



## UNDERSTANDING RDSPS: A GUIDE TO THE REGISTERED DISABILITY SAVINGS PLAN

November is Financial Literacy Month, and at Stoughton Credit Union, we believe in empowering Canadians with the knowledge they need to secure their financial futures. For individuals with disabilities and their families, the Registered Disability Savings Plan (RDSP) can be a powerful financial tool. However, despite its substantial benefits, the RDSP remains largely underutilized. In this article, we'll explain what an RDSP is, who can open one, and how it can help build long-term financial security for Canadians with disabilities.

### What is an RDSP?

The Registered Disability Savings Plan (RDSP) is a long-term savings plan designed to help Canadians with disabilities and their families save for the future. It's supported by the federal government through Canada Disability Savings Grants (CDSG) and Canada Disability Savings Bonds (CDSB), which can significantly boost savings over time. Additionally, RDSP funds grow tax-deferred, meaning the investment income earned in the plan is not taxed until funds are withdrawn.

### Who Can Open an RDSP?

An RDSP can be opened by the person with the disability, known as the beneficiary, or by a holder on their behalf. The beneficiary is the person who will ultimately benefit from the savings in the RDSP. The holder is the person who opens and manages the plan.

- For Beneficiaries 18 and Older: If the beneficiary is over 18, they can open and manage the RDSP themselves. In some cases, a parent, legal guardian, or other legal representative may open and manage the plan on their behalf.
- For Beneficiaries Under 18: If the beneficiary is a minor, a parent or legal guardian must open and manage the RDSP until the beneficiary turns 18.



### **The Benefits of an RDSP**

One of the key advantages of the RDSP is the potential for significant government contributions through grants and bonds.

#### **Canada Disability Savings Grant (CDSG)**

The federal government matches contributions to an RDSP by 100%, 200%, or 300%, depending on the amount contributed and the beneficiary's family income. The lifetime maximum for the CDSG is \$70,000. This means that with consistent contributions, the government could match your deposits and dramatically increase the savings over time.

#### **Canada Disability Savings Bond (CDSB)**

The CDSB is a government bond for low-income individuals, and unlike the grant, it does not require contributions to receive. The government will provide up to \$1,000 annually, with a lifetime maximum of \$20,000. This makes the RDSP accessible to those who may not have extra funds to contribute.

Together, the CDSG and CDSB offer a substantial opportunity for individuals with disabilities to receive up to \$90,000 in federal grants and bonds over their lifetime. These funds can grow tax-deferred, allowing them to accumulate more effectively.

### **Who Qualifies for an RDSP?**

To open an RDSP, an individual must meet the following eligibility criteria:

1. Eligibility for the Disability Tax Credit (DTC): The individual must first qualify for the DTC, which is essential to open an RDSP.
2. Age Requirement: The beneficiary must be under 60 years old at the time of opening the plan.
3. Canadian Residency: The individual must be a Canadian resident.
4. Valid SIN: The individual must have a Social Insurance Number (SIN).

### **Disability Tax Credit (DTC) Benefits**

The Disability Tax Credit (DTC) is a non-refundable tax credit that helps reduce the income tax that individuals with disabilities or their supporting family members may need to pay. Being eligible for the DTC also opens the door to additional financial benefits, such as the RDSP.



See the chart on the following page which summarizes who may or may not qualify for the Disability Tax Credit (DTC) based on the information from the Canada Revenue Agency (CRA) website. This chart includes common disabilities and conditions along with their eligibility status.

Disability Type	Who May Qualify	Who May Not Qualify
Physical Impairments	Severe mobility issues (e.g., wheelchair users)	Mild mobility limitations (e.g., short-term injuries)
Visual Impairments	Legal blindness	Vision correction not required (e.g., glasses)
Hearing Impairments	Profound hearing loss (not helped by hearing aids)	Mild hearing loss (e.g., managed with hearing aids)
Mental Health Conditions	Severe and prolonged mental health issues	Mild or managed conditions (e.g., situational anxiety)
Cognitive Impairments	Severe cognitive disabilities (e.g., developmental delays)	Mild learning disabilities (e.g., ADHD with minimal impact)
Chronic Illnesses	Long-term debilitating conditions (e.g., diabetes with complications)	Stable conditions with no significant functional impairment
Neurological Disorders	Severe conditions (e.g., MS with significant impact)	Mild conditions (e.g., occasional headaches)
Speech Impairments	Significant speech difficulties that affect communication	Minor speech delays or articulation issues
Multiple Sclerosis (MS)	Severe cases with substantial impacts on daily activities	Mild cases with minimal functional impact
Epilepsy	Frequent seizures with major impact on daily life	Controlled seizures without significant restrictions

### Summary:

Who May Qualify: Individuals with severe, chronic, or persistent disabilities that significantly impair their daily activities and functioning.

Who May Not Qualify: Individuals whose disabilities are mild, managed, or do not significantly impact their daily activities or functioning.

### Additional Notes:

To determine eligibility for the DTC, it's essential for applicants to demonstrate how their disability affects their daily living and overall quality of life. It may be helpful to consult a medical professional or tax advisor for guidance.

### Why the RDSP is Underutilized

Despite its tremendous benefits, the RDSP remains greatly underutilized. In 2022, there were approximately 8 million Canadians aged 15 and older with disabilities . Out of these, 1.4 million applied for and are eligible for the DTC . However, only 240,000 people have opened an RDSP . This means that many eligible individuals are missing out on significant government support and financial growth opportunities.

### Why Consider Opening an RDSP?

Here are a few key reasons why an RDSP may be right for you or your family:

- **Government Contributions:** Through CDSG and CDSB, you could receive up to \$90,000 in federal support.
- **Tax-Deferred Growth:** The savings in an RDSP grow tax-free until withdrawn, allowing for more substantial growth over time.
- **Financial Security:** The RDSP is designed to provide long-term savings and security for individuals with disabilities, helping to ensure a more stable financial future.

### How We Can Help

At Stoughton Credit Union, we are committed to helping our community members make the most of available financial tools. If you or a loved one qualify for the RDSP and would like assistance in setting one up, contact us today. Our team can guide you through the process and ensure that you are taking full advantage of the grants, bonds, and other benefits that the RDSP offers.

Let us help you take the next step toward financial security and independence.

### Sources:

1. [DTC Statistics - 2022](#)
2. [Disability Rate in Canada Increased in 2022 - StatsCan](#)
3. [Canada Disability Savings Program: 2022 Key Statistics](#)
4. [Who is Eligible?](#)