

Registered Disability Savings Plan (RDSP)- The federal government will match up to 3,500.00 per year on your RDSP contributions.

The Registered Disability Savings Plan (RDSP) is a long term savings plan for parents (and others) of someone who is eligible for the disability tax credit.

The RDSP was created 5 years ago and is intended to help those who have children with disabilities. Similar to the RRSP and RESP, it allows money to grow within the plan tax-free until the funds are withdrawn (at which point they become taxable).

Related: [Everything You Need to Know About the RESP](#)

Popularity of the RDSP

Even though the RDSP gives a tax break to those with disabilities, it is estimated only a small percentage of those who are eligible have signed up for the plan.

In 2013 less than 69,000 people had created an RDSP even though there is an estimated 500,000 people who are eligible.

Part of the issue relates to the enrolment process. The application(s) take a long time, can be confusing, and for anyone looking for answers on creating an RDSP there doesn't seem to be anywhere to turn for answers.

Eligibility of the RDSP

In order to be eligible for the RDSP, you need to:

- be eligible for the disability tax credit. For more information on this, [click here](#).
- have a valid Social Insurance Number (yes, your child will need a SIN to apply for the RDSP).
- a resident of Canada when the plan is created
- under the age of 60

RDSP Limits and Transfers

The lifetime contribution limit for an RDSP is \$200,000 with no annual contribution limit. This means you can contribute significant amounts in one year, smaller amounts in others and not be penalized (up to the \$200,000 lifetime maximum).

Contributions can be made up to the end of the year in which the beneficiary turns 59. All contributions are not tax deductible.

Transfers from one RDSP to another can be made if: the beneficiary is the same for both plans, all funds are rolled over from the old RDSP to the new RDSP, and the old RDSP is closed immediately after the transfer.

Canada Disability Savings Grant (CDSG)

The Canada Disability Savings Grant (CDSG) is a grant that the government contributes towards the plan. The more you contribute, the more grant money you can receive. Depending on family income, the government will contribute anywhere from 100-300% of contributions made. The amount of the grant is based on family income.

Family income is calculated using the income from the beneficiary's birth to the end of the year they turn 18. Then when the beneficiary turns 19, the family income is calculated using the beneficiary's income plus their spouse's income.

An RDSP can receive up to \$3,500 in matching grants in one year and a lifetime maximum of \$70,000.

When family income is \$87,123 (or less):

- On the first \$500 of contributions: \$3 for every \$1 of contributions, up to \$1,500 per year
- On the next \$1,000 of contributions: \$2 for every \$1 of contributions, up to \$2,000 per year

When family income is \$87,123 (or more):

- On the first \$1,000 of contributions: \$1 for every \$1 of contributions, up to \$1,000

Canada Disability Savings Bond (CDSB)

The Canada Disability Savings Bond (CDSB) is a bond that goes straight into the RDSP. The maximum amount per year is \$1,000 and no contributions need to be made to receive the CDSB. The lifetime maximum is \$20,000.

The amount paid is based on family income. The income amounts are indexed each year for inflation, and last year family income of \$25,356 (or less) was required to get the full \$1,000 bond. A family income over \$43,561 (indexed for inflation each year) means no bond will be paid.

One bonus about the CDSB is that you can carry forward unused grant and bond entitlements to future years. Grants and bonds can be paid on unused entitlements of up to \$10,500 for grants and \$11,000 for bonds.

Repayment of Grants and Bonds

The Canada Disability Savings Grant (CDSG) and Canada Disability Savings Bond (CDSB) amounts may need to be repaid in certain situations. If the following events have occurred in the past 10 years, the amounts may need to be repaid:

- the plan is reregistered or plans terminated

- the beneficiary is no longer eligible for the disability tax credit (in this case an election to extend the RDSP needs to be filed)
- the beneficiary passes away

RDSP Calculator

Click here for an RDSP calculator to get a better idea of how much government money you are eligible for.

Conclusion: The RDSP allows for tax free growth similar to an RRSP or RESP and the grants/bonds available can help families with a disabled child save for the future.

- Phone: 1.800.959.8281 (TTY 1.800.665.0354)
- Website <http://www.cra-arc.gc.ca/rdsp/>
- Website: Questions and Answers <http://www.cra-arc.gc.ca/gncy/bdgt/2012/qa08-eng.html>