



## **Registered Disability Savings Plans Build for the Future**

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Anyone who is eligible to receive the Federal Government Disability Tax Credit, has a Social Insurance Number, and is under the age of 50, qualifies for Canada's new Registered Disability Savings Plan (RDSP). A disabled individual under the age of 18 must also be registered for the child tax credit.

The RDSP came into effect on December 1, 2008 and in order to qualify for a tax receipt and receive the Federal Government grants and bonds for 2008, contributions must be made before March 2, 2009.

Funds in an RDSP, similar to funds in a Registered Retirement Savings Plan (RRSP) or Registered Education Savings Plan (RESP), grow tax sheltered. The disabled person who is the beneficiary of the RDSP pays income taxes when money is withdrawn from the plan.

### **Contributions to an RDSP**

The disabled individual, family, or friends are permitted to contribute to an RDSP. The lifetime contribution limit is \$200,000 and must be made within 20 years of the RDSP being opened and before the beneficiary turns 50. There is no annual contribution limit, but contributions should be made to maximize the Federal grants and bonds that are available.

### **Grants and Bonds**

No other social program in Canadian history has been as generous in government contribution as the RDSP.

- **Grants** — the lifetime grant maximum is \$70,000. When family income is less than \$75,769 per year, the first \$500 contributed to an RDSP receives a grant equivalent to \$3 for each \$1; and for the next \$1,000 contributed the grant is \$2 for every \$1. When family income is more than \$75,769 per year, contributions are matched dollar for dollar up to maximum grant amount of \$1,000

Over...



## **Contributions, Grants, and Bonds for 2008/2009**

The numbers are staggering for contributions made to an RDSP for 2008/2009. Consider the RDSP of a disabled individual whose family income is less than \$20,833 a year:

- Before March 2, 2009, contributions totaling \$1,500 are made for 2008
- After March 3, 2009, contributions totaling \$1,500 are made for 2009
- Federal Government grant for 2008 is \$3,500
- Federal Government grant for 2009 is \$3,500
- Federal Government bond for 2008 is \$1,000
- Federal Government bond for 2009 is \$1,000
- Total in RDSP is \$12,000

## **“Family Income” Defined**

For a disabled person who is 18 years of age or older, “family income” for RDSP purposes is defined as that individual’s income. For a disabled person under the age of 18, “family income” for RDSP purposes is the income of the minor’s legal guardian(s).

## **Withdrawals from an RDSP**

- Federal grants and bonds must remain in the RDSP for ten years, but there is no withdrawal restriction on the contributions otherwise made to the plan.
- The disabled individual who is the beneficiary of the RDSP pays income tax on withdrawals from the plan.
- There are no restrictions on the use of the funds withdrawn from an RDSP.

## **For More Information**

An estimated 700,000 Canadians qualify for an RDSP, so please pass along this information to family, friends, and co-workers who may benefit from a plan. For more information or assistance in setting up an RDSP, please contact your Nakamun advisor.