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## **RDSP Highlights** *(as of May 2009)*

- Lifetime contribution of \$200,000
- Contributions can be made by anyone
- Tax sheltered until withdrawal (grants and earnings taxable)
- No limits on withdrawals
- Annual family income is less than \$77,664 – three dollars for each dollar contributed on the first \$500 and two dollars for each dollar contributed on the next \$1,000 contributed.
- Annual family income is more than \$77,664 – one dollar for each dollar contributed on the first \$1,000
- Families with incomes of \$21,278 or less, the Disability Savings Bond will provide \$1,000 per year for 20 years to a RDSP without any contribution until age 49.
- Family incomes between \$21,816 - \$38,832 will get a partial Disability Savings Bond based on a formula from the Canada Disability Savings Act
- Family incomes over \$38,832 will receive no Disability Savings Bond.
- Contributions can only be made until age 59
- Canada Disability Savings Grants have a lifetime max of \$70,000 and can be received until age 49
- CDSB, CDSG and income from the investments are taxable at withdrawal
- The RDSP beneficiary must be forced to draw income at age 60

## **Cautionary notes:**

- × RDSP is not tax deductible, so no tax refunds for contributions
- × Grants and earnings are fully taxable when the beneficiary receives income from the RDSP
- × Can take 20 – 30 years to create an account large enough to potential supply income for life
- × Only British Columbia, Yukon, Saskatchewan, Newfoundland and Labrador say the RDSP will not disqualify PWD benefits (Quebec has indicated it will but has not passed law yet)
- × Due to taxation, if you make more than \$74,357 a year as a family, you can leave more behind using other methods like the TFSA, corporate class mutual funds and life insurance
- × The RDSP grants have to be paid back if money is withdrawn within 10 years of receiving the grant
- × RDSP's must be dissolved, grants paid back\* and taxes paid if the beneficiary is no longer disabled

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- ✘ Deferred sales charges and market investment of the grants can lead to serious withdrawal penalties if an RDSP must be dissolved or money withdrawn early
- ✘ No ability to transfer RDSP back to donors nor to transfer to another disabled person

## Current Realities

- ✚ Currently only Bank of Montreal offers it
- ✚ Royal Bank is rumoured to be doing the paperwork right now, & I'm working on CI Investments to be the first street investment firm offering the RDSP
- ✚ The RDSP cannot be owned by a trust
- ✚ Unknown if the rest of the provinces will exclude it in asset limit tests
- ✚ You can only have one RDSP
- ✚ Due to taxation, can be beaten by TFSA if your family net income is over \$75,769 a year
- ✚ Life insurance can beat it guaranteed with a return of up to a 75,000%
- ✚ RRSP Rollover provisions can beat it