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# Registered Disability Savings Plan

## Helping People with Disabilities

### Save for the Future



**RDSP,  
grant and  
bond**

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Paper

Cat. No.: HS64-4/2010

ISBN: 978-100-52648-5

PDF

Cat. No.: HS64-4/2010E-PDF

ISBN: 978-1-100-96266-5

# Helping People with Disabilities Save for the Future

The Registered Disability Savings Plan (RDSP) helps people with disabilities and their families save for the future.

To help you save, the Government will pay a matching Canada Disability Savings Grant of up to \$3,500 a year on your contributions. The Government will also pay a Canada Disability Savings Bond of up to \$1,000 a year into the RDSPs of low-income and modest-income Canadians. No contributions are necessary to receive the bond. Earnings accumulate tax-free until money is taken out of the RDSP.

## What is a Registered Disability Savings Plan?

The RDSP is a long-term savings plan to help Canadians with disabilities and their families save for the future. In general, RDSPs can be opened before the person who will receive the money (the beneficiary) turns 60.



## **Who should consider opening an RDSP?**

You should consider opening an RDSP if you have a long-term disability and are:

- under the age of 60;
- a Canadian resident with a social insurance number;
- eligible for the Disability Tax Credit (Disability Amount); and
- looking for a long-term savings plan.

## **What is the Disability Tax Credit (Disability Amount)?**

The Disability Tax Credit (Disability Amount) reduces the amount of income tax that an individual with a severe and prolonged physical or mental disability may have to pay. It is a non-refundable credit.

For more information on the Disability Tax Credit (Disability Amount), visit the Canada Revenue Agency website at [www.cra.gc.ca/disability](http://www.cra.gc.ca/disability) or call 1-800-959-8281 (TTY users call 1-800-665-0354).

## **What is the Canada Disability Savings Grant?**

The Canada Disability Savings Grant is a matching grant that the Government will deposit into your RDSP to help you save.

The Government will provide matching grants of up to 300%, depending on the amount contributed and the beneficiary's family income. The Government will deposit a maximum of \$3,500 each year, with a limit of \$70,000 over the beneficiary's lifetime.

Grants will be paid into the RDSP until the year the beneficiary turns 49 years old. You must apply for the grant at the financial organization where you have your RDSP.

### **For example**

#### **If the beneficiary's family income is less than or equal to \$83,088\***

- For the first \$500 contributed each year to the RDSP, the Government will deposit \$3 for every \$1 contributed, up to \$1,500 a year.
- For the next \$1,000 contributed each year to the RDSP, the Government will deposit \$2 for every \$1 contributed, up to \$2,000 a year.

#### **If the beneficiary's family income is greater than \$83,088\***

- For the first \$1,000 contributed each year to the RDSP, the Government will deposit \$1 for every \$1 contributed, up to \$1,000 a year.

\* *Income amounts shown are for 2011. The income amounts will be updated each year based on the rate of inflation.*

*Please visit [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca) for current income amounts.*

## What is the Canada Disability Savings Bond?

The Canada Disability Savings Bond is money that the Government will deposit into the RDSPs of low-income and modest-income Canadians. Beneficiaries who qualify for the bond will receive up to \$1,000 a year from the Government of Canada, with a limit of \$20,000 over the beneficiary's lifetime. Bonds will be paid into the RDSP until the year the beneficiary turns 49 years old.

You do not need to make any contributions to your RDSP to receive the bond; however, you must apply for the bond at the financial organization where you have your RDSP.

### For example

#### **If the beneficiary's family income is less than or equal to \$24,183\***

- The Government will deposit \$1,000 each year to the RDSP.

#### **If the beneficiary's family income is between \$24,183\* and \$41,544\***

- The Government will deposit a portion of the \$1,000 to an RDSP each year. As your income increases, the bond amount paid into your RDSP decreases.

\* Income amounts shown are for 2011. The income amounts will be updated each year based on the rate of inflation.

Please visit [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca) for current income amounts.

## **Can I claim unused grant and bond entitlements?**

Yes. Beginning in January 2011, you will be allowed to carry forward unused grant and bond entitlements for a 10-year period (starting from 2008, the year RDSPs became available). Grant and bond amounts will be based on the beneficiary's family income in those years.

## **How is the beneficiary's family income determined for the grant and bond?**

Calculation of the beneficiary's family income is dependent on the beneficiary's age.

From the beneficiary's year of birth to December 31 of the year when he/she turns 18, the beneficiary's family income is based on the income information that was used to determine the Canada Child Tax Benefit (CCTB) for that beneficiary.

Beginning the year the beneficiary turns 19 until the plan is closed, the beneficiary's family income is based on his/her income plus their spouse's income.

To qualify for the bond and to earn a matching grant of \$3 or \$2 for every \$1 contributed, the beneficiary must file their income tax returns for the past two years and all future taxation years when they have an RDSP.



## How do I open an RDSP?

### Step 1: Identify the beneficiary of the RDSP

The beneficiary is the person who will receive the money in the future. They must:

- be under 60;
- be a Canadian resident;
- be eligible for the Disability Tax Credit (Disability Amount), see page 2 for more information; and
- have a social insurance number.

There can only be one beneficiary per RDSP, and one RDSP per beneficiary.

### Step 2: Identify the holder of the RDSP

The holder is the person or organization that opens and manages the RDSP.

- For beneficiaries under the age of majority (which varies across provinces and territories), the holder can be a legal parent, legal representative or public department.
- For beneficiaries over the age of majority, the holder will generally be the beneficiary, but in certain circumstances a guardian, legal representative or public department may be eligible to become the holder.

## Step 3: Contact a financial organization

- Several financial organizations offer the RDSP, the grant and the bond. You can open an RDSP by completing a registration form at a participating financial organization.
- For a list of participating banks, credit unions or other financial organizations, visit [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca).

### How do I apply for the grant and bond?

To apply for the grant and bond, fill out an application form. You can find one at participating banks, credit unions or other financial organizations or at [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca).

The completed form must be given to your bank, credit union or other financial organization for grants and bonds to be paid.



## **Who can contribute to an RDSP?**

The holder or anyone with written permission from the holder, such as a grandparent or a friend, can contribute to an RDSP. There is no annual contribution limit, but there is a lifetime contribution limit of \$200,000.

## **Can RRSP, RRIF and RPP proceeds be rolled over into an RDSP?**

Yes. Beginning in July 2011, the proceeds from a deceased individual's Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), and Registered Pension Plan (RPP) can be rolled over into the RDSP of a financially dependent child or grandchild with a disability. For more information, please visit the Canada Revenue Agency website at [www.cra.gc.ca/rdsp](http://www.cra.gc.ca/rdsp).

## **When can I withdraw money from my RDSP?**

Money can be withdrawn at any age; however, withdrawals must begin by age 60.

As the RDSP is a long-term savings plan, grants and bonds must remain in an RDSP for at least 10 years. Whenever money is withdrawn, all grants and bonds that were paid into the RDSP during the 10 years before the withdrawal must be repaid to the Government.

## There are two types of withdrawals from RDSPs:

### Disability Assistance Payment (DAP)

- a withdrawal from the RDSP to the beneficiary
- OR

### Lifetime Disability Assistance Payment (LDAP)

- regular withdrawals that must begin by age 60 (but may begin earlier).
- once they start, regular withdrawals must continue to be paid at least annually until the beneficiary dies or the plan is closed.
- the total amount that may be withdrawn each year is limited by a formula in the *Income Tax Act*.

*Please note: The grant, bond and investment income earned in the RDSP will be included in the beneficiary's income for tax purposes when paid out of the RDSP. Original contributions to the RDSP will not be included in the beneficiary's income for tax purposes when paid out of the RDSP.*

For more information on withdrawing money from an RDSP, visit the Canada Revenue Agency website at [www.cra.gc.ca/rdsp](http://www.cra.gc.ca/rdsp) or call 1-800-959-8281 (TTY users call 1-800-665-0354).

## What if the RDSP is closed?

Grants and bonds are intended to encourage long-term savings. They must remain in an RDSP for at least 10 years.

Grants and bonds that have been in the RDSP for less than 10 years must be repaid to the Government if:

- the plan is closed; or
- the beneficiary loses their eligibility for the Disability Tax Credit (Disability Amount); or
- the beneficiary passes away.

All other money in the RDSP, including the investment income earned, will be paid to the beneficiary or the beneficiary's estate.

## How will the RDSP have an impact on other government benefits?

Money paid out of an RDSP will not affect your eligibility for federal benefits, such as the Canada Child Tax Benefit, the Goods and Services Tax credit, Old Age Security, or Employment Insurance benefits.

RDSPs will have little or no impact on provincial and territorial social assistance payments. Contact your provincial or territorial government for further details.

More information is also available at [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca).

## **For more information on applying for the grant and bond**

Call: 1 800 O-Canada (1-800-622-6232)

TTY: 1-800-926-9105

Visit: [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca)

Email: [rdsp-reei@hrsdc-rhdcc.gc.ca](mailto:rdsp-reei@hrsdc-rhdcc.gc.ca)

## **For more information on opening an RDSP**

Call: 1-800-959-8281

TTY: 1-800-665-0354

Visit: [www.cra.gc.ca/rdsp](http://www.cra.gc.ca/rdsp)







