

## WHAT IS A REGISTERED DISABILITY SAVINGS PLAN (RDSP)

The Registered Disability Savings Plan (RDSP), is a tax-deferred savings account created by the Canadian Government. Its purpose is to help build long-term financial security for disabled persons. Where the RDSP truly accelerates savings is in its ability to receive Government grants that match up to 300% of the owner's contributions. By opening an RDSP, you may be able to receive up to \$4,500 per year in government funds. Let's learn more about the RDSP:

You qualify to be an RDSP beneficiary if you are eligible for the Disability Tax Credit, a resident of Canada, less than age 60, and have a valid Social Insurance Number.

Contributions to the RDSP can be made by the account holder or by any person the account holder has authorized. The account may also be opened on behalf of a disabled beneficiary. The lifetime contribution is \$200,000 and contributions can be made up until the age of 59. Speak with your advisor to work out a contribution plan that benefits you most.

**Canadian Disability Savings Grants (CDSG's)** are matching grants that the Government will deposit into the RDSP to help accumulate savings. The Government provides matching grants of up to 300%, depending on the amount contributed and family net income. Unused CDSGs can also be claimed for previous years. If you are just now opening an RDSP, you may be eligible to receive these amounts dating back to 2008. The chart below outlines 2012 CDSG matching rates:

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FAMILY NET INCOME	CDSG MATCHING RATES	MAXIMUM ANNUAL CDSG
Up to \$85,414	300% on first \$500 200% on next \$1,000	\$3,500
Over \$85,414	100% on first \$1,000	\$1,000

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Example: Roger, whose family income is less than \$85,414, has just set up his RDSP. To take full advantage of Government grants, he contributes \$1,500 this year. For the first \$500 Roger puts in, the Government contributes \$1,500. For the remaining \$1,000, they give Roger \$2,000. At the end of the year, Roger has contributed \$1,500 while the government has deposited \$3,500. This is a total of \$5,000! Not bad for a \$1,500 investment.

In addition to CDSGs, lower income families have access the **Canadian Disability Savings Bond** (CDSB). The Government may deposit up to \$1,000 a year to the RDSP of a low-income beneficiary, even if no contributions are made into the RDSP. The chart below outlines 2012 CDSB matching rates:

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<b>FAMILY NET INCOME</b>	<b>MAXIMUM ANNUAL CDSB</b>
Up to \$24,863	\$1,000
Between \$24,863 & \$42,707	\$1,000 reduced on a prorated basis
Over \$42,707	No bond is paid

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As you can see, the grants and bonds given by the Government are quite substantial and can boost your investment savings significantly. This is what makes the RDSP one of the most beneficial registered plans available.

At age 60, the RDSP beneficiary must start withdrawing funds. Withdrawals normally come via recurring annual payments, called Lifetime Disability Assistance Payments. Lump sums may also be withdrawn during or prior to retirement; however, any grants or bonds received within the past 10 years must be repaid in this situation. This 10-year rule is in place to ensure the RDSP is used for long-term savings.

Because original contributions are non-deductible when contributed, they are not taxed on withdrawal. Investment income, CDSGs and CDSBs are taxed when received.

To ensure your account is set up properly and effectively, it is recommended that you see a financial advisor when opening an RDSP account.