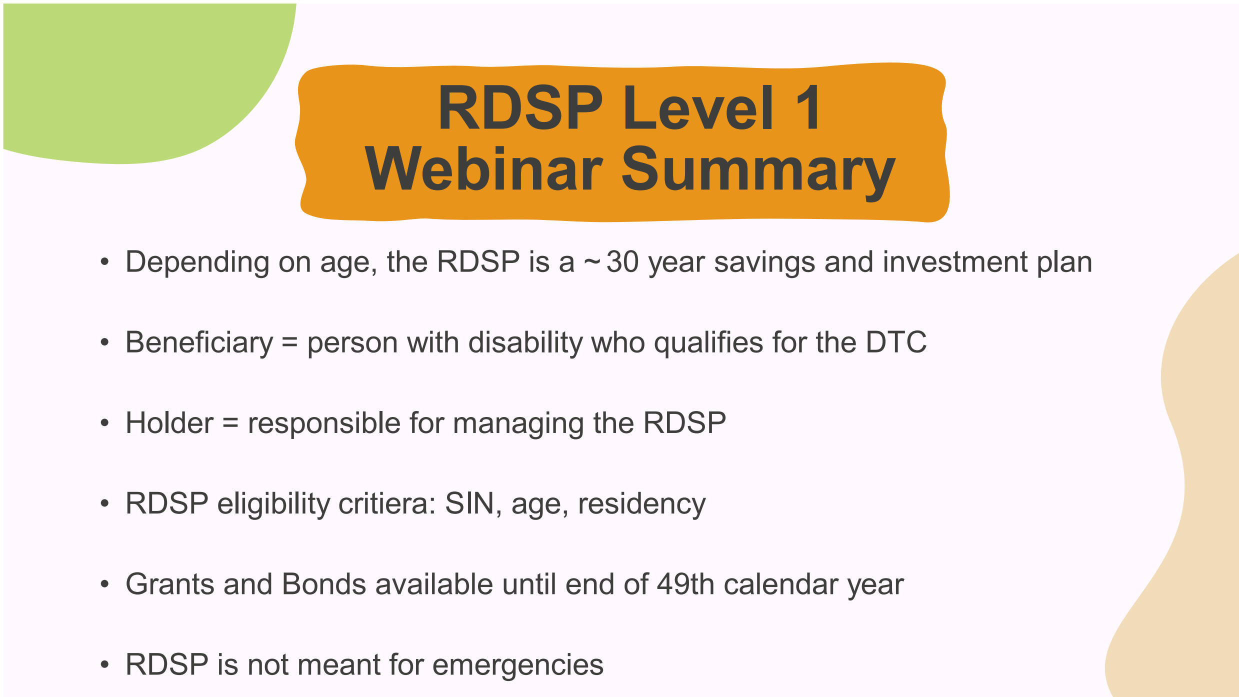
Updated May 23, 2024

RDSP Level 2: Managing your RDSP Webinar – Notes Package

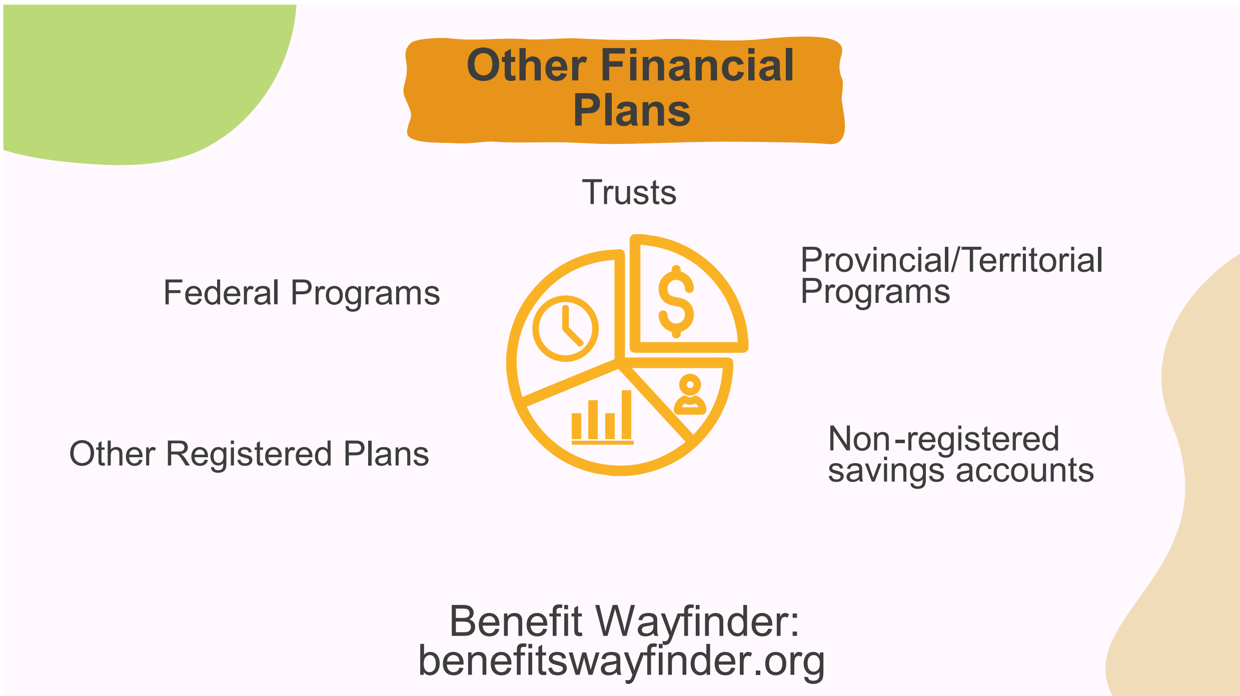


<u>RDSP Level 1 Webinar Summary</u>

Here is an overview of the information that is covered in our RDSP Level 1 webinar:

- Depending on your age and circumstances, the RDSP is intended to be approximately a 30+ year savings plan that can lead to significant financial security for people with disabilities.
- When it comes to RDSPs, there is a beneficiary, who is the person with the disability that is eligible for the disability tax credit, and there is also a holder, who is the person responsible for managing the RDSP and working with the financial institution and government to make sure the account is working properly.
- A person with disability can be both the beneficiary and the holder of their plan if they are an adult and have contractual competency.
- The requirements to open an RDSP are for the beneficiary and holder to have a valid social insurance number or SIN number, for the beneficiary to be in the calendar year they turn 59 or sooner, for the beneficiary to be a Canadian resident for tax filing purposes, and for the beneficiary to be approved for the DTC.
    - To be clear, this means that they start the year at age 58 and end the year at age 59.
- Depending on age, the beneficiary can receive up to $70,000 in grants and $20,000 in bonds up until the end of the calendar year in which they turn 49.
    - And again, this means that they start the year at 48 and end the year at 49. Retroactive grants and bonds can only be received up until this time as well.

- The maximum per year for the RDSP is $3,500 in grants and $1,000 in bonds without retroactivity, and it will take 20 or more years to reach the maximum amount.
- And finally, the RDSP is not meant for use for emergencies, and we always encourage people to open an emergency savings plan.

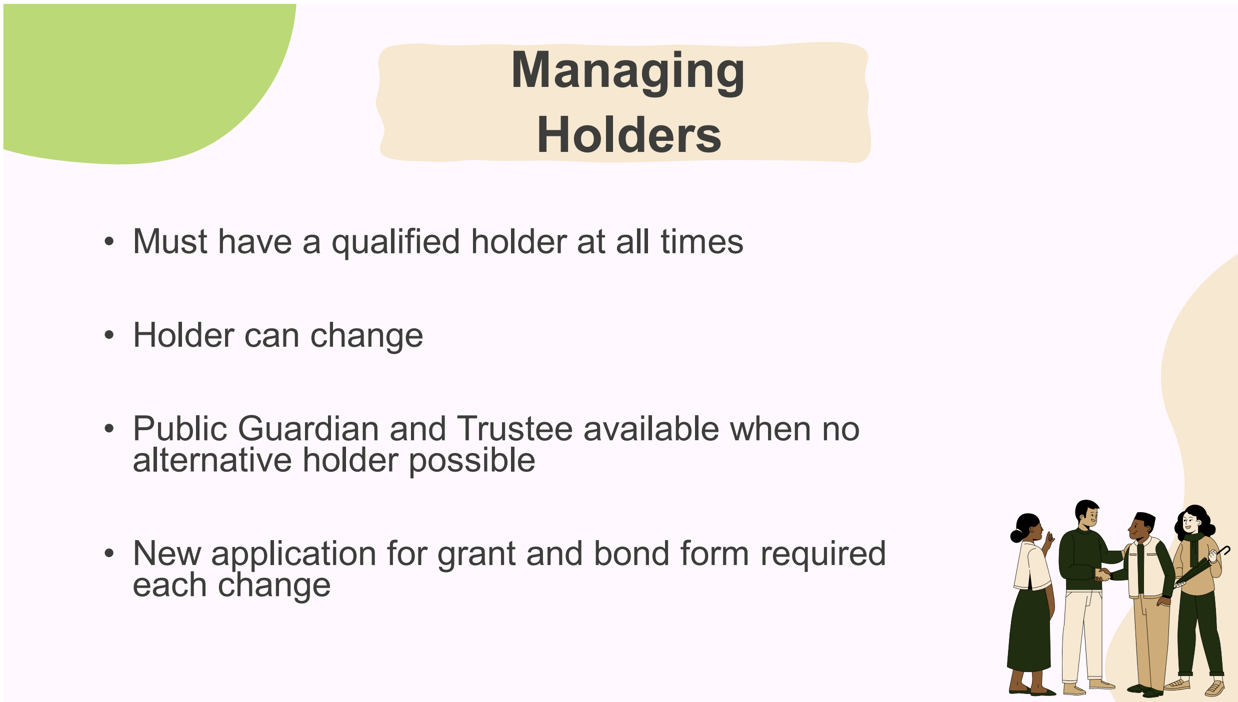


Other Financial Plans

- There are some other financial plans that you might want to consider alongside an RDSP.
    - The RDSP can be an amazing financial savings and investment vehicle for people with disabilities, but it is just one part of somebody's overall financial plan and wellbeing.
- For any of the financial plans we talk about, it's important to know if they impact other income or disability assistance programs that might be accessed. The RDSP is the only financial plan that is mostly exempt.
    - To clarify, the RDSP is exempt for all federal programs, including the Guaranteed Income Supplement (GIS), Old Age Security (OAS), and Canada Pension Plan (CPP) or Canada Pension Plan Disability (CPP-D).
    - The RDSP is mostly exempt provincially and territorially for the income and disability assistance programs, even when withdrawals take place.
        - The disability income assistance program in Quebec, New Brunswick, and Prince Edward Island only exempts the RDSP while money is being saved in

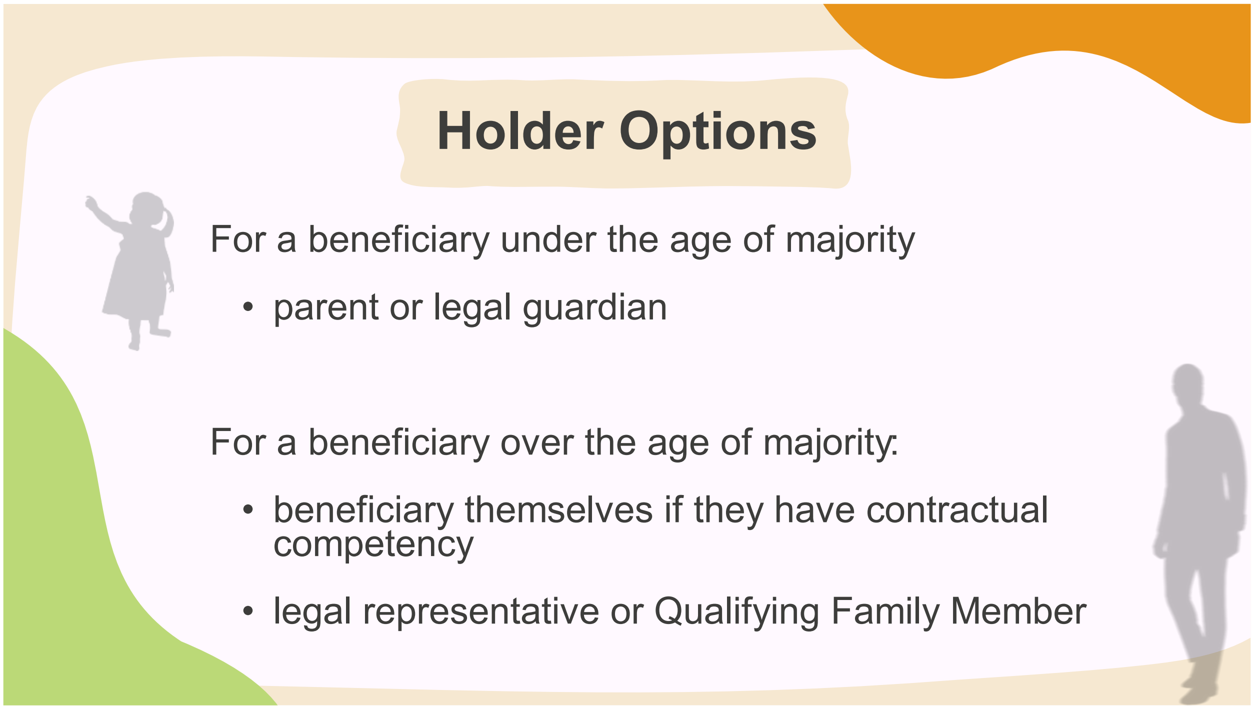
the account but only partially exempt withdrawals. We advise anyone who is on an income or disability assistance program to contact our helpline and double check with the ministry or institution providing the benefit to check what the current rules and regulations are around assets and income.

- The first type of plans we mention are other registered plans. If you are the beneficiary of an RDSP you could still be the beneficiary of a Registered Education Savings Plans, Registered Retirement Savings Plan, and Registered Retirement Income Funds and make use of their benefits.
    - For example, if you are the parent or guardian of a child and open an RESP, the account can receive up to $7,200 in grants and bonds from the Federal Government. Some provinces have additional grants for RESPs, such as BC which has a one-time $1,200 grant available to children's RESP accounts when the RESP is open for a child who is between the age of six and nine.
- Non-registered savings accounts are the easiest to access and are available at most financial institutions.
- Tax Free Savings Accounts and regular savings accounts that earn investment income are other financial plans of value worth considering.
- We also encourage you to apply for income or disability assistance programs if you meet the criteria in your province or territory, and to explore other types of benefits you may be eligible to receive. To help you out, Prosper Canada has a Disability and Non-Disability Specific Benefit Compass tool that can help you find out what benefits you might be missing out on.
    - The link to access this tool is benefitswayfinder.org.
- Trusts, for example discretionary, non-discretionary, or Henson trusts, as well as trusts that have the Qualified Disability Trust status, can also be set up to support the person with disability's income.
    - If you want to learn more about wills, trusts, and estate planning, we encourage you to look into attending Plan Institute's free webinars on this topic by going to https://planinstitute.ca/learning-centre/wills-trusts-and-estate-planning/
- To discuss any of these options further, please feel free to call our free disability planning helpline at 1-844-311-7526 or email in to info@rdsp.com.



<u>Managing Holders</u>

- Every RDSP must have a qualified holder at any given time. If the beneficiary is not able to be the holder of their own RDSP then the holder might change several times over their lifetime.
    - For example, it is quite common for a parent to open an RDSP for their child or adult child who has cognitive disabilities, and then pass the holder responsibilities on to another family member such as another one of their children or a cousin.
    - Whatever your situation is, if you are the holder for an RDSP when somebody else is the beneficiary, you will want to plan ahead and confirm what other trusted family members or legal representative will be designated to act as holder when you are no longer able to.
        - This could be because you are no longer cognitively able to manage the account, or you pass away.
    - If you do not have anyone else that can act as holder if you are no longer able to, it will likely be the Public Guardian and Trustee in your province or territory who will step in to act as guardian for the beneficiary and become holder of their RDSP.
- When somebody applies for an RDSP, an application form to receive grants and bonds is completed.
    - Every time the holder of an RDSP changes, a new application form for grant and bond must be completed.



<u>Holder Options</u>

- Here are the options available for holders as of June 22, 2023:
    - For a beneficiary under the age of majority, it must be their parent or legal guardian.
        - The age of majority is the age when a person is legally considered an adult. In Canada, the age of majority is 18 or 19 years old, depending on the province or territory in which you live.
    - For a beneficiary over the age of majority, it depends on the beneficiary's contractual competency, which is the ability to understand and enter legally binding contracts.
        - If a beneficiary has full contractual competency, they should be the holder of their own RDSP.
        - If a beneficiary does not have full contractual competency, meaning they need significant help or are completely unable to manage their financial accounts, a legal representative must be the holder of their RDSP.
            - If they do not have a legal representative, certain family members can open a plan on their behalf and be the plan holder under the qualifying family member provision.
            - The government considers a qualifying family member somebody who is a parent, spouse, common-law partner, or adult sibling that shares at least one biological parent (for instance a half-brother or a half-sister) of the beneficiary.
- The ways that somebody can choose or be assigned as a legal representative vary per province and territory.
    - For example, in British Columbia there is a representation agreement where folks who don't have legal capacity can still choose who they want to manage their

    affairs, but in other parts of Canada a Power of Attorney or Enduring Power of Attorney as well as maintaining full guardianship are commonly used options.
        - For more information about representation agreements, go to the Nidus Resource Centre at the following link: https://nidus.ca/resource/representation-agreements/
        - For more information about other B.C. specific supported decision-making processes, go to the Nidus Resource Centre at the following link: https://nidus.ca/information/
        - For more information about Planning Documents Made Outside of BC, go to the Nidus Resource Centre at the following link: https://nidus.ca/resource/planning-outside-bc/

- When the RDSP is opened for a beneficiary who was under the age of majority and their legal parent was the holder, when they become an adult, the legal parent can remain as sole or joint holder of the RDSP. If the beneficiary has full contractual competency, they can take over as sole holder of the RDSP.
- If an RDSP was opened for a minor by a legal guardian, the legal guardian must be removed as holder, and then the correct person based on contractual competency must be added.

Working with the financial institution long-term

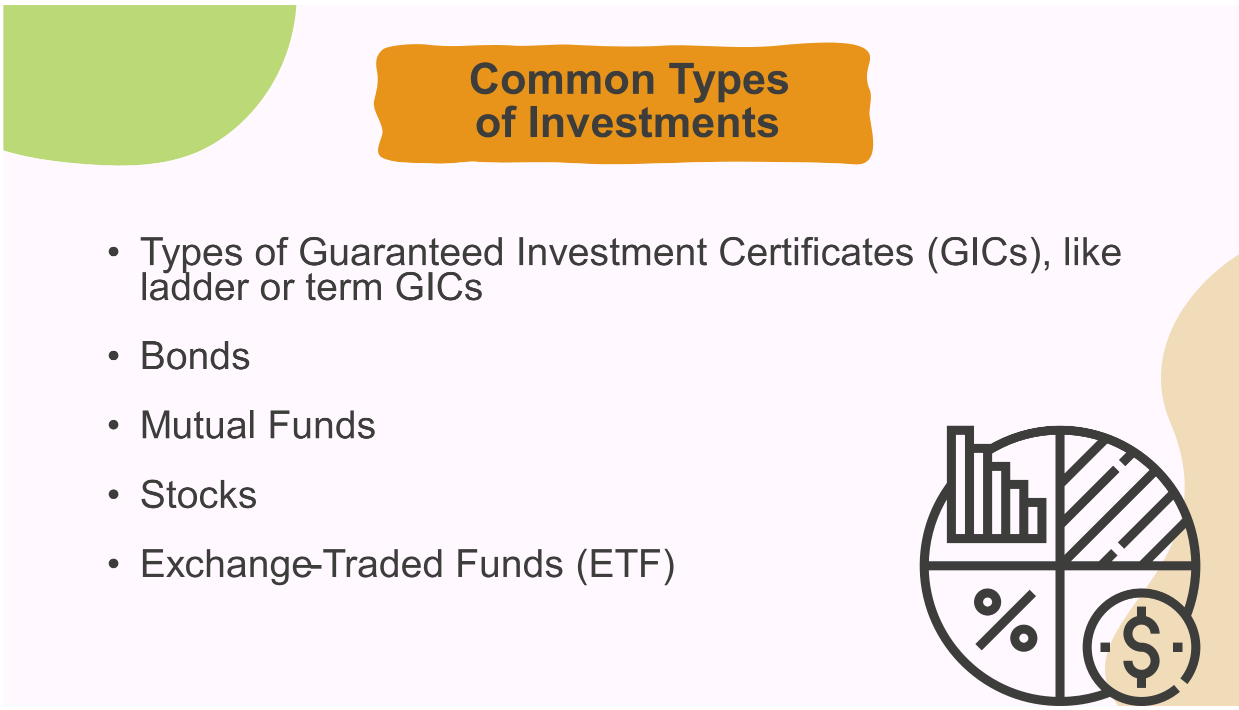
- There is a large variety of financial institutions that offer the RDSP.
    - This includes Banks, Credit Unions, Stock Brokerage Firms, Wealth Management Firms, and Independent Financial Services Companies.

    - We have a list of financial institutions available at rdsp.com/about/where-do-i-get-it/ to get you started.
- The level of RDSP knowledge, accessibility options, fees charged, and some withdrawal options will vary per institution and professional. Each RDSP provider will also have different investment options available.
- It is important to do your research when deciding what institution you want to work with. The RDSP is a long-term savings and investment plan and so your financial professional might change many times, but usually your financial institution will not change unless you decide to transfer your RDSP elsewhere.
- While we cannot give recommendations for financial institutions, we do have a reference document that has a list of questions you will want to ask when doing your research. We encourage you to ask other people who have RDSPs what their experience is, which can be beneficial as well. This is available in the resources for this webinar as well as at the following link: https://www.rdsp.com/supports-and-services/self-serve-resources/

Investing with the RDSP

- When it comes to investing with your RDSP, you do not need to be an expert. The financial professional and institution you work with is responsible for making sure you are informed and fully understand what you are investing in and how the RDSP works.
- You will be limited to the range of products that your Financial Institution offers, so be sure to ask around before settling on the financial institution you open your RDSP with.

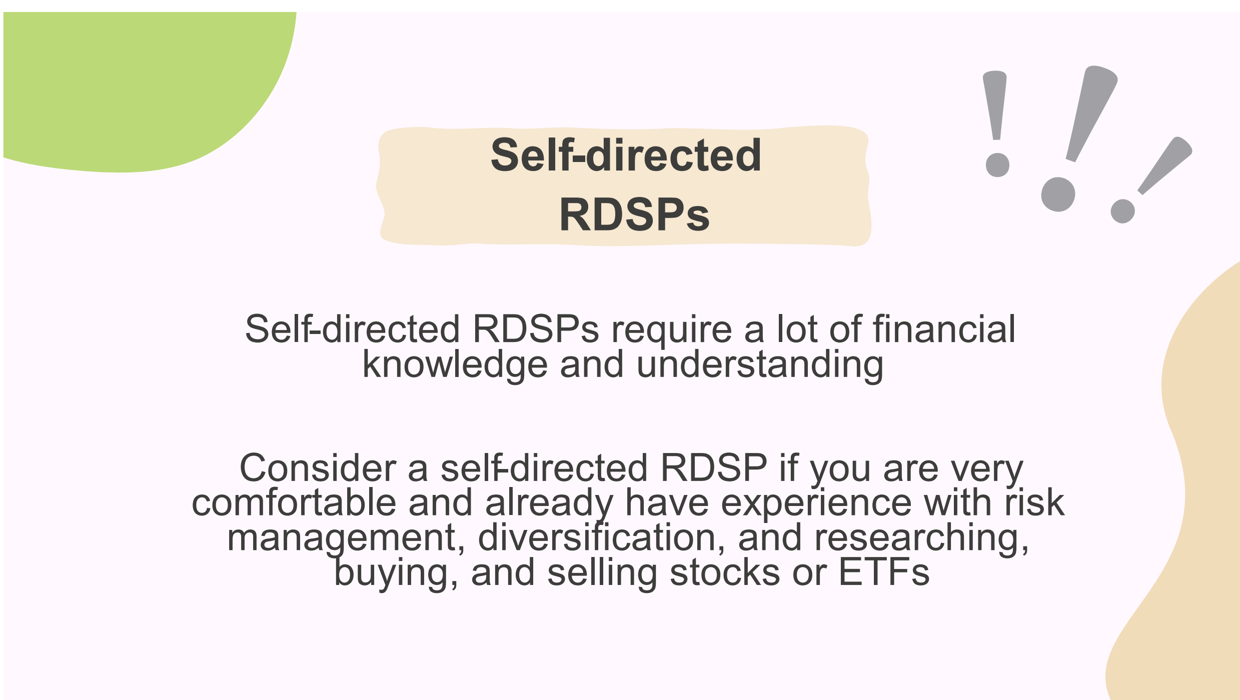
- When you go to open your RDSP, the financial professional you work with will usually complete something called a Know Your Client or K.Y.C. form to help understand your financial picture and risk tolerance for investing.



<u>Common Types of Investments</u>

- Types of Guaranteed Investment Certificates (GICs) like ladder or term GICs: GIC's are a savings product that is effectively a loan you make to a financial institution. You receive a guaranteed rate of interest, but your money is typically locked into the account for a pre-determined amount of time. This can be anywhere from 30 days to 10 years. The longer the GIC's term, the higher the interest you will receive. GICs are similar to Certificates of Deposits and Term Deposits, with the main difference being that GICs are usually locked in for longer terms and have a higher interest rate of return.
    - For more information about GICs, go to the Financial Consumer Agency of Canada's website at the following link: https://www.canada.ca/en/financial-consumer-agency/services/rights-responsibilities/rights-investing/rights-guaranteed-investment-certificates.html
- Bonds: A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments. Bonds are used by companies, municipalities, states, and governments to finance projects and operations.

   - For more information about bonds, go to the Investopedia website at the following link: https://www.investopedia.com/terms/b/bond.asp
- Mutual Funds: Mutual funds combine multiple investments into one and usually have pre-set combinations by the financial institution which can include things like stocks, bonds, and other assets.
   - For more information about mutual funds, go to the Investopedia website at the following link: https://www.investopedia.com/terms/m/mutualfund.asp
- Stocks: A stock is also known as an equity and is an investment that represents the ownership of a part of a company. Owning a stock means you are a part-owner of the company, which also means you are entitled to a proportion of the profits that the company makes.
   - For more information about stocks, go to the Investopedia website at the following link: https://www.investopedia.com/articles/investing/082614/how-stock-market-works.asp
- Exchange-Traded Funds (ETF): An ETF is a type of investment made up of a collection of stocks or bonds which are similar to mutual funds but are traded on the stock market.
   - For more information about ETFs, go to the Investopedia website at the following link: https://www.investopedia.com/terms/e/etf.asp



Self-directed RDSPs

- Self-directed RDSPs require a lot of financial knowledge and understanding, and you should only consider a self-directed RDSP if you are extremely comfortable and already have experience with risk management, diversification, and researching, buying, and selling stocks or ETFs.
    - For example, if you as the RDSP holder are already a financial professional yourself or have already had a self-directed account for many years like a RRSP, TFSA, or non-registered investment account.
- If you are willing to complete your due diligence in terms of time, research, and ongoing financial education, self-directed RDSPs can be an empowering option to allow you to save money on management fees and build your financial literacy and understanding.

Ways to Maximize the RDSP

There are a few diverse ways to manage and maximize an R D S P:

- Certain financial institutions offer a free or discounted basic chequing account for people who have an RDSP with them, so check to see if your financial institution offers this.
- Talk to your financial professional about what investment strategy is best based on your personal financial situation.
- Set up the RDSP to automatically invest all the money that comes in to avoid needing to call in or schedule an appointment.

- If you can contribute monthly, ask your financial professional to set up pre-authorized deposits to take money out of your account every month or time period that works for you, similarly to how you might set up an automatic bill payment. This will ensure that you are making regular contributions without worrying about having to remember to do so.
- Double check your RDSP every few months to make sure that everything is working well with it.
- Talk to your financial professional to review and rebalance your holdings and account at least every 1-2 years, and when your financial situation changes.
- Avoid penalties from taking an early withdrawal by having an emergency fund.
- And if possible, deposit more money than the government by the time withdrawals are happening so you have more flexibility in the choices that you will have when it comes time to start taking your withdrawals.

RDSP Transfers

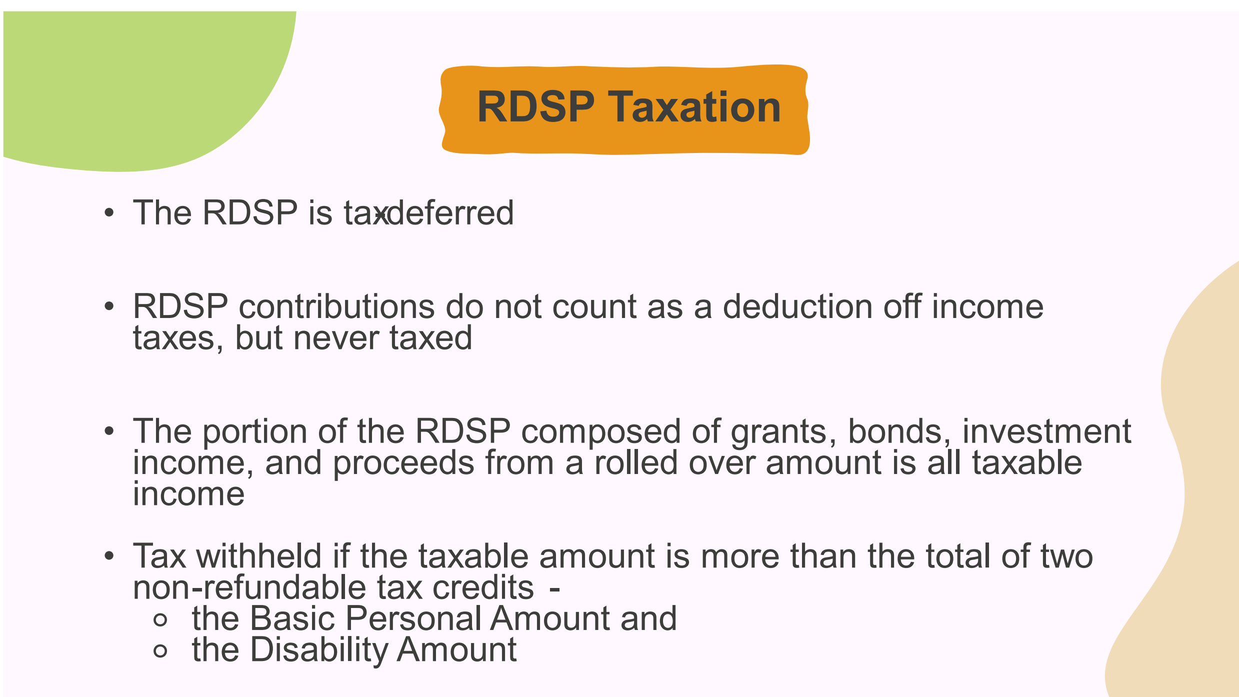
- If you are not happy with the financial institution or professional you're working with, you can transfer your RDSP to another financial institution.
- To transfer your RDSP, you will start the process with the new financial institution, who will communicate with the current RDSP issuer on your behalf.
- There may be a small fee to transfer the RDSP from the former financial institution, but your new financial institution may cover the cost on your behalf if you ask to have this waived.
- Make sure that your existing RDSP is transferred, not closed, because closing your RDSP would cause you to lose grants and bonds that you will not be able to get back.

- If the beneficiary has lost their approved DTC status, they can still transfer their RDSP.
- You are also allowed to transfer your RDSP after withdrawals have started.
- For more information about transferring your RDSP, go to the CRA website at the following link: https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/registered-disability-savings-plans-rdsps/transfers.html

<u>RDSP Rollovers</u>

- Rollovers occur when one registered plan is transferred to a different registered plan. Examples of plans where rollovers often take place are Registered Education Saving Plans otherwise known as RESPs, Registered Retirement Saving Plans otherwise known as RRSPs, and Registered Retirement Income Funds otherwise known as RRIFs
- When it comes to the RDSP, the only registered plan that you can be the beneficiary of and transfer to your own RDSP, is a Registered Education Savings Plan.
- To qualify for a RESP rollover, the beneficiary must also meet one of the following conditions:
  - the beneficiary is, or will be, unable to pursue post-secondary education because they have a severe and prolonged mental impairment, OR
  - if you are the only beneficiary of a RESP, the RESP has been in existence for more than 35 years, OR
  - if you are one of multiple beneficiaries in for a family RESP, the RESP must have been in existence for at least 10 years and each beneficiary under the RESP must have reached 21 years of age and may not be eligible to receive educational assistance payments

- When it comes to RRSPs and RRIFs, we want to start by clarifying a common misconception. As the rule stands now, unfortunately you cannot roll your own Registered Retirement Savings Plan or your own Registered Retirement Income Fund into your own RDSP.
    - It is only parents, grandparents, and legal guardians that the RDSP beneficiary is financially dependent on that can rollover their RRSP or RRIF upon their death. This means that the parent, grandparent, or legal guardian will need to ensure that the rollover instructions are written into their will and on the account.
    - If you are the RDSP beneficiary, it is important to have a conversation with your parents, grandparents, and legal guardians to talk about this option and make sure they're contacting their lawyer, accountant, and financial professional to see how this can work in your situation and how to set it up in advance.
- It's important to note that all rollovers can only take place up until December 31 of the calendar year in which the beneficiary turns 59 and cannot include more money than what is left of the $200,000 lifetime contribution limit
    - For example, if your RDSP has already received $100,000 in personal contributions, any rollover that takes place can be a maximum of $100,000 otherwise it won't be accepted.
- Rollovers are complex and this has been a very basic overview. Please contact your lawyer, accountant, and financial professional if you have additional questions and want to confirm how this might be possible for you.
- To learn more about rollovers, you can also review the CRA website at the following link: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-disability-savings-plan-rdsp/rdsp-limits-transfers-rollovers.html



RDSP Taxation

- The RDSP is a tax-deferred savings plan, which means that while the money is growing in the RDSP, it is not taxed, but it is taxed upon withdrawal.
- Unlike the RRSP, RDSP contributions do not count as a deduction off your income taxes. This is a good thing because it means that all personal contributions to an RDSP are considered after-tax dollars. Those personal contributions will never be taxed when withdrawals begin.
- Your RDSP will however include up to four types of contributions. These are your personal contributions, government contributions (grants and bonds), investment income, and proceeds from a rolled over amount.
- The money in your RDSP that is made up of the grant and bond amounts, investment income, and any proceeds from a rolled over amount are taxable, but only if the withdrawal amount is more than the total of two non-refundable tax credits:
    - the basic personal amount (B P A) and the
    - disability amount (D A).
        - The federal maximum amount for 2023 is $15,000 for the BPA plus $8,986 for the DA.
        - This means that if the taxable portion of your withdrawals in 2023 is equal to or below $23,986 there will be no tax withheld at the source.
- If you receive other taxable income and are worried about possibly having to pay taxes, you can request that your financial institution withholds tax before making an RDSP payment to you and they may be able to do so.

Tax-Withholding Rates

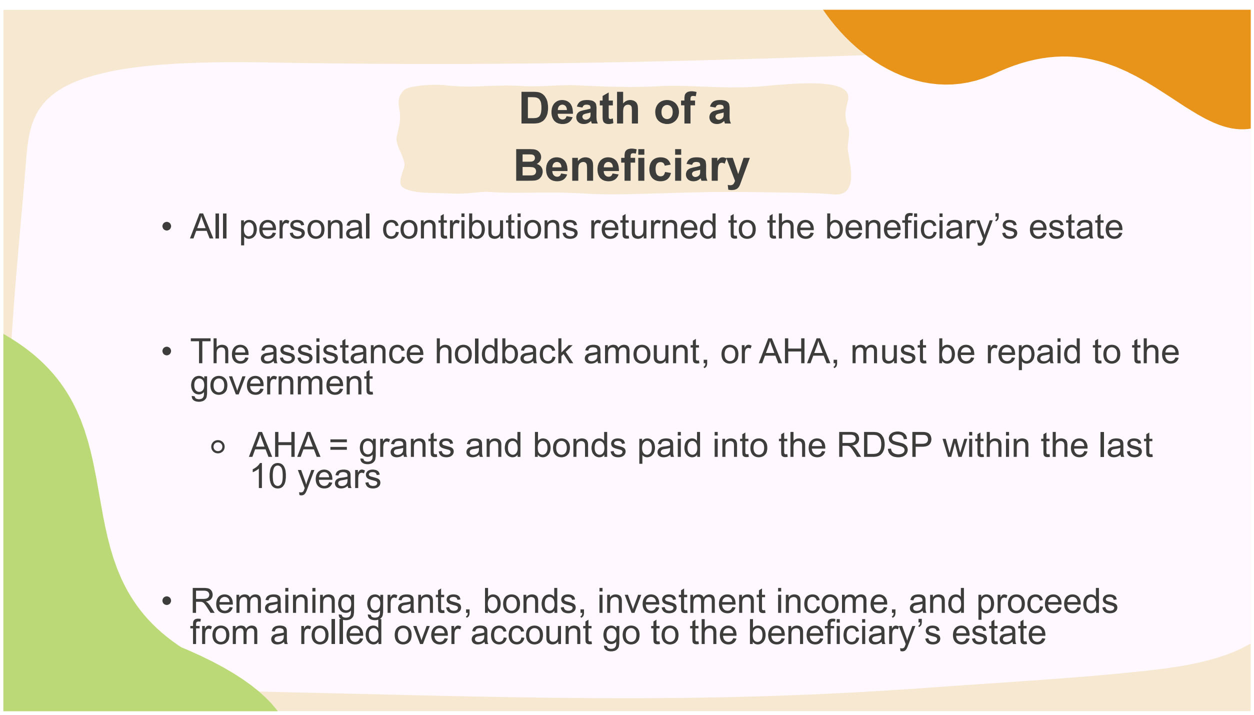
10% (5% for Quebec) on amounts up to and including $5,000

20% (10% for Quebec) on amounts over $5,000, and up to $15,000

30% (15% for Quebec) on amounts over $15,000

Tax-Withholding Rates

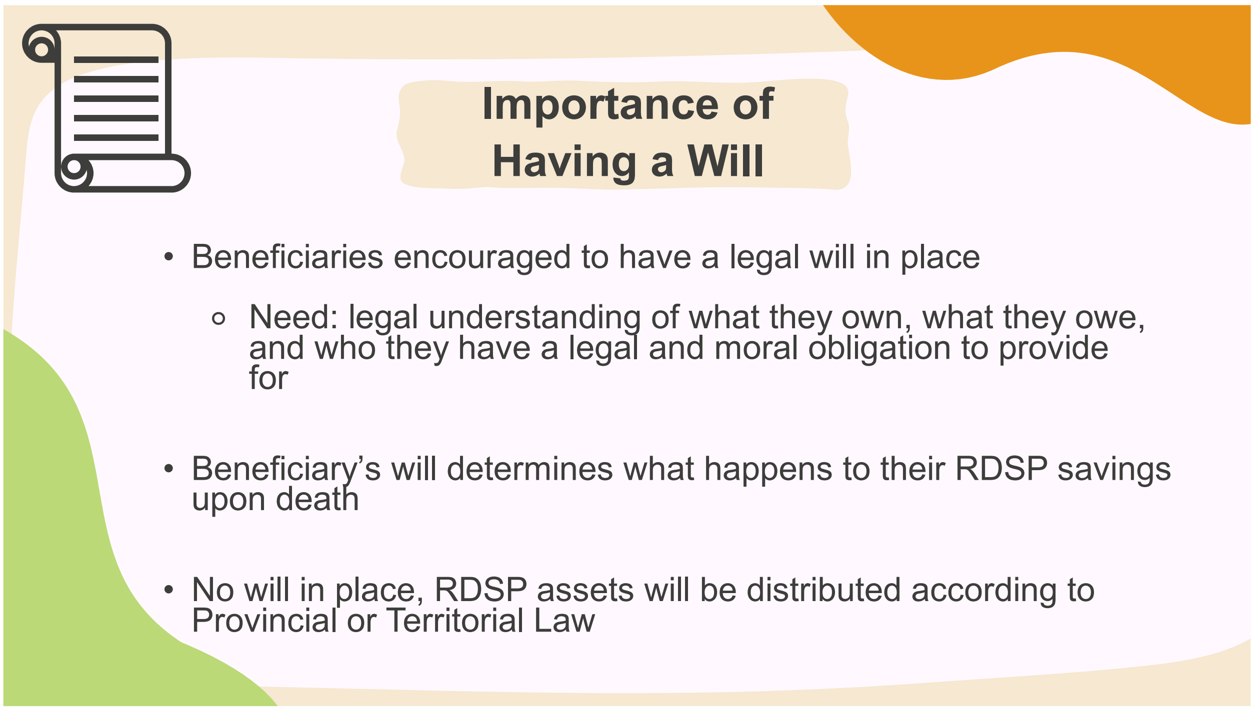
- RDSP issuers will use the lump-sum withholding rate that corresponds to either the total taxable portion of all LDAPs expected to be paid in the year, or the taxable portion of each lump sum DAP when requested
- The lump-sum withholding rates are:
  - 10% (5% for Quebec) on amounts up to and including $5,000
  - 20% (10% for Quebec) on amounts over $5,000, and up to $15,000
  - 30% (15% for Quebec) on amounts over $15,000
- If there is tax that is going to be withheld, the RDSP issuer (your financial institution) will automatically withhold before issuing the payment. This is not the same as paying tax. Instead, the financial institution will report both the gross taxable amount and the withholdings to the Canada Revenue Agency and to the beneficiary through a T4A tax slip by the end of February of the following year. You will need to include this information when filing your taxes and depending on your total return you may receive a refund or have to pay taxes.
- For more information about RDSP taxation, please review the CRA website at the following link: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-disability-savings-plan-rdsp/tax-payable.html



Death of a Beneficiary

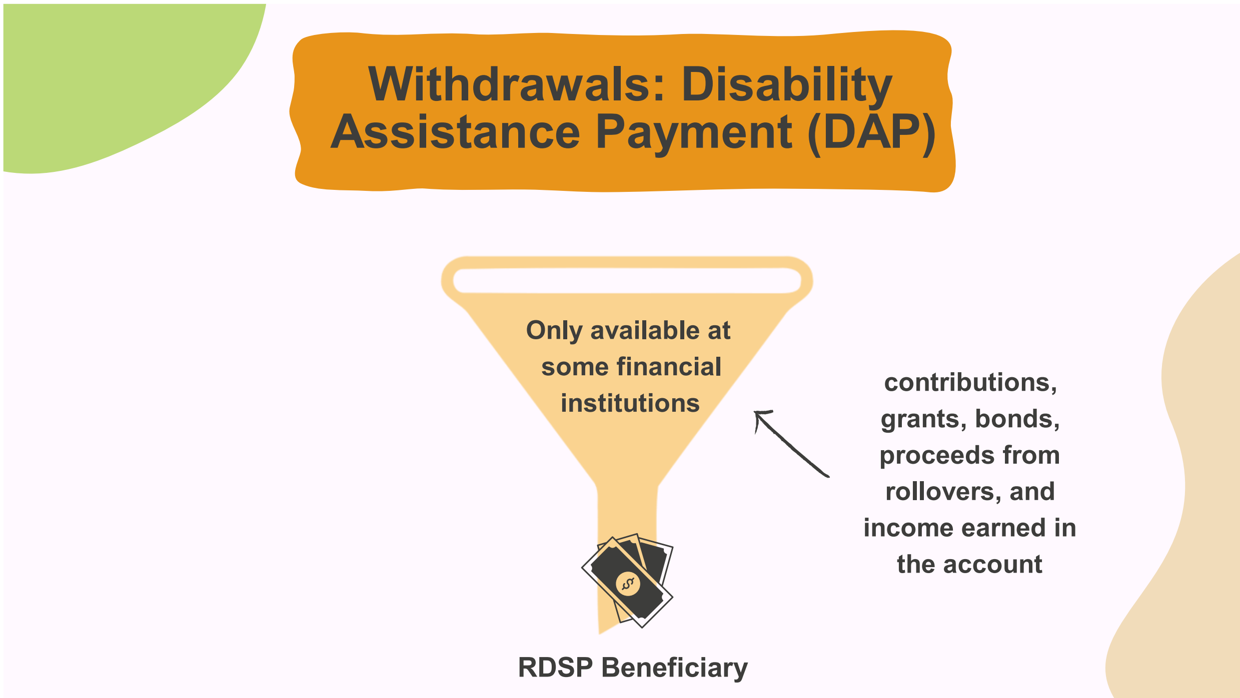
- When a beneficiary dies, all personal contributions will be returned to the beneficiary's estate.

- The assistance holdback amount, or AHA, is made up of any grants and bonds paid into the RDSP within the last 10 years. Any AHA must be repaid to the government.
- Any remaining grants, bonds, investment income, and proceeds from a rolled over account will go to the beneficiary's estate as well.



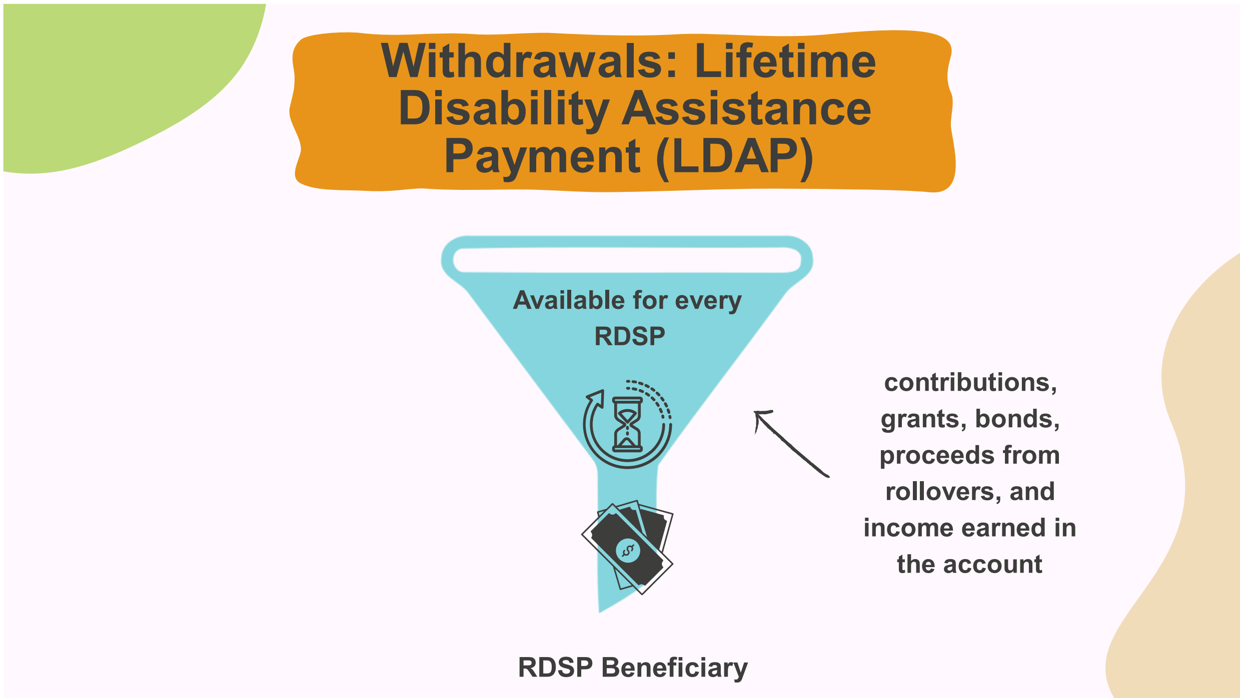
Importance of Having a Will

- We encourage beneficiaries to have a legal will in place if they have the legal understanding of what they own, what they owe, and who they have a legal and moral obligation to provide for to create the will.
  - This is important because it is the beneficiary's will that is going to determine what happens to their RDSP savings upon death, not the holder's will.
- If there is no will in place, such as when a beneficiary does not have the legal understanding needed to create one, then the RDSP assets will be distributed according to Provincial or Territorial Law.
  - Usually this means starting with a spouse/common-law partner and then going on to children, parents, siblings, and so on.
- For more information about wills, trusts, and estate planning we encourage you to connect with our helpline to speak with an advisor on these topics or to attend one of Plan Institute's free webinars on this topic by going to https://planinstitute.ca/learning-centre/wills-trusts-and-estate-planning/



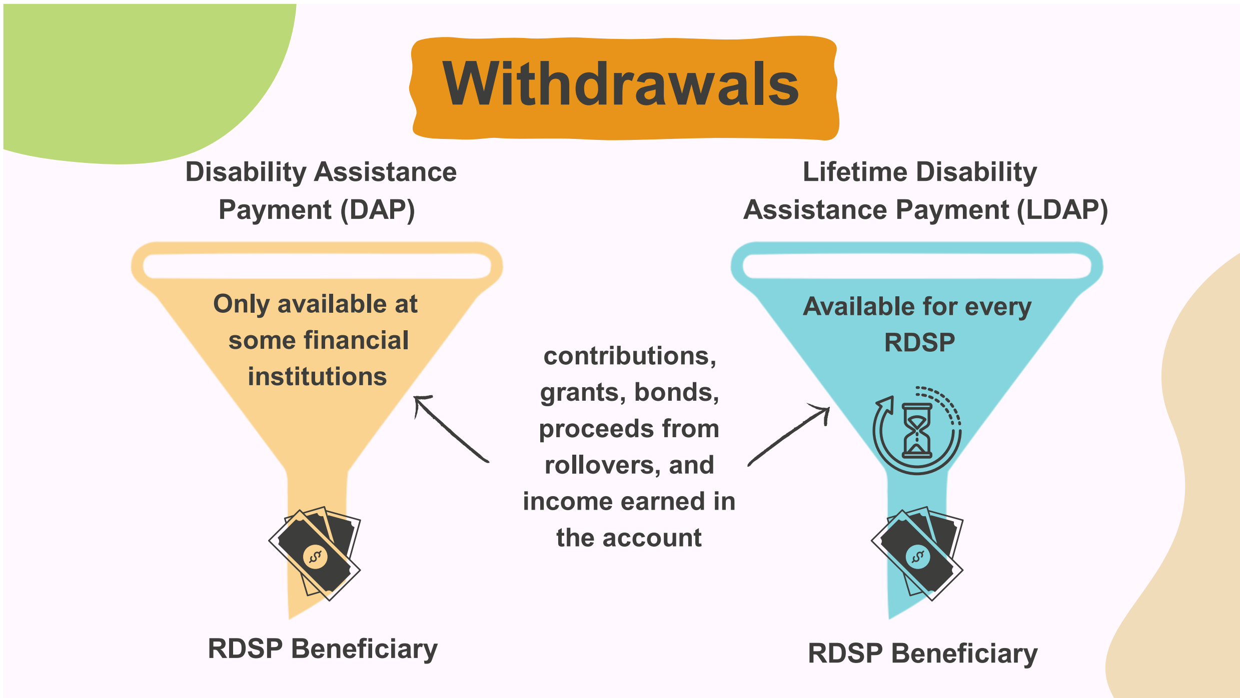
Withdrawals: Disability Assistance Payment (DAP)

- Withdrawals and RDSP Closures are some of the most complicated areas of the RDSP and we are going to simplify them and provide some examples.
- With the RDSP, there are two types of withdrawals:
    - The first is a Disability Assistance Payment or DAP. This is a one-time lump sum payment from the RDSP account to the RDSP beneficiary, and it does not follow any recurring schedule. This type of payment is not available at every financial institution so make sure to ask whether it is available when researching where to open your RDSP and remember you can transfer your RDSP if needed.



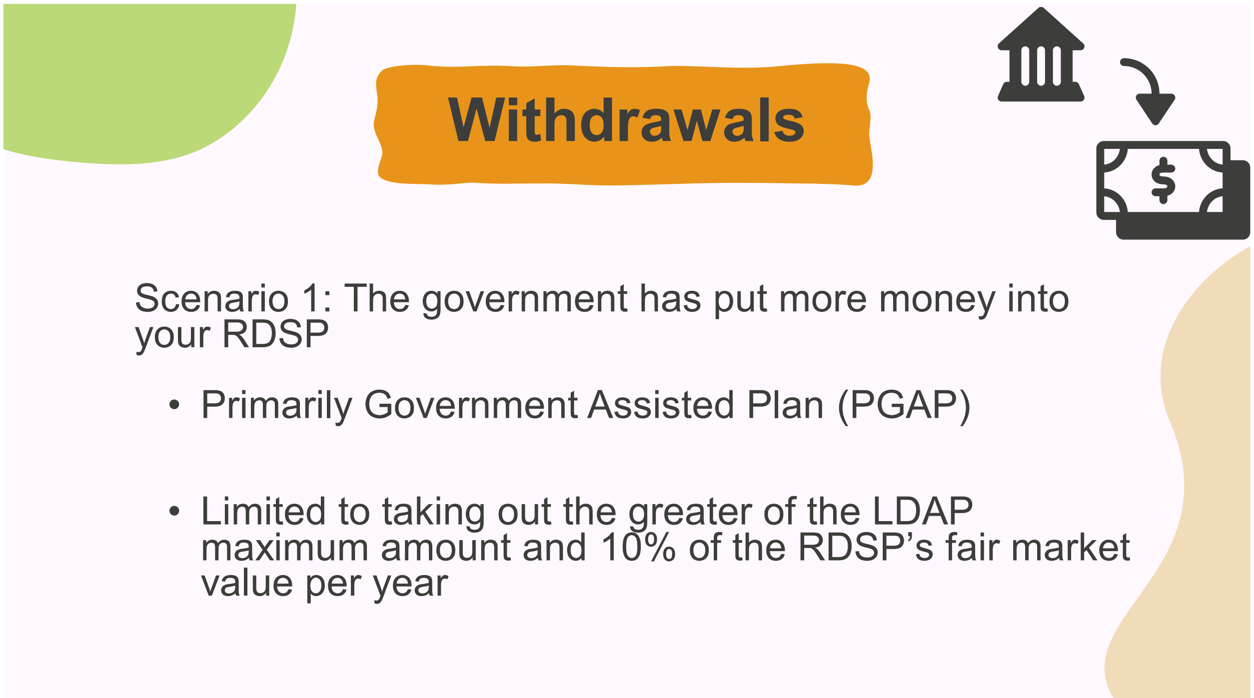
Withdrawals: Lifetime Disability Assistance Payment (LDAP)

- The second is a Lifetime Disability Assistance Payment or LDAP. This is a recurring payment from the RDSP that must be started no later than December 31st of the year the RDSP beneficiary turns 60. Once the LDAPs have started, these payments must happen at least once per year until the RDSP has been fully paid out or the beneficiary passes away. Every financial institution must offer these types of payments because it meets the RDSPs original design of being a pension replacement for people with disabilities.



<u>Withdrawals</u>

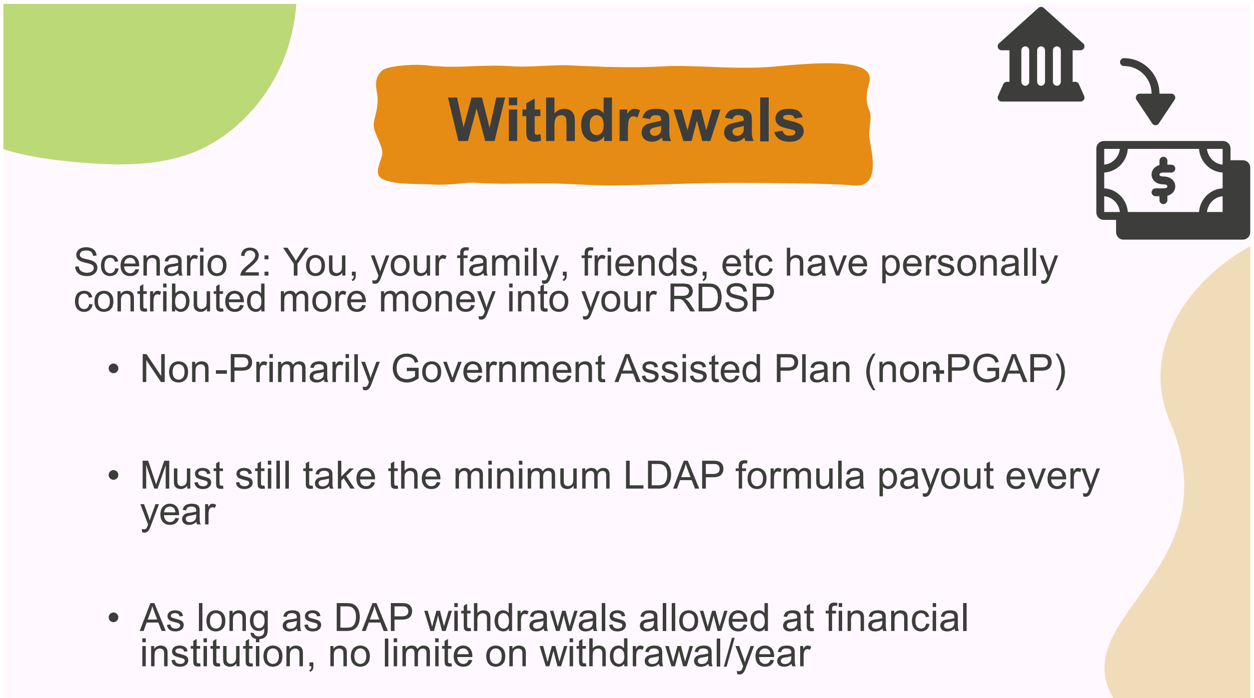
- For both DAP and LDAP payments, a formula is used to calculate how much money the RDSP beneficiary can receive at any given time.
- If you want to learn what these formulas are, you can review them on the CRA website at the following link: https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/registered-disability-savings-plans-rdsps/payments.html



Withdrawals – Scenario 1

When looking at what withdrawal options are available to you, it is important to look at two different scenarios.

- Scenario 1: The government has put more money into your RDSP with grants and bonds than what you, your family, friends, etc. have been able to personally contribute.
  - In this scenario, your RDSP will be considered a Primarily Government Assisted Plan or PGAP.
  - This is the most common scenario we see, and in general, when the government has put in more money, you will be limited to taking out the greater of the LDAP maximum amount and 10% of the RDSP's fair market value per year.

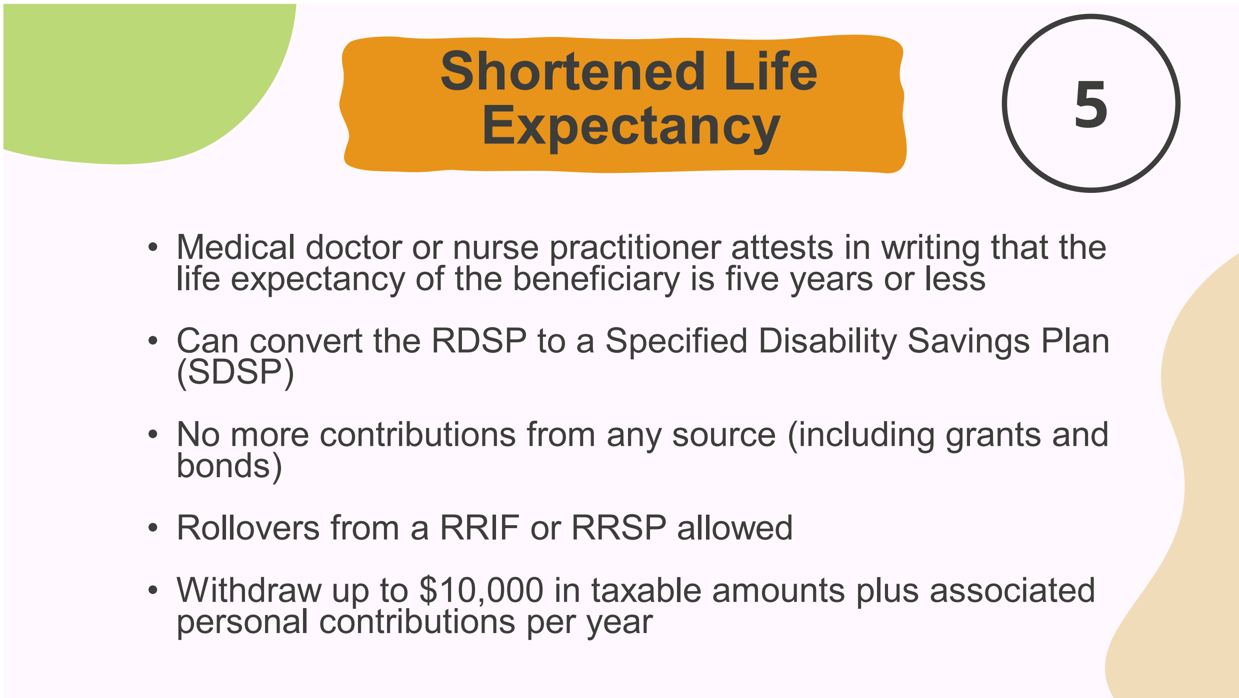


<u>Withdrawals – Scenario 2</u>

- Scenario 2: You, your family, friends, etc. have personally contributed more money into your RDSP than the government has.
    - In this scenario, because you have put in the most money, you have significantly more power and choice in withdrawals because you will not be required to stick to the formula.
    - When the RDSP beneficiary is in the calendar year they turn 60 at the latest, they must still take the minimum LDAP formula payout every year.
    - However, they can take out however much money they want from their RDSP otherwise as long as their financial institution allows those one-time DAP withdrawals.

10-Year/Proportional Repayment Rule

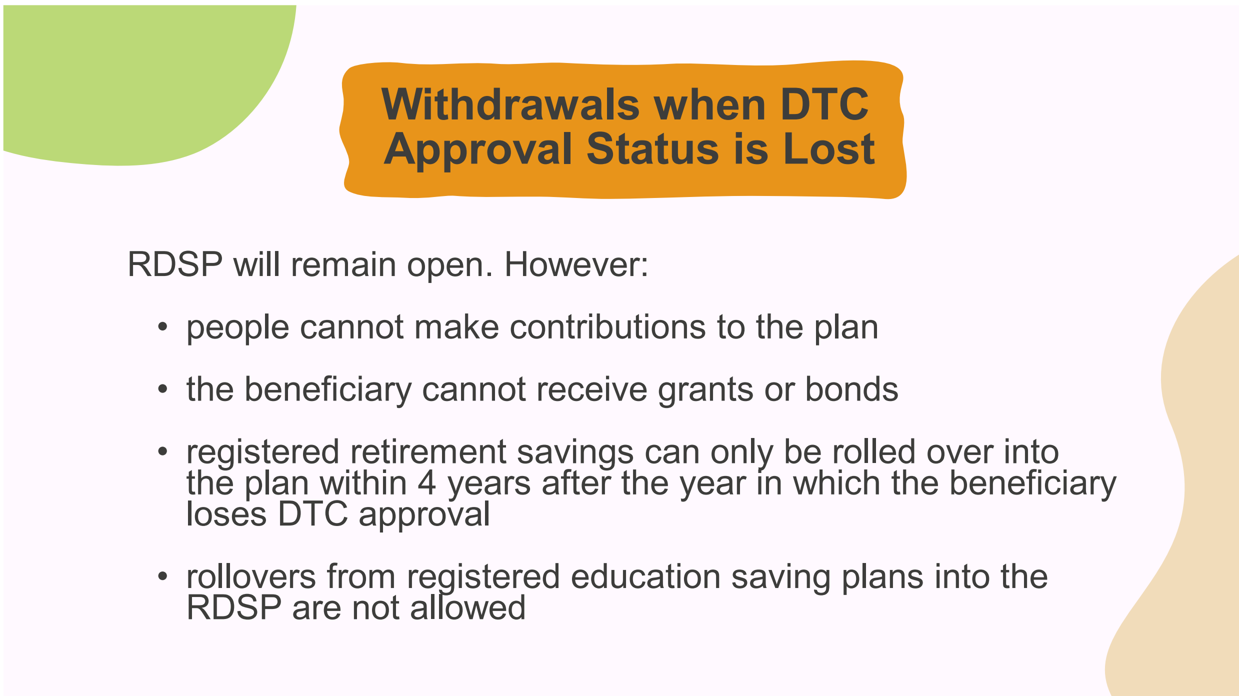
- No matter what, you cannot avoid the 10-Year or Proportional Repayment Rule, even if you have deposited more money than the government.
- As a reminder, if you received any grants or bonds in your RDSP in the last 10 years from the date of withdrawal, you will not be able to withdraw funds without penalty.
  - This includes retroactive grants and bonds received in the last 10 years.
- The current rule states that for every $1 you withdraw, the government will take back $3 of grants and bonds received in the last 10 years.
  - For example, if you were to withdraw $1,000, you would have to return $3,000 in grants and bonds. This would be a total of $4,000 removed from your RDSP.
- After 10 years have passed, grants and bonds deposited into an RDSP will be considered vested, meaning that they belong to the beneficiary.
- The beneficiary will never be required to repay these vested grants and bonds.



Shortened Life Expectancy

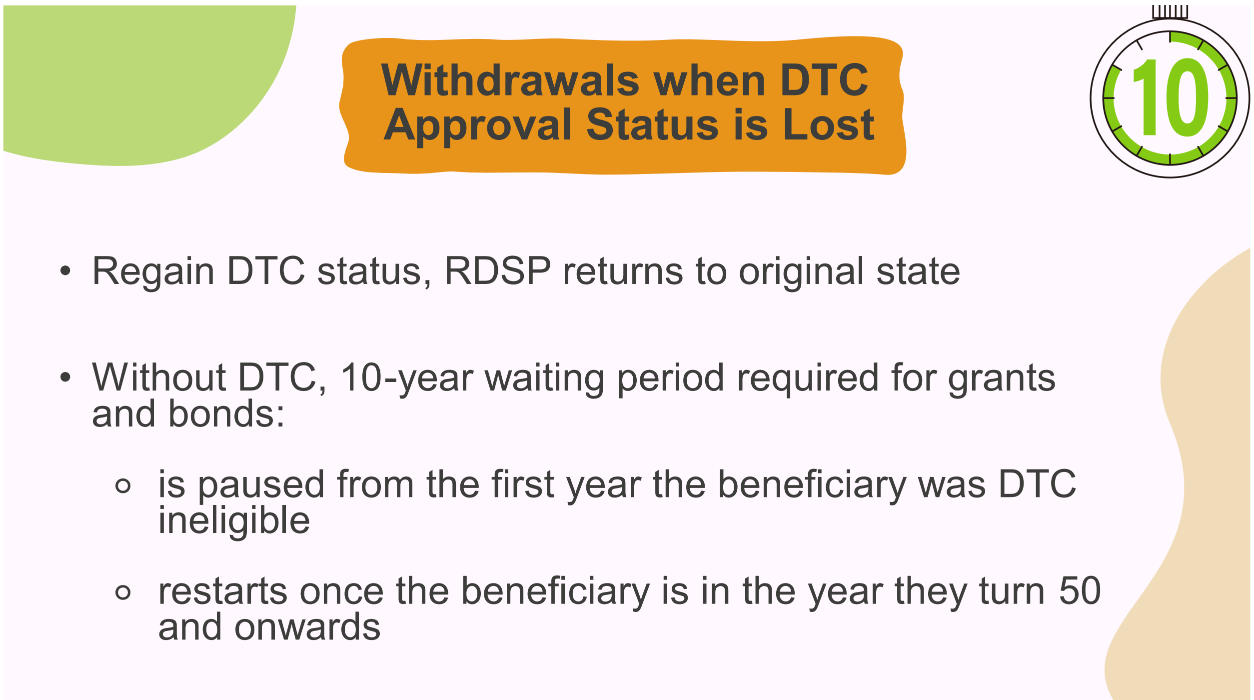
- The regular rules on withdrawals are less restrictive if a medical doctor or nurse practitioner attests in writing that the life expectancy of the beneficiary is five years or less, such as if they are diagnosed with a terminal illness.
- The holder has an opportunity to make an election to convert the RDSP to a Specified Disability Savings Plan (SDSP).
- Once the plan is designated to this special type of account, no more contributions from any source (including grants and bonds) are allowed into the RDSP except for rollovers from an RRIF or RRSP.
- This means that you will not be able to receive any grants and bonds for the years your RDSP is a specified disability savings plan, and you will not be eligible to earn grants and bonds for those years if you change the account back to an RDSP if circumstances change.
    - In general, somebody with an SDSP can withdraw $10,000 in taxable amounts plus the associated personal contributions per year.
    - However, if the LDAP formula for your RDSP calculates that you are entitled to a withdrawal that includes a taxable amount higher than $10,000, you can withdraw as much as you want from your RDSP in that year.
    - Holders can also request the RDSP issuer/financial institution apply for a waiver from the CRA to be able to withdraw more than the maximum for that year.
- The SDSP will continue until the beneficiary dies or the holder decides to reverse the designation and return the plan to a regular RDSP.
- There is no consequence if the beneficiary lives past the five years, and to change the account back to an RDSP the holder just needs to provide written notice to the financial institution who will then update the government about the change.
    - Once the RDSP has returned to its regular status, it will function as it used to.

- To learn more about shortened life expectancy provisions for the RDSP, please review the information on the CRA website at the following link: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-disability-savings-plan-rdsp/specified-disability-savings-plan-sdsp.html

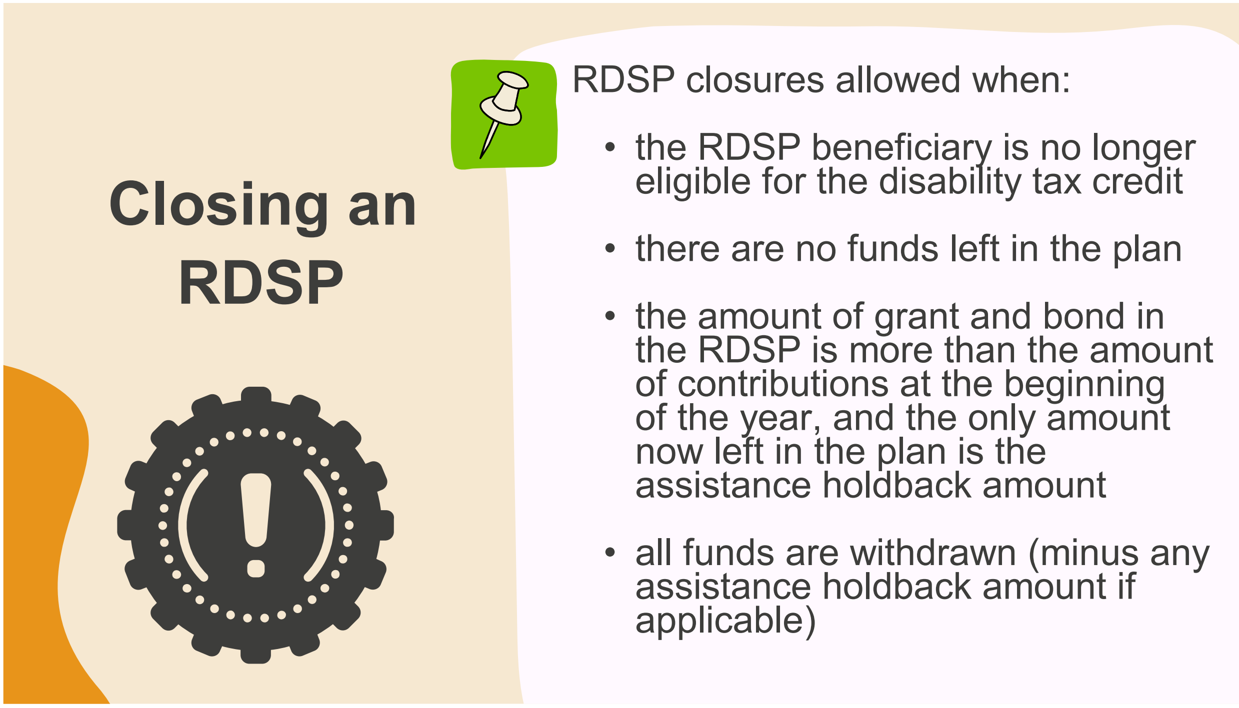


Withdrawals when DTC Approval Status is Lost

- If a beneficiary loses approval for the Disability Tax Credit (DTC), their RDSP will remain open. Beneficiaries will often have to reapply for the DTC multiple times over their life unless they have been approved for the credit for all future years, which is what we would call a lifetime DTC approval.
- Many people who lose their DTC approval are still eligible but have not been able to get their status re-approved due to them losing access to their medical practitioner or having the cost be a barrier.
- While we always encourage people to reapply for the DTC and can provide support through that process, here is what will happen to the RDSP if the beneficiary's DTC status is no longer approved:
    - people cannot make contributions to the plan,
    - the beneficiary cannot receive grants or bonds,
    - registered retirement savings can only be rolled over into the plan within 4 years after the year in which the beneficiary loses DTC approval, and
    - rollovers from registered education saving plans into the RDSP are not allowed.

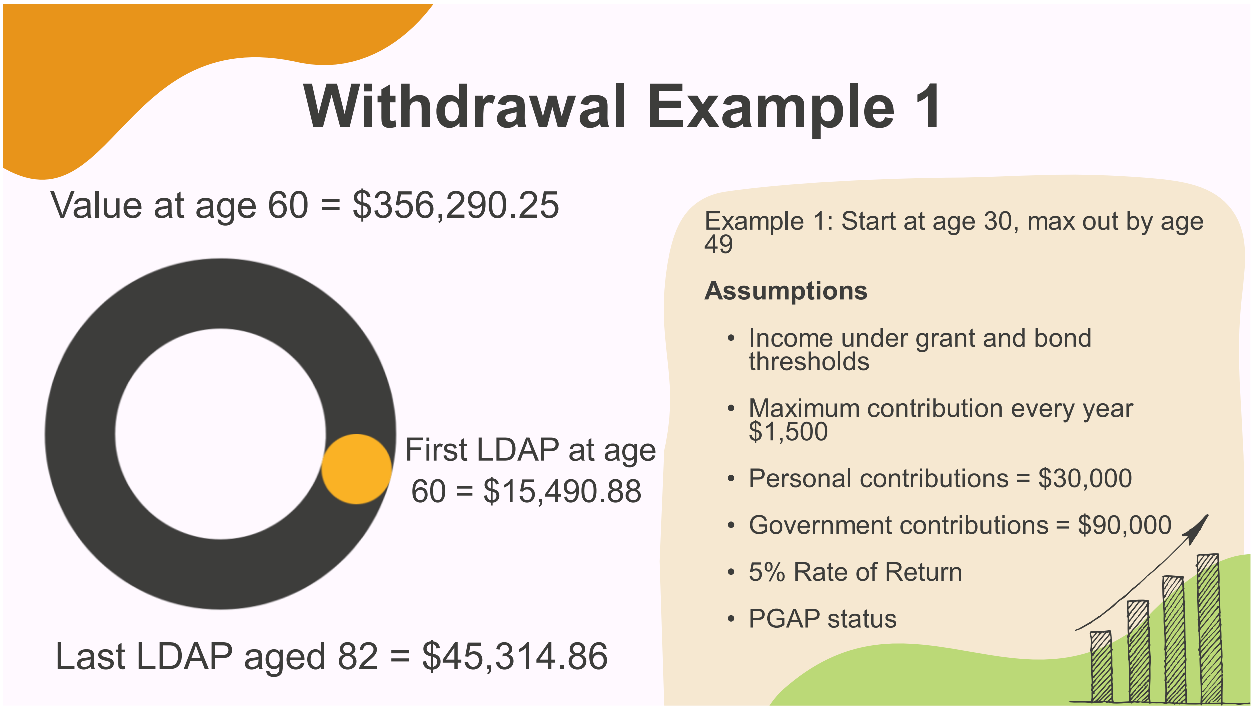


- If the beneficiary regains their DTC status, the RDSP will return to its original state.
- If the beneficiary's DTC approval goes back in time to cover the years that they were not DTC eligible, they will be able to receive retroactive grants and bonds for those years as long as they are in the year they turn 49 or under.
- It is important that if the DTC approved status is lost, it is best to wait to make any withdrawals from the plan because the 10-year waiting period required for grants and bonds is basically paused, starting from the first year the beneficiary was DTC ineligible, and only restarting once the beneficiary is in the year they turn 50 and onwards.
    - For example, if somebody loses their DTC approved status in the year they turn 34 and doesn't get the DTC approved again in the future, at age 44 they will still be required to repay the same amount of grants and bonds as they would have at age 34.
    - Once they are in the year they turn 50, the 10 years start counting down as normal so that regular withdrawals can happen by December 31st of the year the beneficiary turns 60.
- For more information about how the RDSP functions when the beneficiary is not currently approved for the DTC, please review the CRA website at the following link: https://www.canada.ca/en/employment-social-development/programs/disability/savings/dtc-approval.html



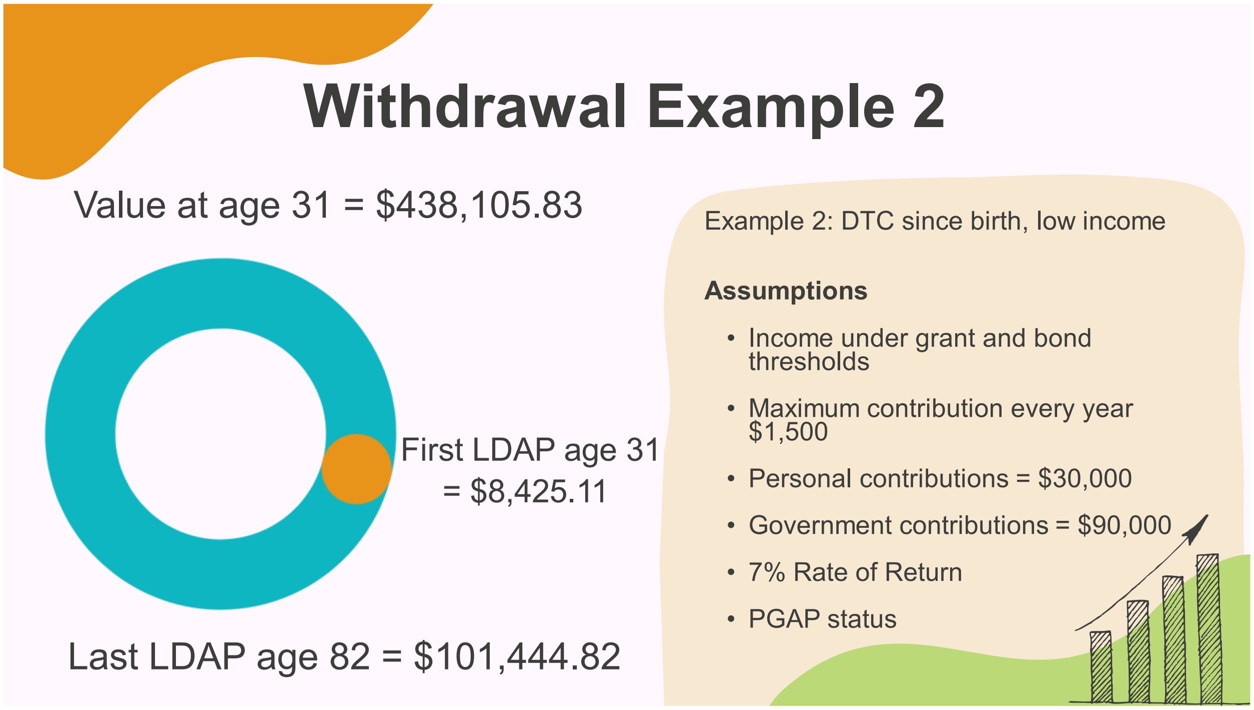
<u>Closing an RDSP</u>

- In general, there are no voluntary closures allowed of the RDSP.
- The holder of an RDSP can close the plan only in one of the following situations:
    - the RDSP beneficiary is no longer eligible for the disability tax credit.
    - there are no funds left in the plan.
    - the amount of grant and bond in the RDSP is more than the amount of contributions at the beginning of the year, and the only amount now left in the plan is the assistance holdback amount.
    - all funds are withdrawn (minus any assistance holdback amount if applicable).
- Before the financial institution closes the plan, they must repay the government any assistance holdback amount that is left in the plan.
- Any remaining amounts in the plan are then paid to the beneficiary as a disability assistance payment.
- The financial institution that administers the RDSP must consider and respect any associated trust laws and rules before closing an RDSP.
    - In some instances, the CRA can waive these requirements and allow the RDSP to close and the beneficiary to receive all eligible funds due to severe financial hardship. This is done on a case-by-case basis and the financial institution will have to request this exemption directly from the CRA. This is not a guaranteed option for folks and so it is very important to have an emergency back-up fund or financial plans if possible.



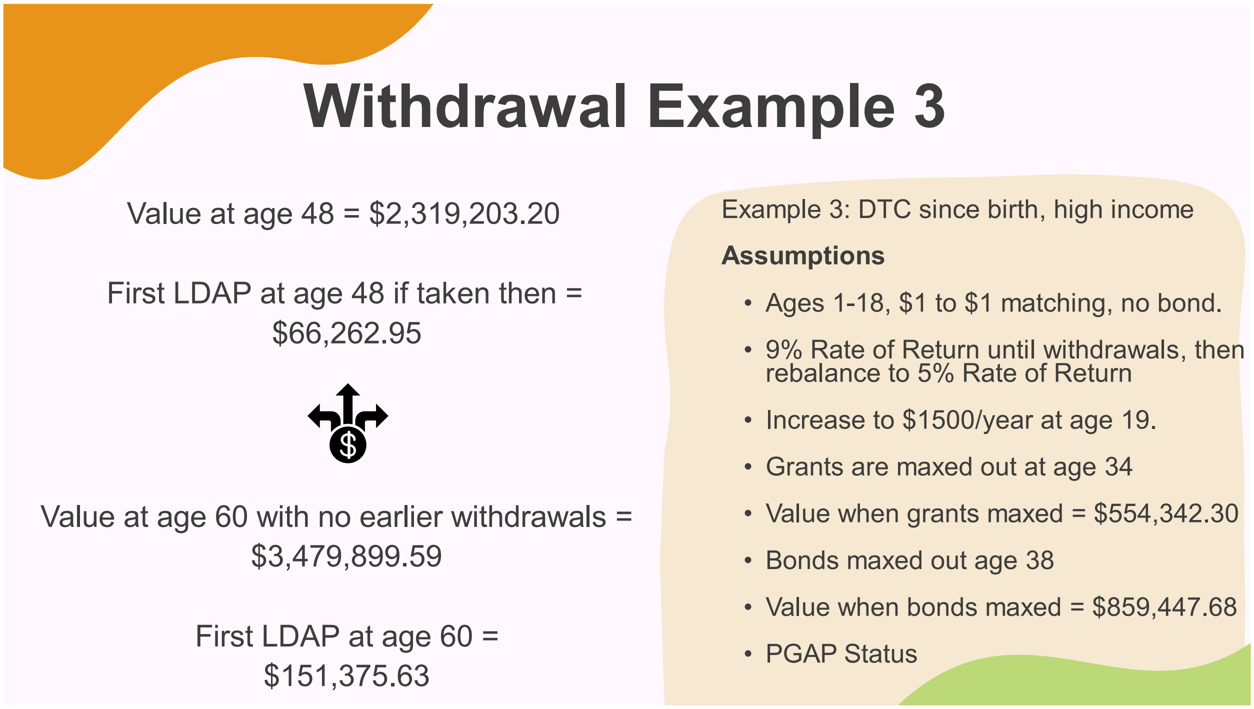
Withdrawal Example 1

- Example 1: Start at age 30, max out by age 49
- Assumptions
    - Income under grant and bond thresholds
    - Maximum contribution every year $1,500
    - Personal contributions = $30,000
    - Government contributions = $90,000
    - 5% Rate of Return
    - PGAP status
- Value at age 60 = $356,290.25
- First LDAP aged 60 = $15,490.88
- Last LDAP aged 82 = $45,314.86
- % of LDAP taxed = ~91%, but tax will only be withheld once withdrawal amount has more than $23,986 of taxable income included



<u>Withdrawal Example 2</u>

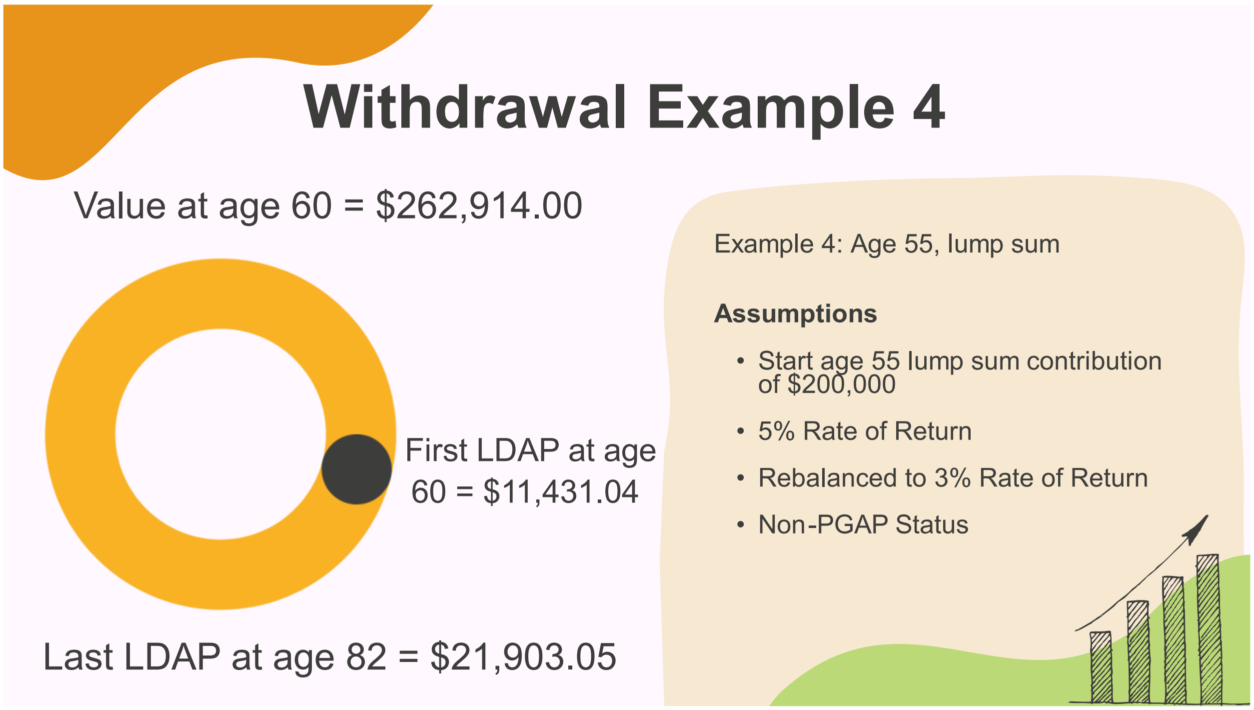
- Example 2: DTC since birth low income
- Assumptions:
    - Income under grant and bond thresholds
    - Personal contributions = $30,000.00
    - Government contributions = $90,000.00
    - Maximum contribution every year $1,500
    - 7% Rate of Return
    - PGAP status
- Investment gains age 30 = $318,105.83
- Value at age 31 = $438,105.83
- First LDAP age 31 = $8,425.11
- Last LDAP age 82 = $101,444.82
- % of LDAP taxed = ~90%, but tax will only be withheld once withdrawal amount has more than $23,986 of taxable income included



<u>Withdrawal Example 3</u>

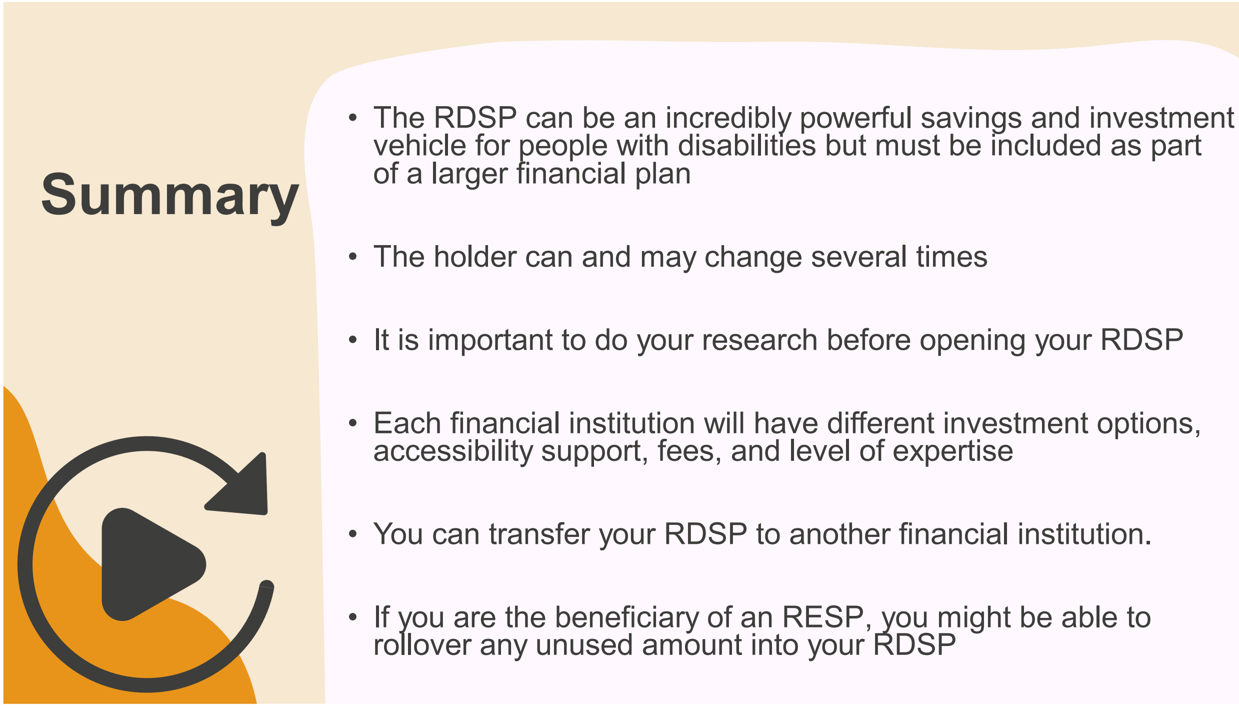
- Example 3: DTC since birth high income
- Assumptions
  - Ages 1 -18, $1 to $1 matching, no bond
  - Personal contributions at age 19 = $18,000.00
  - Government contributions at age 19 = $18,000.00
  - $1500 annual contribution at age 19
  - Value at age 19 with 9% Rate of Return = $99,471.16
  - Grants are maxed out at age 34.
    - Value when grants maxed = $554,342.30
  - Bonds maxed out age 38.
    - Value when bonds maxed = $859,447.68
  - PGAP Status
  - % of LDAP taxed = ~99%
  - Rebalanced to 5% Rate of Return after withdrawals occur
- Age 44, no AHA = $1,582,298.99
  - First LDAP at age 44 if taken then = $40,571.77 (will have to repay $4,000 in bonds)
  - $ first LDAP taxed age 44 = $40,166.05 (after $23,986 for disability amount and personal amount, remaining money that is eligible to be taxed is $16,180.05)
  - Total tax withheld at age 44 at 30% tax rate = $4,854.02
- Age 48, no AHA = $2,319,203.20
  - First LDAP at age 48 if taken then = $66,262.95 (no repay of any bonds)
  - $ first LDAP taxed age 48 = $65,600.32 (after $23,986 for disability amount and personal amount, remaining money that is eligible to be taxed is $41,614.32)
  - Total tax withheld at age 48 at 30% tax rate = $12,484.30

- Value at age 60 with no earlier withdrawals = $3,479,899.59
    - First LDAP at age 60 = $151,375.63
    - $ first LDAP taxed age 60 = $149,861.87 (after $23,986 for disability amount and personal amount, remaining money that is eligible to be taxed is $125,875.87)
    - Total tax withheld at age 60 at 30% tax rate = $37,762.76
    - <If the money isn't invested, this amount will remain flat. If it's invested, it will rise every year>



<u>Withdrawal Example 4</u>

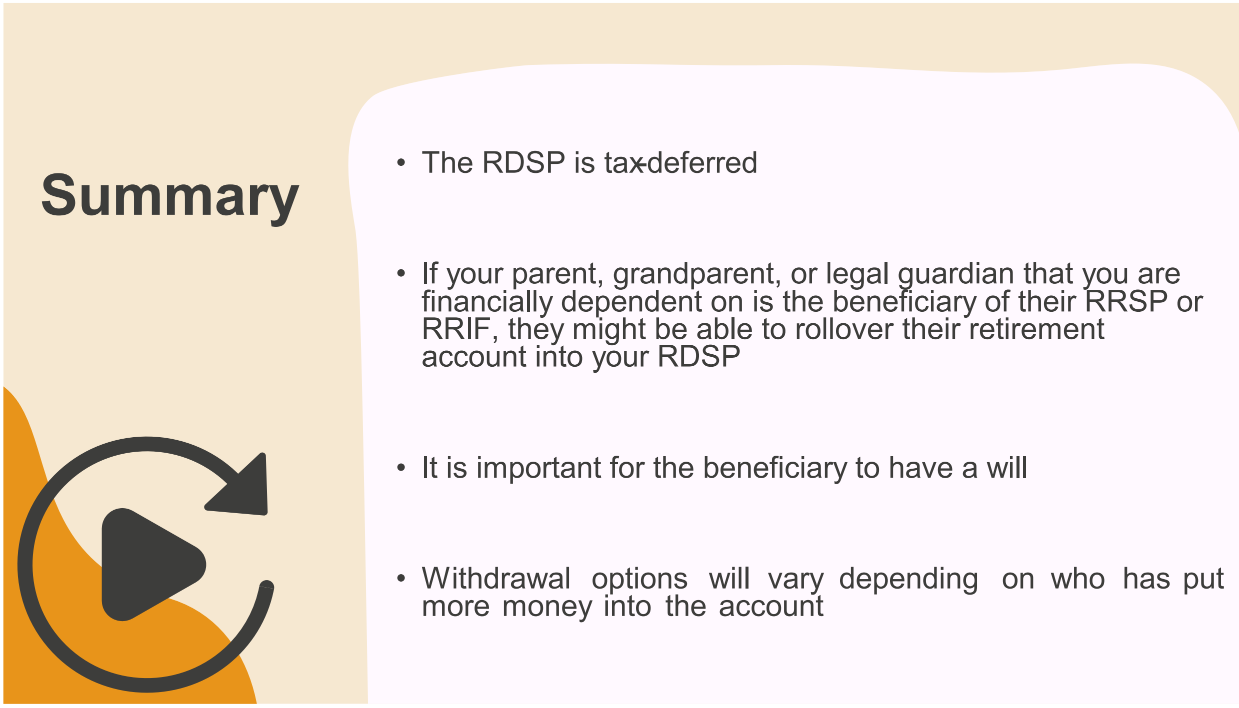
- Example 4: Age 55 lump sum
- Assumptions
    - Start age 55 lump sum contribution of $200,000.
    - 5% Rate of Return
    - Value at age 60 = $262,914.00
    - Rebalanced to 3% Rate of Return
- First LDAP at age 60 = $11,431.04
- Last LDAP at age 82 = $21,903.05
- % of LDAP taxed = 24%
- $ first LDAP taxed = $2,735.39, however no tax will be withheld at the source because it is lower than $23,986



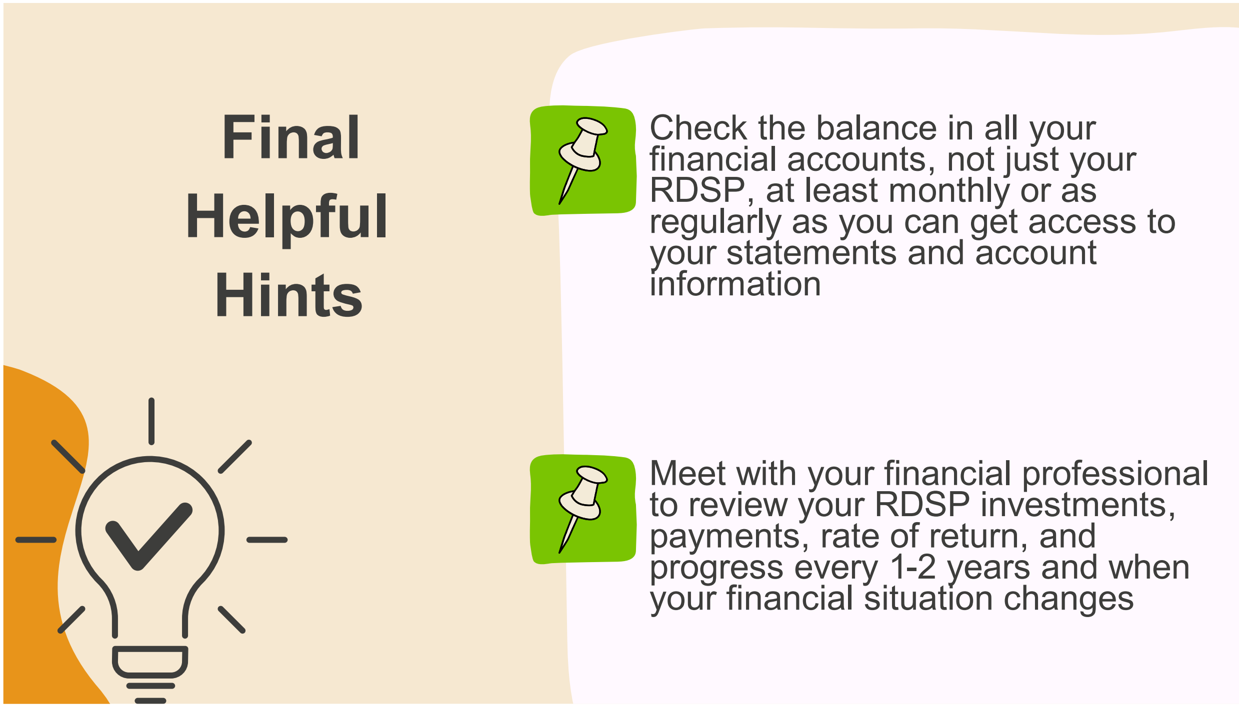
Summary

To summarize what we have learned:

- The RDSP can be an incredibly powerful savings and investment vehicle for people with disabilities but must be included as part of a larger financial plan.
- If the beneficiary cannot be the holder of their own RDSP due to concerns around their cognitive abilities, the holder can and may change several times.
- It is important to do your research before opening your RDSP to make sure you are working with the best financial institution for your needs. Each financial institution will have different investment options, accessibility support, fees, and level of expertise around RDSPs.
- If you are unhappy with where your RDSP is currently being held, you can transfer it to another financial institution.
- If you are the beneficiary of a RESP, you might be able to rollover any unused amount into your RDSP.



- The RDSP is tax-deferred, meaning that when you take withdrawals, a portion of that money will be taxed.
- If your parent, grandparent, or legal guardian that you are financially dependent on is the beneficiary of their RRSP or RRIF, they might be able to rollover their retirement account into your RDSP when they pass away.
- It is important for the beneficiary to have a will because that is what will say where the RDSP funds go if they die.
- Withdrawal options will vary depending on who has put more money into the account – you, your family, friends, etc. or the government in grants and bonds.



Final Helpful Hints

- Check the balance in all your financial accounts, not just your RDSP, at least monthly or as regularly as you can get access to your statements and account information.
  - For example, we know that many RDSP holders must call-in to their financial institution or wait for their mailed statements and transaction confirmations to get information on their RDSP account.
- When you do check your account balances, always note and follow up on unusual increases or decreases.
- Meet with your financial professional to review your RDSP investments, payments, rate of return, and progress every 1-2 years and when your financial situation changes.

- Work at increasing your level of financial literacy and subscribe to newsletters or follow organizations and institutions that share updates about the RDSP legislation and policies.
- Review your legal documents every five years or when major life changes happen and make any necessary changes such as in your will or representation agreement.
- And finally, If the beneficiary is not able to be the holder of their own RDSP, the holders may need to plan for who can be an alternative holder if they are no longer able to.

More Resources

- RDSP Level 2 webinar downloadable/clickable resources link: https://www.rdsp.com/rdsp-webinar-resources-level-2/
- Free disability planning helpline
  - 1-844-311-7526
  - info@rdsp.com
- RDSP.com
  - Calculator - https://www.rdsp.com/calculator/
  - Tutorial - https://www.rdsp.com/rdsp-tutorial/
  - Blog – https://www.rdsp.com/blog/
  - Self-Serve RDSP and DTC Resources – https://www.rdsp.com/supports-and-services/self-serve-resources/
  - DTC Guides for Medical Practitioners - https://www.rdsp.com/supports-and-services/dtcguides/
- planinstitute.ca
  - https://planinstitute.ca/learning-centre/events/ – other webinars and learning events available, including our interpreted RDSP Level 1 webinars available in Spanish, Arabic, Punjabi, and Mandarin/Simplified Chinese
- Disability Alliance BC's free DTC tool and help sheet:
  - disabilityalliancebc.org/DTC-app/
  - disabilityalliancebc.org/hs14/
- Prosper Canada's Disability and Non-Disability Specific Benefit Wayfinder Tool
  - benefitswayfinder.org