

Registered Disability Savings Plan helps enable families affected by disability

The Federal Government has created a new savings program known as the Registered Disability Savings Plan (RDSP). This unique plan, designed to assist disabled individuals and their families in saving for their long-term financial needs, will be available to eligible Canadians through RBC® as of February 16, 2009.

How the RDSP works

The RDSP allows you to save and invest for yourself or a disabled family member in a tax-deferred environment.

In addition, contributions may be eligible for Canada Disability Savings Grants (CDSGs) and the plan may be eligible for Canada Disability Savings Bonds (CDSBs). These government contributions, paid directly into the plan, can significantly increase accumulations over time.

The money in the RDSP can be used for any purpose, as long as it is for the benefit of the disabled person who is the plan's beneficiary. Contributions can be made up until the end of the year the beneficiary turns 59 (although to be eligible for the CDSG, contributions must be made by the end of the year the beneficiary turns 49). There is no annual contribution limit, but there is a lifetime

limit for total contributions of \$200,000. Contributions are not tax-deductible. The beneficiary must begin receiving payments from the plan by the end of the year he or she turns 60.

Who can open an RDSP?

In order to open an RDSP, you must be:

- › a person with a disability; or
- › the parent of a person 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.

The beneficiary of an RDSP must be a resident of Canada, and be eligible for the Disability Tax Credit (DTC) as defined in the Income Tax Act (Canada). To qualify for the DTC, a person must have a prolonged and severe impairment in physical or mental function, which is confirmed by a qualified practitioner and

accepted by the Canada Revenue Agency (CRA). (For details, please see form T2201 Disability Tax Credit Certificate and other information on the CRA website at www.cra-arc.gc.ca.)

A disabled person can be a beneficiary of only one RDSP, and each RDSP can have only one beneficiary. Anyone can contribute to the RDSP as a gift for the benefit of the disabled person; however, the contributor will need the written consent of the holder of the plan.

Government grants and bonds

To accelerate the growth of your RDSP, the Federal Government offers two types of contributions.

The Canada Disability Savings Grant (CDSG) provides matching contributions of 100%, 200% or 300% annually, to a lifetime limit of \$70,000. Where net family income is less than \$75,769 (in 2008),



the CDSG is 300% on the first \$500 of contributions plus 200% on the next \$1,000 (see example below).

Net family income less than \$75,769

Amount contributed to RDSP:		\$1,500
CDSG:	$\$500 \times 300\% =$	\$1,500
Plus	$\$1,000 \times 200\% =$	\$2,000
TOTAL IN PLAN:		
Contribution	$\$1,500 +$ CDSG	$\$3,500 =$ \$5,000

Where net family income is above \$75,769, the CDSG is 100% on the first \$1,000 contributed (matching dollar-for-dollar). The income threshold will be revised annually to keep pace with inflation.

The Canada Disability Savings Bond

(CDSB) is paid to low-income families, regardless of whether contributions are made to an RDSP. Once the plan has been opened, the maximum payment is \$1,000 annually, to a lifetime maximum of \$20,000.

To qualify for the \$1,000 annual maximum CDSB, net family income

must be less than \$21,287 (2008 threshold). If family income is above the threshold, the CDSB is reduced on a prorated basis, reaching zero when income exceeds \$37,885. These thresholds will also be revised annually.

Note that if any withdrawals are made from the RDSP within 10 years of receiving the CDSG or CDSB, the grant and bond amounts received during those 10 years must be repaid.

Getting the money out

The portion of the RDSP beneficiary payment that represents the grant and the growth within the plan is taxable. The portion that represents the original contributions is not taxable. Payments do not affect eligibility for Federal Government benefits such as the GST credit and the Canada Child Tax Benefit. However, receipt of RDSP payments may affect eligibility for provincial disability support payments or other disability pensions that are means-tested. (Please consult the benefit provider for further information before creating an RDSP.)

There are two types of payments:

› **Disability Assistance Payments.** These are lump-sum or unscheduled payments that can be requested at any time, as long as contributions exceed the amount of grants and bonds in the RDSP.

However, they trigger the repayment of any CDSG or CDSB received during the previous 10 years.

› **Lifetime Disability Assistance Payments.**

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

We can help

If you or anyone in your family is eligible for the Disability Tax Credit, the new Registered Disability Savings Plan can help provide the long-term financial support your family needs. To learn more, please speak with an RBC advisor or call 1-800-463-3863.



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