



PLAN presents
A Three-Year Review of the RDSP

Ensuring the Effectiveness of the Registered Disability Savings Plan

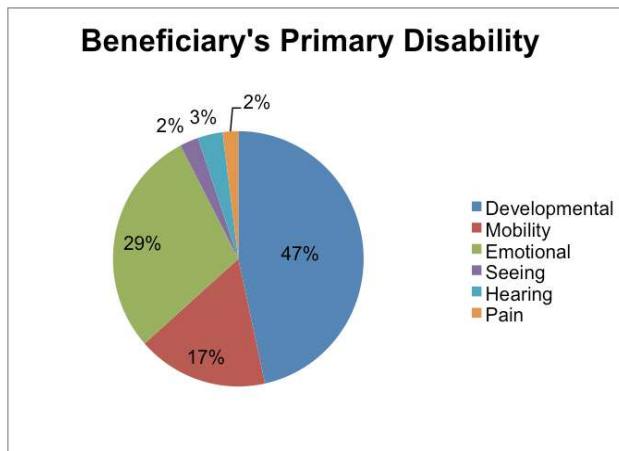
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From the early days of development to the implementation of the Registered Disability Savings Plan (RDSP), PLAN has walked alongside families as they have navigated through the process of attaining an RDSP. In preparation for the Federal Review, PLAN compiled feedback from 2,100 plus families who attended our RDSP information sessions and launched 2 surveys: the *3-Year RDSP Review* and the *Why Not* surveys. In addition, PLAN hosted an online dialogue on *rdsp.com* regarding the top ten barriers to the RDSP. Through listening to families, PLAN was asked thoughtful questions and heard innovative solutions for how families envision an improved RDSP.

This report begins by illustrating the impact that an RDSP can make for families and individuals with disabilities. Secondly, feedback from families and people with disabilities is presented about the five RDSP topics outlined by the Finance Canada consultation paper issued in November of 2011 entitled *Ensuring the Effectiveness of Registered Disability Savings Plans*: Basic parameters; Establishing an RDSP & legal representation; Savings accumulation & access; Plan termination & cessation of DTC eligibility; Improving administration & red tape. Thirdly, the report concludes by considering why only 9 percent of the eligible population has opened an RDSP and suggests 4 policy recommendations that would help increase program effectiveness and participation in the RDSP.

RDSP 3-Year Review Survey

Table 1



PLAN has a history of working with families who have family members with developmental disabilities. In their survey most RDSP's were for persons with developmental disabilities; the second largest group were for those with mental health-related issues. Overall, most received both the grant and the bond, and most have been satisfied with the process of accessing their grant/bond. However, the majority of survey respondents stated that their experience in accessing an RDSP was frustrating.

Some people felt frustrations about not knowing what the future held and whether the RDSP would be flexible enough. Others were concerned about not having enough information about the RDSP or challenges with the Disability Tax Credit application.

What Difference Does an RDSP *Really* Make?

People have different motivations for opening an RDSP. For some it is a safe way to save money; for others, the RDSP is seen as a pension plan. In the survey, families and individuals were asked, “What difference does your RDSP make?” Two themes emerged.

Impact Today

Over one hundred participants commented that the RDSP acts as a safe way to save money today. Responses reflect the present-day nature of the RDSP: increased savings today, increased spending or purchasing power today, or generating income today. Families and people with disabilities revealed an ‘in-the-moment’ sense of increased utility and benefit from their RDSP.

My brother inherited some money and we were able to put \$200,000 in an RDSP before he turned 60. He has now turned 60 and will need to start taking money out – but that will not affect his disability payments. It has changed his life.

Hope for Tomorrow

The vast majority of survey participants mentioned the long-term benefit of the RDSP. Over two hundred people commented that the biggest difference that the RDSP makes is security for the future. The RDSP is considered to be a savings vehicle that will have impacts later on in a person’s life.

As her mom, I view the RDSP as life savings for my young daughter who was born with Down syndrome...I see [the] RDSP basically as a security blanket for all disabled children to grow up free from poverty.

A number of people commented on the fact that their RDSP is something that they do not really think about day-to-day, but it gives them peace of mind for the future. Parents, who want to ensure that their children can have a good life after they are gone, particularly feel this. The RDSP offers peace of mind and a sense of relief for whatever the future may hold.

The difference it makes is financial security for my son if something happens to us [his parents]. The RDSP also allows us to not rely upon his siblings who are struggling in this economy. It will ensure that he gets adequate services when we cannot physically manage to support his basic living. We sleep better knowing the RDSP is there.

PLAN has gathered an unprecedented amount of data from across the country of families' and individuals' perceptions and lived experiences with the RDSP. Data has been compiled and is presented in the following report in response to the federal government's RDSP review questions.

1. Basic Parameters

Question: "Are there aspects of these parameters that could be improved?"

Survey results show that the families and people with disabilities believe some of the basic parameters of the RDSP need to become more flexible. While the concept of a savings plan is very beneficial to those who qualify, long term financial security for those who cannot work or who can work less than most is still a very complex concept.

The RDSP grants and bonds acknowledge the extraordinary expenses that are associated with living with a disability and acknowledge that people with disabilities do not have to live in poverty. Respondents ask why for RRSP's, people can contribute up until they are 71, yet for the RDSP it's only 59. If the RDSP were treated like other incentivized savings programs people could open an RDSP until 65 years of age, and contribute until 71 years of age. One survey participant asked:

If people with disabilities are living on average until 83 years (age used in the Lifetime Disability Assistance Payments) it's puzzling that the RDSP cut-off is 59, and the grants/bonds end at age 49. Why is this?

Would 65, the senior citizen age, make more sense as the grant/bond cut off age? If so, the 10-year rule could be extended to age 75. It is difficult to create parameters that work for everyone, but increased symmetry or compatibility between the RDSP and other similar programs is an important step to take. Families and people with disabilities have different reasons for opening an RDSP – some would like to take money out earlier because of health concerns, while others expect to live a long life and would like to be able to use it (and continue to contribute) much longer.

For individuals starting their RDSP in later years, the current cut-off age limit means that there is not much time to accumulate financial security for the future. Yet, the grants and bonds symbolize Government's awareness that the cost of living is often so much higher than for someone who doesn't have a disability. Families and people with disabilities have recognized this contradiction in the RDSP parameters and have commented on it in our surveys, blogs and evaluation forms.

2. Establishing Plans and Legal Representation

Questions: “Do beneficiaries and their families face obstacles in establishing RDSPs, and if so, how could these obstacles be overcome?”

Regarding their experiences of opening up an RDSP, many families commented on the lack of coordination and communication between CRA and the bank. In some cases families were given contradictory and even incorrect information. The survey suggests that financial institutions do not always have staff available to assist people in accessing an RDSP, and those in rural areas with limited bank choices feel this more significantly. This drastically affects the opportunity to establish plans.

The bank I was dealing with did not have experienced staff dealing with requests to open the RDSP.

The people I was dealing with at the bank weren't sure what the issues were, but assured me that there wasn't much point in my calling the CRA because the CRA people would probably not talk to me.

Despite the negative stories, many individuals and families also had positive experiences to tell about getting their RDSP. In some cases, people identified that it may have been easier for them because they did the research and had access to support, and their disability didn't make it prohibitive.

The person on the phone was patient and stayed online until I had completed all the necessary forms.

PLAN has heard all types of stories, positive and negative, of people trying to open an RDSP. The first survey, the *RDSP 3-Year Review* survey, showed surprising results that suggested that some people did not open an RDSP because they did not understand how to, they had difficulty applying for the DTC, or they were concerned that their provincial benefits would be affected. This prompted PLAN to find out more about this group of people who didn't have an RDSP, so they launched the *Why Not* survey to investigate families' experiences.

2.1 Legal Representation

Question: “What is the appropriate approach to addressing legal representation issues?”

The RDSP allows for the possibility to think of people with disabilities as having net worth in financial terms. However, for some families who have a child with

questionable contractual competency, the RDSP is a stark reminder of the crippling foundations of substitute decision-making.

It (the RDSP) has to be in the name of the beneficiary, and our son, who has schizophrenia, cannot handle money now. We don't want to have him declared incompetent as he may improve with age. We don't know what to do.

Recently, Canada ratified the UN *Convention on the Rights of Persons with Disabilities*, which declared that persons with disabilities must “enjoy legal capacity on an equal basis with others in all aspects of life.” Unfortunately contractual competence rules remain in place, which prevents people with intellectual disabilities from opening accounts such as RDSPs.

The BC Representation Agreement provides a supported decision-making solution for British Columbians, but for the rest of Canada the only option is for someone to be placed under a restrictive substitute decision-making or guardianship order. PLAN (along with CACL, Pooran Law, the RDSP Resource Centre, and legal advisors Ken Pike and Orville Endicott) has been researching solutions: replicating the BC Rep Agreement across all provinces was considered but it was determined that a nation-wide Federal solution would be more cost-efficient and timely, would allow families better mobility within the country, would provide for concordance with the UN *Convention*, and would have the support of the disability community and financial institutions.

A proposed form has recently been developed by the group and was presented to Finance Canada. The form will enable a person without contractual capacity to authorize qualifying persons and will enable persons who have special relationships to the beneficiary to be *self-appointed*, in cases where a beneficiary may not be able to give direction. Finance Canada has received the proposed form, and further meetings are scheduled. PLAN, along with the support of families, believes this is an important step for the government to take.

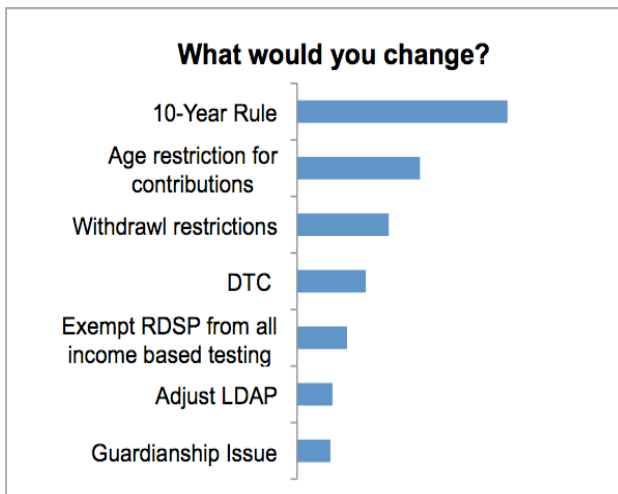
3. Savings Accumulation and Access

Question: “What alternatives to the 10-year rule could be considered that would improve access to savings, while still supporting the long-term savings objective of the RDSP?”

Again, people have different reasons for opening an RDSP – some would like to take money out earlier because of health concerns, while others expect to live a long life and would like to be able to use it (and continue to contribute) much longer. The RDSP should be able to serve

these motivations equally. Top RDSP changes that families and people with disabilities would like to see focus on the 10-year rule, age restrictions for contributions, withdrawal restrictions and Disability Tax Credit (DTC) eligibility.

Table 2



PLAN believes that alternatives to the 10-year rule are possible. Survey respondents suggest that there needs to be increased compatibility and parity between the RDSP and other savings programs. The generous grants and bonds provided by the Government send an important message to families, acknowledging that the cost of living for those with a disability is often so much higher than for those who do not have a disability. The grants and bonds offer an opportunity for growth leading to future increased financial security.

However, as stated before, people have expressed that the 10-year rule is contradictory – the RDSP is supposed to acknowledge the extra cost for families, yet access to funds are very restricted. As a result, and in combination with shortened life expectancies, the 10-year rule ties up families’ funds for too long and is perceived by many as a punitive and prohibitive rule.

Families and people with disabilities have suggested that provisions be made for withdrawals that do not trigger the 10-year rule and would allow access to funds. Improving access to savings, while still supporting the long-term savings objective of the RDSP, is possible if people were allowed to withdraw for prescribed reasons. These reasons could include the purchase of a home, expenses related to school/training/job readiness, expenditures for improving health (including therapies and equipment), transportation, and renovations to make a residence accessible.

Families and people with disabilities face unforeseen circumstances, and provisions should be made to exempt them from the 10-year rule. There are several reasons why reducing the 10-year rule to 5 years makes sense for families and people with disabilities:

- Access to savings is critical – families have extra-ordinary expenses in caring for a person with a disability

- Ten years is too long to wait – the average age of people with disabilities is less than the average age of people without disabilities
- The 10-year rule targets the minority not the majority of people – the rule acts as protection against the minority of unscrupulous people who may want to misuse government contributions; the majority of people want to access RDSP funds appropriately

4. Plan Termination & Cessation of DTC Eligibility

Question: “What should happen to an RDSP when a beneficiary ceases to be eligible for the DTC (particularly if there is a medical likelihood that the beneficiary would be eligible for the DTC in the foreseeable future)? Are changes needed to provide greater flexibility in these circumstances?”

There are several factors that can trigger an RDSP to terminate. One reason is the cessation of DTC eligibility. Survey participants communicated that, for a number of reasons, filing for the DTC can be one of the hardest parts of qualifying for an RDSP and so reapplying is equally daunting. Survey results show that DTC eligibility is seen as a major barrier, especially for those who have brain injuries, mental illness, or mild developmental or episodic disabilities.

Few people with disability are singularly disabled in one area...This [the DTC] seems very much determined on who your family doctor is; how they choose to interpret and fill out the form.

Qualifying for the DTC provides significant benefits beyond the RDSP; however access remains a barrier for many people. When a person is no longer eligible for the DTC (but there is a medical likelihood that they would be eligible in the foreseeable future) families and people with disabilities want to see greater flexibility in the re-application process.

For most people, health can be affected by life changes, trauma, weather, or other unrelated health issues. For people with disabilities, it is no different, and these changes can make the disability ‘episodic’ – for periods of time the disability is intensified or weakened (such as in certain mental illnesses). For people with an episodic disability, re-applying for the DTC once it has expired may be challenging, and this may affect the accessibility of an RDSP. The result is that some people are denied access to the RDSP through the application process while others are deterred because they are concerned about their re-qualifying and their long-term eligibility.

Families and people with disabilities would like this to change and suggest that the DTC criteria be adjusted so that people who have an episodic disability would not have to go

through the same application process as someone who is applying to the DTC for the first time. Currently there is no bridging mechanism for a person whose DTC has expired and who needs to re-apply. Instead of using the “prolonged” criteria of a 1-year rule, the application could be extended to include the number of years the disability has persisted. Perhaps a ‘temporary DTC re-application’ could be shorter or simpler.

5. Improving Administration and Reducing Red Tape

Question: “Do existing administrative rules present an unnecessary administrative burden for RDSP issuers? If so, how could this be alleviated?”

When asked to share their lived experiences in opening the RDSP, roughly 60 percent said that there is a great need to improve administration and reduce red tape around the RDSP. The other 40 percent said that the process was fair, banks were helpful, and accessing the RDSP was easy. Families and people with disabilities identified the following key reasons why the administration of the RDSP was challenging:

- Bank staff’s lack of knowledge about the RDSP
- Onerous DTC application
- Representation and guardianship issues
- Lack of coordination between Canadian Revenue Agency (CRA) and bank
- Lack of personal contact at the local bank (had to call a 1-800 number)
- Amount of paperwork (too much)
- Length of RDSP process (too long)

Success in opening an RDSP varies depending on a person’s financial literacy and ability to access the right information. Results show that families believe there is a general lack of RDSP information, and many people have to try multiple times to get it right.

Only certain financial advisers at the bank can open an RDSP, and some of those that can are not aware you do not need money to open a plan. I am a financial adviser so I regularly open them for clients. It would be very difficult without my financial experience.

PLAN believes that one way to improve administration is to improve the financial literacy amongst the RDSP eligible population. Financial literacy needs have been fairly limited for many people with disabilities who receive disability assistance. Many have a savings account that does not exceed the income assistance cut-off limit, and they budget to live on a low income. With the adoption of the RDSP, people are required to make decisions around savings, investments, and long term financial planning. The knowledge gain is accompanied

with a philosophical shift in thinking. Instead of the long and powerful narrative of ‘having-not, there is now potential to think of living a ‘can-have’ life.

People become more vulnerable when they have access to a valuable asset but have little knowledge of it. Canada has a strong financial literacy sector and an information base that could be activated to address the existing knowledge gap and to prepare people for a different way of planning for their future. As well, one cannot underestimate the impact that isolation and loneliness have on the financial security of people with disabilities. Many current tools may only be activated with the help of other people: trusts require trustees, RDSP’s may require a representative to assist with investment decisions, and RDSP’s build financial security when others contribute.

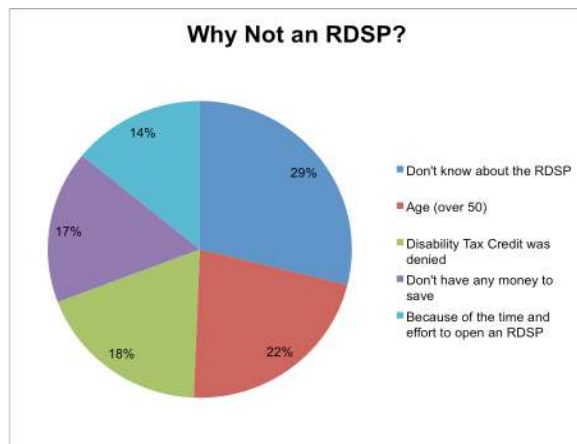
Financial literacy that combines identifying trustworthy informal supports to assist with decision-making is the key in reducing vulnerability. Building the financial literacy of people with disabilities receiving government care and supports will

- Inform people of their financial options and increase the use of financial planning tools (e.g., RDSP’s, TFSA’s, Trusts,) and industry knowledge
- Activate informal relationships to reduce vulnerability and build financial security
- Connect financial security to life needs, goals, and dreams

Why Not an RDSP?

Across Canada only nine percent of the eligible population have an RDSP, and PLAN was curious about why 91 percent have not opened one. This fall, families and people with disabilities across Canada participated in the *Why Not* campaign. The survey asked 2 questions: Do you or someone you know have an RDSP? If not, why not? What PLAN heard from families was not surprising.

Table 3



WHY people have not opened an RDSP

The majority of people who do not have an RDSP simply do not know enough about it. For years PLAN has come alongside families to envision and prepare for a good life for their children with disabilities. This vision includes individuals with disabilities as fully active citizens in their community. Full citizenship requires access to be able to participate, and never before have people with disabilities been given legislative access to participate in building assets and saving money.

The RDSP is a giant leap for those who have not engaged in the financial sector before, and for many, this gap is a shift in thinking. Disability benefits can be funds that provide day-to-day survival or funds that allow long-term, sheltered financial security. This shift is a change in narrative history and will continue to take time to reach the most affected, which is demonstrated by the fact that the vast majority of people with disabilities do not know what the RDSP is. The survey suggests that some have not opened an RDSP because they have little or no money to save, or the RDSP process is too long and takes too much effort. Other reasons include age restrictions on opening an RDSP or ability to make contributions. For some, their reasons may be a combination of many of these factors.

People on the fringe of disability (no diagnosis, no family, no support) are prohibited from accessing support in their community even more. Financial exclusion often results in people relying on informal financial services, such as cheque cashers and payday lenders. Families and adults with disabilities who frequent the fringe financial sector are less likely to connect with a bank or financial advisor to help navigate these decisions and less likely to find out about the RDSP and other important disability benefits. The RDSP requires people to make decisions around savings, investments, and long term financial planning. If people do not have information, access, or capacity to approach their financial institution and find out about the RDSP, low subscription to the RDSP will continue.

Policy Recommendations and Final Thoughts

PLAN has been dialoguing with families and individuals about their RDSP since the program became available. Since then, they have learned a great deal. From conversations with families, they developed four policy recommendations that address the basic parameters, administration, and implementation of the RDSP. If considered, these changes will drastically increase the effectiveness and participation of the RDSP.

1. Reduce the Holdback Amount (also known as the 10-year rule) to 5 years

Acknowledge the issue that families are unable to build a significant asset that cannot be accessed in times of need without penalty. Ten years is too long for a population with financial, employment and health uncertainties, and often a shorter lifespan.

2. Increase flexibility - allow emergency withdrawals

Empower families and people with disabilities to use their savings when needed most – allow emergency withdrawals for specific purposes (e.g., medical, housing, educational).

3. Integrate financial literacy in the administration of the RDSP

Equip families and people with disabilities with the tools to participate in making financial decisions.

4. Review the guardianship issue

Announce that persons with disabilities can “enjoy legal capacity on an equal basis with others in all aspects of life” by changing legislation or creating a mechanism that allows all eligible people to open an RDSP.

The RDSP has created a new vision for families and people with disabilities: renewed hope for today and for the future. For many of them, this savings mechanism represents a new paradigm of disability benefits and governmental support. For the first time, families and people with disabilities are invited to imagine outside the limits of welfare and into the possibility of wealth and financial security. PLAN commends the Canadian government for launching such a ground-breaking program and look forward to the short and long-term effects it will have on the lives of many Canadians with disabilities and their families.