

Registered Disability Savings Plans (RDSPs)

Planning for the financial
well-being of your loved ones





A person with disabilities will have unique financial needs throughout their life – an RDSP can help provide peace of mind when planning for long-term financial security.

RDSP: A savings overview

RDSPs are designed for long-term savings. A lifetime maximum of \$200,000 can be contributed per beneficiary. The Government of Canada may contribute up to a lifetime maximum of \$70,000 in Canada Disability Savings Grants and \$20,000 in Canada Disability Savings Bonds. With the holder's permission, friends and family members can make a contribution toward the RDSP. This helps the holder to maximize government grants and the lifetime contribution limit.

The earlier contributions into an RDSP begin, the sooner government grants & bonds can be collected, the longer the plan will have to grow. During this time, no taxes are payable on the annual growth. Using the power of compound growth and the benefits of tax deferral, there will be more money for the future.

Who is eligible for an RDSP?

An RDSP may be established for a beneficiary who:

- Is eligible for the federal disability tax credit (DTC)
- Is a resident of Canada
- Has a valid Social Insurance Number
- Is turning 59 or younger in the year (contributions can be made until the end of the year the beneficiary turns 59)

Who can be the holder?

The holder - the person who opens and manages the plan - can be a parent, legal guardian or qualifying family member of the disabled individual.

The disabled individual can also be the holder, provided they are the age of majority and are legally competent to sign a contract. The holder determines contribution amounts, selects investments and manages withdrawals.



Contributing to the RDSP

The account must be opened before, and contributions can be made up to the end of the year in which the beneficiary turns 59. Governmental grants and bonds are payable until the end of the year the beneficiary turns 49.

Contributions: Lump sum vs. periodic

Depending on your individual situation and taking the beneficiary's needs into consideration, you need to determine whether a lump sum or periodic contributions are better for you. There needs to be a balance between maximizing grants and tax-deferred growth and consideration of cash flow needs.

Canada Disability Savings Grant

The Canada Disability Savings Grant (CDSG) is a matching grant that the government will deposit into the RDSP. Grants of up to 300% are available, depending on the amount contributed and the beneficiary's family income*. The maximum grant entitlement generated in a particular year is \$3,500. The maximum grant that can be picked up in a year is \$10,500, with a limit of \$70,000 over the beneficiary's lifetime. Grants are payable until the end of the year the beneficiary turns 49.

Example: 2023 Threshold*

FAMILY INCOME*	GRANT FORMULA	CONTRIBUTION TO MAXIMIZE GRANT	MAXIMUM GRANT FROM THAT CONTRIBUTION
≤ \$106,717	300% of first \$500 200% of next \$1,000 Total contribution \$1,500	\$1,500	\$3,500
> \$106,717	100% of first \$1,000	100%	\$1,000

Canada Disability Savings Bond

The Canada Disability Savings Bond (CDSB) is available to Canadians with a low or modest family income*. The bond can be added to an RDSP, even if no contributions are being made. A maximum entitlement of \$1,000 per year can be generated with a limit of \$20,000 over the beneficiary's lifetime. Unused grant entitlements will carry forward for up to 10 years. Bonds are payable until the end of the year the beneficiary turns 49.

How much bond room do you generate in a year?

FAMILY INCOME*	BOND FORMULA
≤ \$34,863	\$1,000
> \$34,863 but ≤ \$53,359	Pro-rated amount
> \$53,359	\$0

The impact of withdrawing savings from an RDSP

Withdrawals, known as **Disability Assistance Payments (DAPs)**, must begin the year the beneficiary turns 60, can vary depending on the circumstances:

- The amount eligible for withdrawal in any given year may be limited
- DAPs do not impact federal benefits, such as Old Age Security, the Canada Child Benefit, the Goods and Services Tax credit and Employment Insurance
- DAPs usually have no impact on provincial and territorial social assistance payments
- DAPs are paid to the beneficiary and the beneficiary is taxed on the CDSG, CDSB and tax-deferred growth portion of the withdrawal
- DAPs may cause a repayment of some or all of the grants and bonds received by the plan within the last 10 years. This is referred to as the 10-year rule.

The 10-year rule

When it's time to withdraw a DAP, there will be a repayment of the lesser of three times the amount withdrawn or all the grants and bonds received by the RDSP in the prior 10 years.**

* 2023 income thresholds. Thresholds increases each year based on the rate of inflation. Family income is calculated using the beneficiary's age: If the beneficiary is turning 18 or younger in the calendar year, then the income of the beneficiary's parents is generally used. If the beneficiary is turning 19 or older in the calendar year, the income of the beneficiary and the income of the beneficiary's spouse or common-law partner, if applicable, are used.

** Some exceptions for shortened life expectancy and loss of the disability tax credit.



The value of an RDSP

Fred, age 30, has just become eligible for the federal disability tax credit this year. He and his family are able to set aside \$1,500 annually for 20 years to invest in Fred's RDSP. If they make no withdrawals during that 20-year period, assuming a 3.75% rate of return, Fred's RDSP could be worth up to \$180,633.

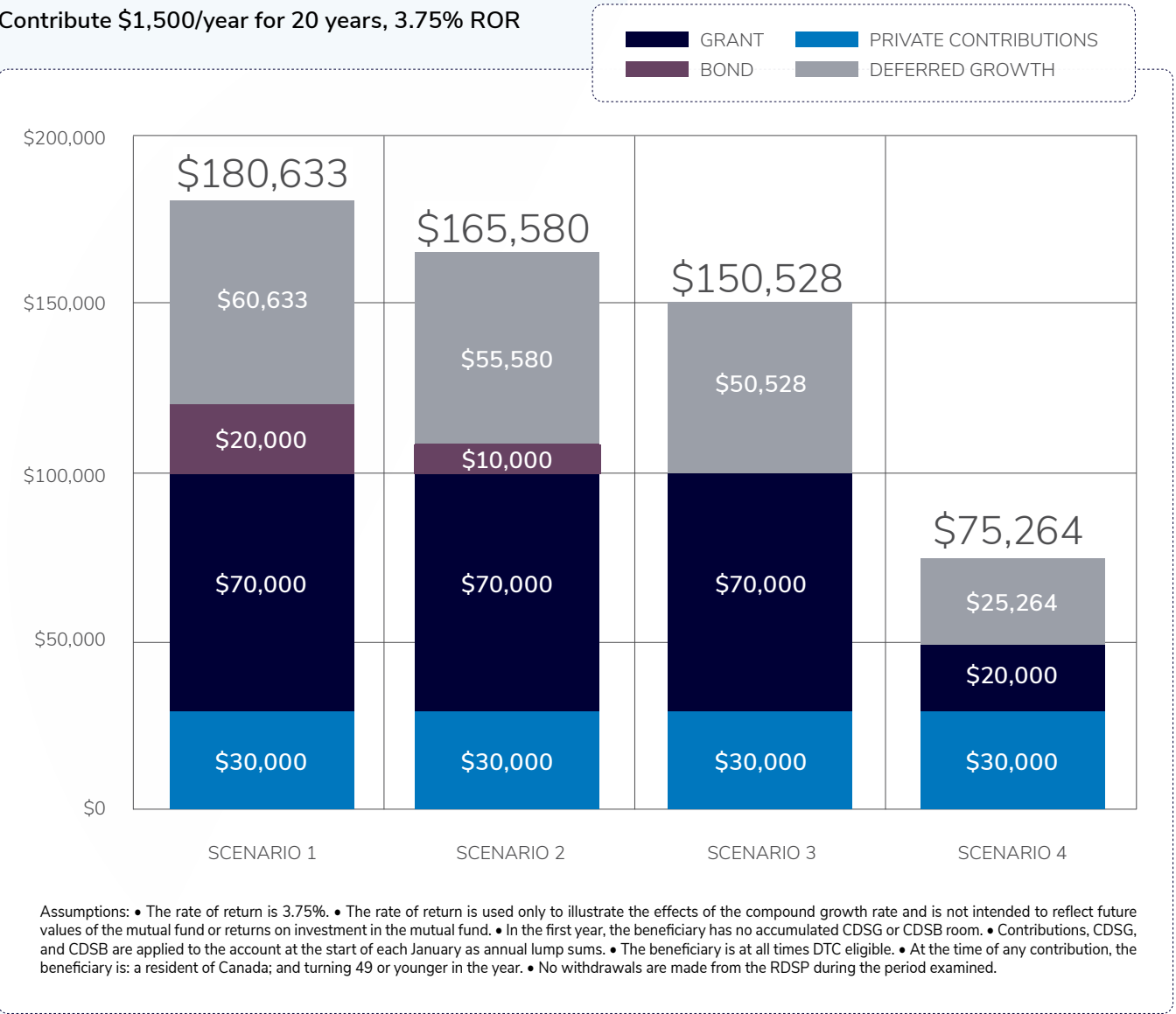
“The four scenarios show the impact of different family income levels on Fred's ability to accumulate grants and bonds.”



We have four scenarios; each one assumes Fred's family income has remained at a consistent level.

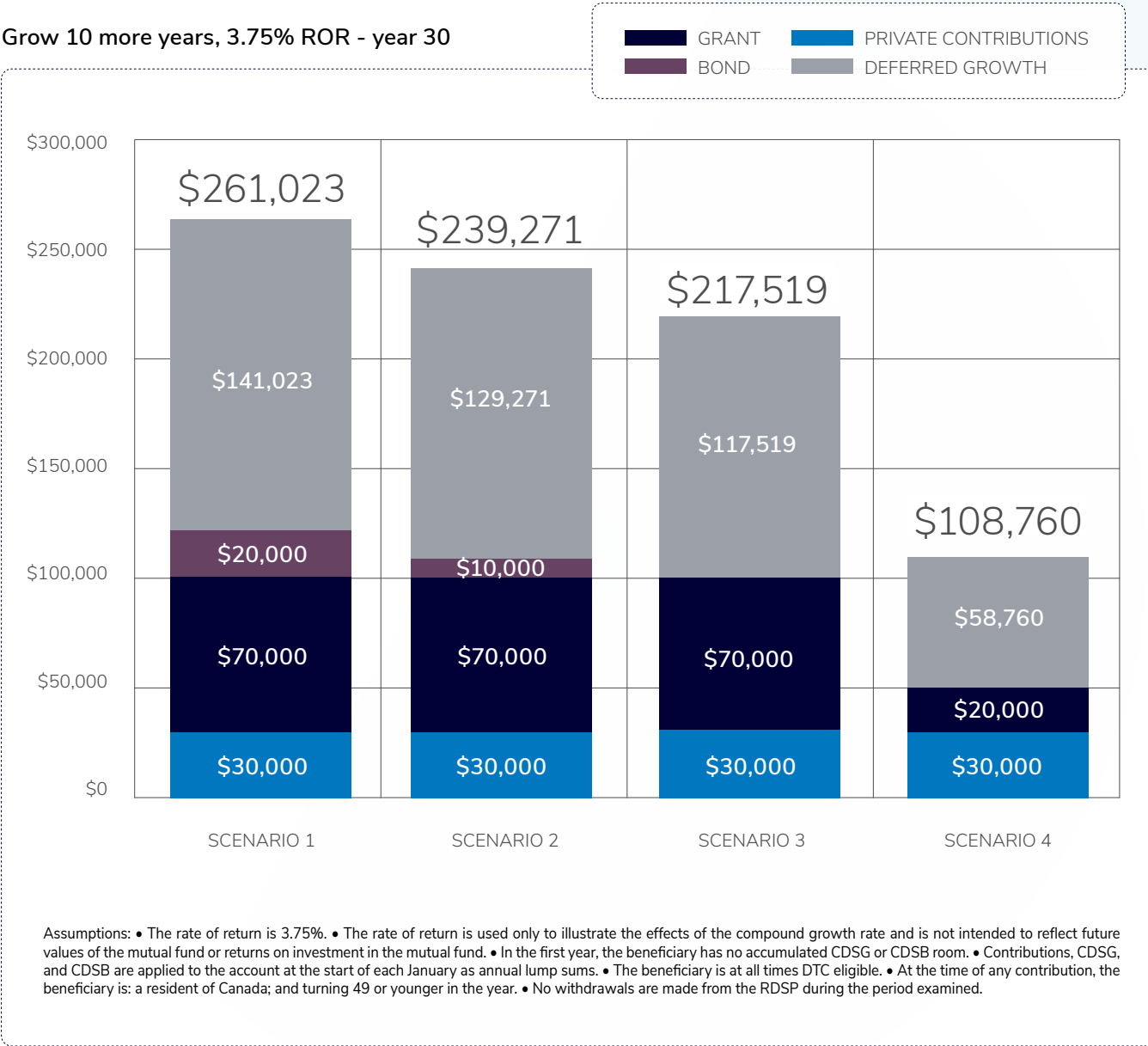
SCENARIO 1	SCENARIO 2	SCENARIO 3	SCENARIO 4
Assumes Fred's family income is low enough to qualify for maximum grant and maximum bond.	Assumes he qualifies for maximum grant and 50% bond.	Assumes he qualifies for maximum grant and no bond.	Assumes he qualifies for minimum grant and no bond.

Contribute \$1,500/year for 20 years, 3.75% ROR



How much can Fred withdraw?

Fred will be required to start making withdrawals the year he turns 60, but there will be no clawbacks to worry about.Fred contributed \$1,500/year to his RDSP for 20 years and would have collected differing amounts of grants/ bonds depending on his family income through the years. The plan continued to grow at 3.75% for 10 more years, until the end of the year in which he turned 59. No grants or bonds were received after year 20 (when he turned 49). The value of the account at the end of that year (and the start of the year in which Fred turns 60) will be as follows:



Given these values, Fred would be able to withdraw the following amounts with no clawbacks because it is the year in which he turns 60 and and it’s been more than 10 years since the grant/bond have been received:

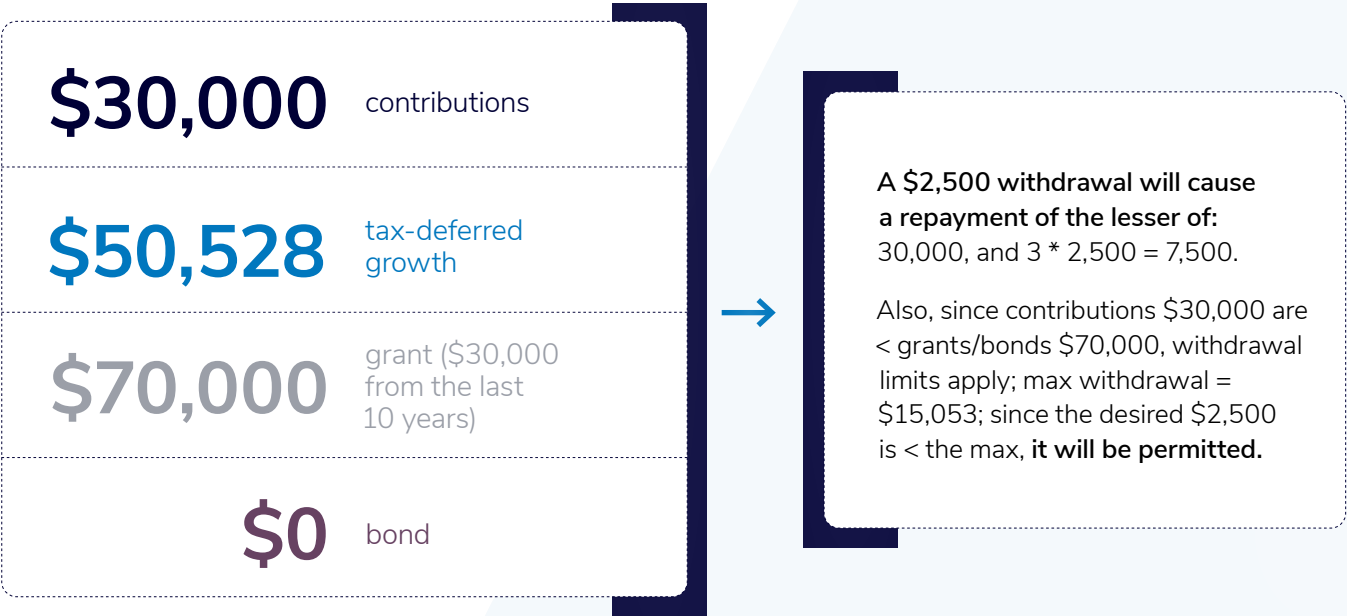
	SCENARIO 1	SCENARIO 2	SCENARIO 3	SCENARIO 4
INCOME LEVEL FRED QUALIFIES FOR	100% BOND, MAX. GRANT	50% BOND, MAX. GRANT	0% BOND, MAX. GRANT	0% BOND, MIN.GRANT
Maxiumum withdrawal amount	\$26,102	\$23,927	\$21,752	\$108,760
Non-taxable portion of maximum withdrawal amount	\$3,000	\$3,000	\$3,000	\$30,000
Taxable portion of maximum withdrawal amount	\$23,102	\$20,927	\$18,752	\$78,760
	The government has contributed more to his RDSP than Fred and his family did, so there will be restrictions on the amount he can withdraw. In these scenarios, he will not be able to withdraw more than 10% of the starting value this year.			He could potentially withdraw the entire value of the account.



Example of the 10-year rule

Khalid, age 35, is the beneficiary to an RDSP to which he and his family have been contributing to for the past 20 years, with no withdrawals to date. Khalid wishes to withdraw \$2,500 from his RDSP to purchase a used car.

Khalld's RDSP consists of:



Getting started with a Registered Disability Savings Plan

Your IG Wealth Management Consultant will take you through a sophisticated and in-depth investment planning interview to gain a thorough understanding of your personal investment goals, your investment time horizon, and your comfort level with risk and volatility. Based on the outcomes of this process, your IG Consultant will then prepare your IG Living Plan, review the details of your RDSP as well as provide you with a written confirmation of our ongoing service commitment.



We can help. Your loved ones should be able to focus on achieving their dreams and not be worrying about their finances. By opening an RDSP and putting together a plan that meets your loved one's needs, you can help to ensure their financial future is bright.

At IG Private Wealth Management we believe in the power of financial advice to change lives for the better. We are committed to helping Canadians feel empowered about their finances and to improving their ability to achieve their personal financial goals by synchronizing all aspects of their financial lives through the IG Living Plan™*.

For more information, please contact your IG Consultant.



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* To learn more about the IG Living Plan, visit <https://www.ig.ca/en/why-us/living-plan>

The Canada Disability Savings Grant (CDSG) and the Canada Disability Savings Bond (CDSB) are provided by the Government of Canada. Eligibility depends on family income levels. Speak to an IG Wealth Management Consultant about special RDSP rules; any redemption may require repayment of the CDSG and CDSB. Trademarks, including IG Wealth Management and IG Private Wealth Management, are owned by IGM Financial Inc. and licensed to subsidiary corporations. Written and published by IG Wealth Management as a general source of information only. Not intended as a solicitation to buy or sell specific investments, or to provide tax, legal or investment advice. Seek advice on your specific circumstances from an IG Wealth Management Consultant.

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