is a resident of Canada
- The beneficiary is 59 years of age or less at the end of the calendar year that the RDSP is opened

How to open an RDSP

- The subscriber chooses a qualified promoter

A qualified issuer consist of financial and investment institutions who will then provide the subscriber with all the required information to setting up the plan. A list of qualified issuers can be found [here](#)

- The subscriber provides the issuer with all required information

- The holder, or anyone with written permission from the holder, may contribute to the RDSP
- Contributions are made in trust to the issuer and will be invested, used, or applied by the issuer to make funds available for use by the beneficiary

A beneficiary can only have one RDSP at any given time

What to know about funds contributed to an RDSP

- Contributions are not tax deductible to the holder or beneficiary
- Contributions that are withdrawn are not included as income of the beneficiary
- There are no annual contribution limits, but the total amount of all contributions made into an RDSP for the beneficiary must not exceed the lifetime limit of \$200,000
- Investments held within an RDSP must be qualified investments as per the Income Tax Act



Canada Disability Savings Grant

The Canada Disability Savings Grant is a federal program where funds are given to eligible RDSP accounts based on contributions made and the beneficiary's family income.

Grants are issued to eligible beneficiaries on an annual basis on or before December 31 of the year the beneficiary turns 49.

An RDSP may receive up to a maximum of \$3,500 in grants per year depending on family income, with a lifetime maximum of \$70,000.

The family net income thresholds are adjusted annually and the following chart reflects the income threshold for 2021:

Beneficiary's family income	Matching grant	Maximum annual grant
Less than or equal to \$98,040	On first \$500 - grant equivalent to 300%	\$1,500
Less than or equal to \$98,040	On next \$1,000 – grant equivalent to 200%	\$2,000
Greater than \$98,040	On first \$1,000 – grant equivalent to 100%	\$1,000

Payments from an RDSP

The two types of payments out of an RDSP are a disability assistance payment (DAP) and a lifetime disability assistance payment (LDAP).

Disability assistance payment: DAP's are discretionary payments that can be made at any time to the beneficiary.

Lifetime disability assistance payment: LDAP's are payments which, once started, are payable at least annually until either the plan is terminated or the beneficiary dies. A LDAP must begin no later than the end of the calendar year in which the beneficiary turns 60.

Taxation of Contributions

- Contributions are not tax deductible when made into an RDSP
- Registered retirement savings plans (RRSP) and registered education savings plans (RESP) that have been rolled over into the RDSP are not taxable when they are rolled into the RDSP, but they are taxable when they are withdrawn.
- Investment income earned inside of the RDSP accrues tax free within the plan.
- Grants, bonds, payments from designated provincial programs, and investment income earned within the plan are included for tax purposes in the beneficiary's income in the year in which a payment is made.
- All taxable portions of the RDSP are deemed to be included in the beneficiary's taxable income in the year of the beneficiary's death.

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There are several formulas to calculate the taxable and non-taxable portion of payments as they are made.

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