

# The Registered Disability Savings Plan

ALBERTA EDITION



## STARTING YOUNG: Maggie MacKay

“a way of ensuring Maggie can make personal choices”

For Bruce and Flora Mackay and their 12 year old daughter Maggie, it comes down to choice. It's a concept that most people take for granted, but something that is dearly important to most of us. It is the ability to choose.

Maggie is a gifted young girl who enjoys dance classes and singing in choirs. She attends grade 6 in her hometown of Lethbridge and has an inexorable desire to learn about everything around her. Maggie, having just returned from an overnight class field trip to the Royal Tyrrell Dinosaur Muse, has her parents very excited. Sleeping in a museum overnight with your elementary class, without your parents along, is a big step for any 6th grader. The fact that Maggie has a severe disability and was able to participate represents a big step for the young girl who is starting to become more independent.

This question of independence is paramount in Bruce and

Flora's mind when they consider Maggie's future. They want to make sure that whatever their daughter decides to do, she has the independence to do it. With the often restrictive nature of many disabilities, Bruce and Flora see the RDSP as a way of ensuring their daughter can make personal choices when deciding her future, be it taking course in a post secondary institution or getting a job doing something she loves. The ability to make our own choices goes a long way in improving our quality of life. With the RDSP as a resources, Bruce and Flora want Maggie to be able go to where she want to go and do what she wants to do and to make those choices that make her happy.

What can I do with my RDSP...

[Ballet and dance lessons](#)

[Vacations to see the](#)

[Royal Ballet of Canada](#)

[Dinners out with friends](#)

[Photography and art classes](#)

[My own home](#)

## What is a Registered Disability Savings Plan?

The RDSP will help you or your family member save money for the future. If you put a bit of money into an RDSP each year, it will grow into a lot of money.

The federal government will also put money into the RDSP. Sometimes you can get money from the federal government for your RDSP even if you don't put any money in!

Your AISH payments will not be reduced. The money in an RDSP can grow to whatever amount and you can still receive your AISH payments. You can also use the money in the RDSP for anything you want.

## What is the Canada Disability Savings Bond?

The Canada Disability Savings Bond is money that the federal government will put into an RDSP. If family income is less than \$24,183\* per year then the federal government will put in \$1,000 per year. If family income is between \$24,183\* and \$41,544 they will put in some but less than \$1,000.

Before December 31st of the year the person with a disability turns 18, it is the family income that counts. After that it is the person's income that counts.

**You don't even have to put anything into the RDSP to get the Bond!**

The maximum amount of Bond the federal government will put into an RDSP is \$20,000 over the person's lifetime.

\*Income amounts shown are for 2010, amounts are updated each year based on the rate of inflation.

## What is the Canada Disability Savings Grant?

The Canada Disability Savings Bond is money that the federal government will put into an RDSP when a person with a disability or family members or friends put money in. In some cases the federal government will put in \$3 for every \$1 that other puts in.

Usually, the most that the federal government will put into an RDSP in an year is \$3,500. The most that the federal government will contribute in the life of the person is \$70,000. Like the Bond, the amount the federal government puts in depends on the family income until December 31st of the year that the person turns 18. After that date, it is the person's income that counts. To get either the Bond or the Grant the person has to be 49 or younger.

## QUICK FACTS

### Key Terms

**Registered Disability Savings Plan** = The new plan to help you or your relative with a disability save for the future.

**RDSP** = Short form for Registered Disability Savings Plan.

**Account holder** = The person who manages the RDSP and makes the decisions on how to invest.

**Bond** = money the federal government puts into an RDSP even when you or your relative don't put money in.

**Grant** = money the federal government puts into an RDSP when you or your family or friends put money in.

### Registered Disability Savings Plan

- Helps you or your family member save for the future.
- You don't have to pay taxes on money in the RDSP, and payments will only be partially taxed.
- You can put up to \$200,000 dollars into the RDSP.
- Anyone can contribute to the RDSP. You, your family, friends, neighbours, or anyone else.
- The federal government will put in up to \$90,000.
- You can open a plan at most major financial institutions in Canada—check [www.rdsp.com](http://www.rdsp.com) for the full list.
- You do not need to visit a lawyer or accountant to set up a plan.

### Where to get more information about the RDSP

- Visit [www.rdsp.com](http://www.rdsp.com) or [www.disabilitysavings.gc.ca](http://www.disabilitysavings.gc.ca)
- For Questions—Call 1 800 O-Canada (1-800-622-6232)
- For Questions by TTY—Call 1-800-926-9105
- Take a free Telephone Seminar on the RDSP by calling PLAN at 604-439-9566 [www.plan.ca](http://www.plan.ca)

# How does the RDSP work?



Kathy and Rob set up an RDSP for their daughter.

The Bromley's have two children, Michael and Shannon. Shannon is 15 and has a severe disability called Angelmann's Syndrome. Shannon loves playing baseball, skiing, and swimming with dolphins.

Kathy and Rob are in good health, but they are worried about what will happen to Shannon when they pass away. An RDSP would be one way of preparing for the future and could really help Shannon to plan for a good life. Saving on their own has been difficult.

With the RDSP they can set aside small amounts of money and the federal government would contribute alongside their savings. With the income it could earn when they invest, it could grow into a large amount of money.

Shannon could use it to pay for a home when she's older, to cover additional supports, or just use it for things that she might not be able to afford otherwise.

Rob and Kathy went to [www.rdsp.com](http://www.rdsp.com) and looked at the RDSP calculator. They used the calculator to figure out how much the plan would grow if they put \$200 a month into an RDSP for Shannon.

Here's how it works:

From age 45 to death, the RDSP will make monthly payments to Shannon

### FROM AGE 15 TO 34

Kathy and Rob open an RDSP for Shannon at their local bank and deposit \$2,000.

They put \$200 per month in the RDSP for 20 years. (that's a total of \$48,000)

The federal government puts in \$79,500.

### FROM AGE 35 TO 45

Shannon waits ten years to withdraw money because she doesn't want to return any Grant or Bond to the federal government.

### AT AGE 45

Shannon's RDSP is worth more than \$377,237.

### FROM AGE 45 TO DEATH

The RDSP will make monthly payments to Shannon

AGE 45 \$850/MONTH

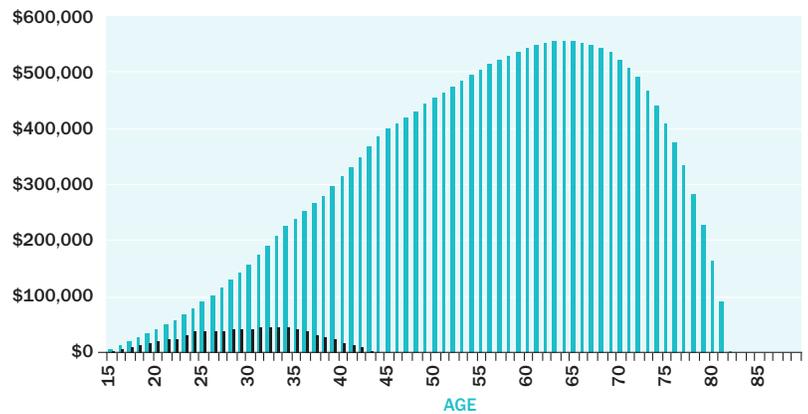
AGE 55 \$1500/MONTH

AGE 65 \$2500/MONTH

AGE 75 \$4200/MONTH

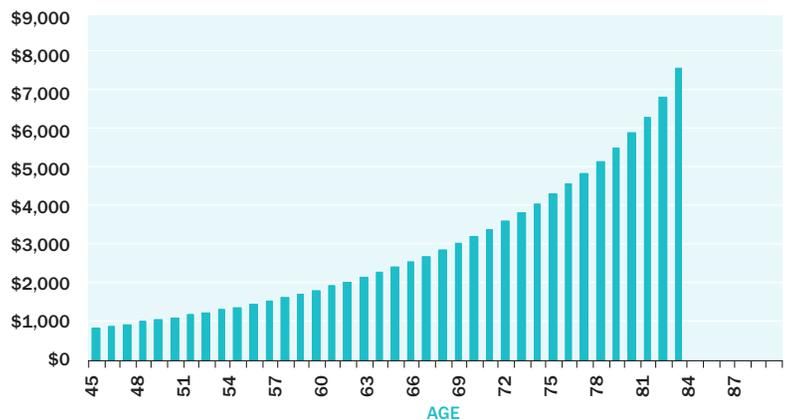
At Shannon's death, whatever is left in her RDSP will be part of her estate and distributed through her Will.

### MONEY IN SHANNON'S RDSP



This graph shows how Shannon's RDSP could grow. You can see that it starts at zero at age 15 (on the bottom) and grows to more than \$500,000 when she is 65. Remember that this is a prediction and that it could grow faster or slower depending how well her investments do. We have estimated Shannon's return on her investments of 5.5%.

### MONTHLY PAYMENTS FROM SHANNON'S RDSP



This graph shows how much Shannon would receive each year from her RDSP. At age 45, she would get \$10,000. At age 60, she would get about \$22,000 per year. The payments in this scenario are determined by a set formula. The payments could be different if Shannon and her family put in more than the federal government or if she purchases an annuity.

Shannon can keep her RDSP payments and also her Assured Income for Severely Handicapped (AISH) benefits

# Questions and Answers

1

## WHO QUALIFIES FOR THE RDSP?

People who live in Canada.

People who get the Disability Tax Credit.

People who are 59 or younger can put money in an RDSP.

People who are 49 or younger can get the federal government money.

2

## WHAT IS THE DISABILITY TAX CREDIT?

A tax credit is something you claim when you do your Income Tax Return so you don't have to pay so much tax.

The Disability Tax Credit is a credit that a person gets if they are disabled. Parents that are caring for a child with a disability can also claim it to save taxes.

You or your family member must apply for the Disability Tax Credit to be able to claim it or to be able to open an RDSP.

3

## HOW DO WE APPLY FOR THE DISABILITY TAX CREDIT?

To apply for the Disability Tax Credit you need to get your doctor or other qualified health professional to fill out a special form and send it to Canada Revenue Agency.

The form that needs to be filled out is called Form T-2201. After looking at the form, they will let you know whether you have been approved. If you have questions or want to get the form, call the CRA at 1-800-959-2221.

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## WILL I OR MY FAMILY MEMBER LOSE AISH BENEFITS?

No. A person can have as much as they want in an RDSP and can also receive and use the money from the RDSP without affecting their Assured Income for Severely Handicapped (AISH) benefits.

## AISH & the RDSP

### What is AISH?

AISH stands for Assured Income for the Severely Handicapped. If you have a permanent disability that severely limit's your ability to work, AISH provides money to help pay for your home, living and health costs. You can also apply to receive additional money for supporting children or other benefits.



### AISH Income Limits

Any money from a trust, employment, self employment or pension must be reported. Some of it may be deducted from your AISH income cheque.

**Any money coming out of an RDSP is not counted as income, and will not be deducted from your AISH cheque!**

### AISH Asset Limits

AISH allows you to have some assets and still get AISH benefits. For example, AISH permits you to have a home, a car, clothes and some household items. You can also have up to \$100,000 in cash, stocks or bonds. Assets are things worth money, and tend to hold or increase their value. An example is a house—it will usually stay the same price or increase.

**An RDSP is in addition to these assets!**

### How to apply for AISH?

To apply for AISH, contact the AISH office in your community. To locate the nearest office, call the Service Alberta Operator toll free to 310-0000. When you contact the local office, they will give you information about applying.

## What if I set up an RDSP? Can I still get my AISH Benefits?

Yes. If you set up an RDSP, you will still receive all your AISH benefits from the province. Even if your RDSP grows to be a large amount of money and you take the money out, you will not lose your AISH.

# Things you must do to set up an RDSP!

- Get your social insurance number
- Apply for the Disability Tax Credit
- File your income tax returns (for the past two years)
- Choose your financial institution
- Choose your holder
- Open your account

Once open, you will need to invest and manage your money!



The Step-by-Step guide will assist you, friends or family to become eligible, open and manage your RDSP. Download your copy at [www.rdsp.com](http://www.rdsp.com) or [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca)

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