



Your Complete Guide to The Registered Disability Savings Plan (RDSP)

This guide is for informational purposes only and does not constitute financial or legal advice. Consult with qualified professionals for personalized guidance.

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Building Financial Security for Canadians with Disabilities

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Introduction: What is an RDSP?

A **Registered Disability Savings Plan (RDSP)** is a powerful, government-supported savings vehicle designed to help Canadians with disabilities build long-term financial security. Despite its significant benefits, only about one-third of eligible Canadians have opened an RDSP, representing a missed opportunity for tax-sheltered savings and substantial government contributions. This guide will walk you through everything you need to know about RDSPs—from eligibility to withdrawals—helping you maximize this valuable financial tool.

An RDSP offers unique advantages that set it apart from other savings plans. The Government of Canada matches contributions with grants and provides bonds to low-income beneficiaries—even without any personal contributions. As of 2023, the government has contributed a cumulative total of \$4.5 billion in grants and \$1.9 billion in bonds across 282,210 active plans.

With total assets in RDSPs exceeding \$10.29 billion, this program is a cornerstone of disability financial planning in Canada.



The RDSP is not just about savings—it's about peace of mind, independence, and the ability to participate more fully in society. Whether you're opening an RDSP for yourself or helping a loved one, this guide will provide the clarity and confidence you need to navigate the process successfully.



Section 1: Eligibility and Getting Started

1.1 Who Qualifies for an RDSP?

To open an RDSP, you must meet four essential criteria

1. **Disability Tax Credit (DTC) Approval:** The beneficiary must be approved for the DTC, which recognizes severe and prolonged mental or physical impairments
2. **Canadian Residency:** Must be a resident of Canada
3. **Age Requirement:** Must be 59 years old or younger on December 31 of the year the plan is opened
4. **Social Insurance Number (SIN):** A valid SIN is required

The DTC is the gateway to the RDSP and many other disability supports. Approximately one-third of DTC-approved individuals aged 0-49 have an RDSP, with uptake rates varying significantly by province—from 8.1% in Nunavut to 42.7% in British Columbia.

1.2 Applying for the Disability Tax Credit

The DTC application process requires Form T2201, which must be completed by both the applicant and a qualified medical practitioner. The practitioner could be a family doctor, nurse practitioner, psychologist, occupational therapist, or other qualified professional, depending on the nature of the disability.

Key Tips for DTC Success:

- Keep a journal documenting how your condition affects daily activities before your medical appointment.
- Explain to your practitioner the importance of the DTC and how it opens access to the RDSP.
- Be prepared for the process to take several months, and don't be discouraged if additional information is requested
- If denied, you have 90 days to file a formal objection with the Canada Revenue Agency (CRA)

Once approved, the DTC may provide eligibility for a specific period or indefinitely. The CRA will notify you one year before your DTC eligibility expires, requiring reapplication to maintain RDSP eligibility.



1.3 Gathering Required Documentation

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Before opening your RDSP, ensure you have:

- **Social Insurance Number (SIN):** Apply free through Service Canada if needed
- **Valid picture ID:** Driver's license, passport, or government-issued ID
- **Income tax returns:** File taxes for at least the past two years to determine grant and bond eligibility
- **Legal documentation:** If applicable, proof of legal guardianship, power of attorney, or representation agreement



Section 2: Understanding Key Roles and Responsibilities

The Plan Beneficiary

The plan beneficiary is the person with a disability for whom the RDSP is established. They are the individual who will ultimately receive the financial benefits of the plan. Key characteristics include:

- There can only be **one** beneficiary per RDSP, and this cannot be changed
- The beneficiary must be a **Canadian resident** when the RDSP is opened and when contributions are made
- They can only have one RDSP at any time (though they may be named as holder on multiple RDSPs)
- Age restrictions apply: beneficiaries must be 59 or younger when the plan opens
- The beneficiary does not need to be contractually competent to have an RDSP

The Holder: Who Manages the Plan?

The holder is the person or entity who opens and manages the RDSP, including making investment and withdrawal decisions. Understanding holder eligibility is crucial:

- If the beneficiary is contractually competent and over the age of majority, they typically serve as their own holder
- A holder must be contractually competent—meaning they understand legal and financial
- agreements and their consequences
- An adult beneficiary can appoint someone with a Power of Attorney or Representation Agreement to act as the holder

For Children:

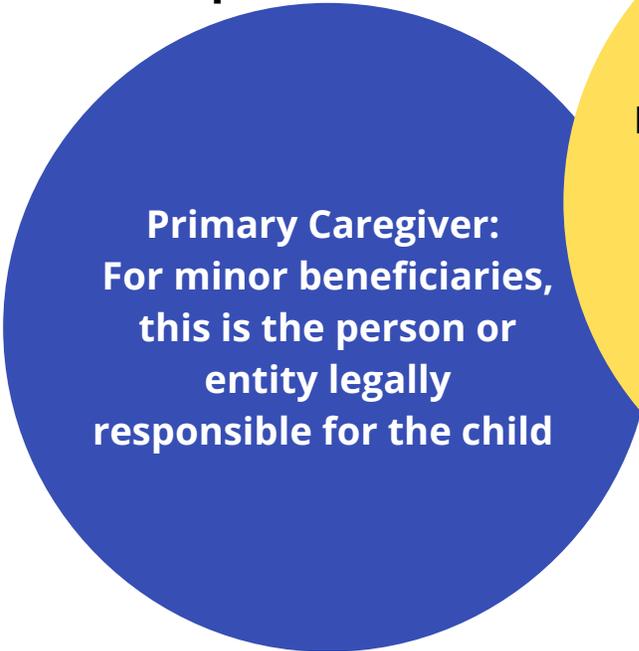
Parents or legal guardians serve as holders for minor children

Parents can remain as holders even after the beneficiary reaches the age of majority, or they can become joint holders with the beneficiary

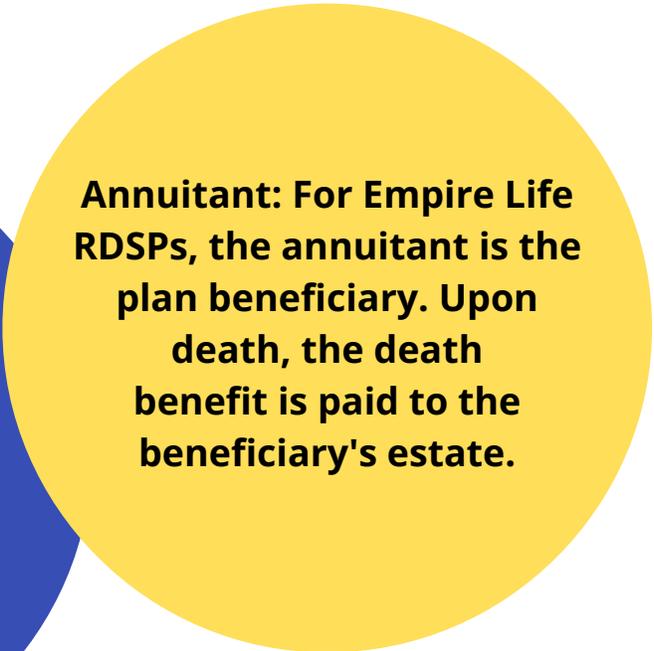
Qualifying Family Members (QFM):

- As a temporary measure, effective until December 31, 2026, a qualifying family member— including a legal parent, spouse, common-law partner, or sibling—can become holder for an adult beneficiary whose contractual competency is in doubt and who has no legal representative
- Once named, a QFM can remain as the holder even if this temporary measure expires

2.3 Other Important Roles



Primary Caregiver:
For minor beneficiaries, this is the person or entity legally responsible for the child



Annuitant: For Empire Life RDSPs, the annuitant is the plan beneficiary. Upon death, the death benefit is paid to the beneficiary's estate.

RDSP Some Facts:

**Maximum
Yearly Bonds
\$1,000**

**Maximum Yearly
Grant
\$3,500**

**Lifetime Maximum
Contribution
\$200,000**

**Lifetime
Maximum Grant
Limit
\$70,000**



Section 3: Contributions and Government Support

3.1 Personal Contributions

The RDSP offers flexible contribution rules

Lifetime maximum: \$200,000 can be contributed to an RDSP

No annual limit: Contributions can be made as lump sums or ongoing deposits

Not tax-deductible: Contributions are made with after-tax dollars, but grow tax-sheltered

Who can contribute: Anyone can contribute with the holder's written consent—family members, friends, or the beneficiary themselves

Contribution deadline: Contributions can be made until December 31 of the year the beneficiary turns 59

Opening and contributing to an RDSP will not affect federal disability benefits, though withdrawals may impact some provincial programs

3.2 Canada Disability Savings Grant (CDSG)

The **Canada Disability Savings Grant** is a government matching program based on contributions and family net income.

Key features include:

Annual limit: Up to \$3,500 per year

Lifetime limit: Maximum of \$70,000 over the beneficiary's lifetime

Matching rates (2025 income thresholds)

Benefit	Income Level	Amount
Maximum CDSG matching (3:1 and 2:1)	$\leq \$114,750$	Up to \$3,500/year
Standard CDSG matching (1:1)	$> \$114,750$	Up to \$1,000/year
Full CDSB	$\leq \$37,487$	\$1,000/year
Partial CDSB	\$37,487 - \$57,375	Prorated amount
No CDSB	$\geq \$57,375$	\$0

Availability: Grants can be received until December 31 of the year the beneficiary turns 49

Retroactive grants: Up to 10 years of carry-forward room is available for unused grant entitlements

Pro Tip: Contribute \$1,500 annually to maximize the grant if your family income is below the threshold. This results in a total of \$5,000 in your RDSP (\$1,500 contribution + \$3,500 grant).

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3.3 Canada Disability Savings Bond (CDSB)

The **Canada Disability Savings Bond** is designed for low- and modest-income Canadians:

Annual amount: Up to \$1,000 per year

Lifetime limit: Maximum of \$20,000

No contributions required: Bonds are deposited automatically for eligible beneficiaries

Income eligibility (2025)

**Income \leq \$37,487:
Full \$1,000 bond**

Income b/w \$37,487 & \$57,375

**Income \geq \$57,375:
Not eligible**

Availability: Bonds can be received until December 31 of the year the beneficiary turns 49

Retroactive bonds: Up to 10 years of carry-forward room is available



3.4 Understanding Family Net Income

Family net income determines grant and bond eligibility, but the definition changes with the beneficiary's age

Ages 0-18:

Based on the combined income of parents or guardians

Uses the income information from the Canada Child Benefit (CCB) calculation

For beneficiaries in care of a public institution, maximum matching rates apply

Age 19 and older:

- Based on the beneficiary's income plus their spouse's or common-law partner's income (if applicable)
- Income from two years prior is used to determine current-year grants and bonds

Critical Action: Start filing the beneficiary's income tax returns at age 17, even if there's no income to report. This ensures grant and bond eligibility continues seamlessly after age 19.



3.5 Rollovers from Other Plans

Tax-deferred rollovers into an RDSP are permitted from specific registered plans, and they count toward the \$200,000 lifetime contribution limit

From Deceased Parent/Grandparent's Retirement Plans:

- Registered Retirement Savings Plans (RRSP)
- Registered Retirement Income Funds (RRIF)
- Registered Pension Plans (RPP)
- Pooled Registered Pension Plans (PRPP)
- Specified Pension Plans (SPP)

The beneficiary must have been financially dependent on the deceased, and instructions should be documented in the deceased's will.

From Registered Education Savings Plans (RESP):

- Only Accumulated Income Payments (AIP)—the investment growth portion—can be rolled over
- The beneficiary of the RDSP must also be the beneficiary of the RESP
- Eligibility requires one of the following:

Post-secondary education is not possible due to severe mental impairment;

The RESP is over 10 years old and all beneficiaries are over 21 and not pursuing education;

Or the RESP has been open for more than 35 years



Section 4: Choosing a Financial Institution

4.1 What to Look for in a Financial Institution

Selecting the right financial institution for your RDSP is crucial for a positive experience. Consider these factors:

Accessibility and Service:

- Dedicated advisor support
- Proximity to branches and accessibility features
- Availability of in-person versus telephone support
- Hours of operation and ease of contact

Fees and Costs:

- Administration fees, setup fees, and management fees
- Transfer fees (typically \$50-\$100) if you decide to move your RDSP
- Investment management fees (can range from 0.25% to 4% or higher)

Contribution and Withdrawal Flexibility:

- Direct deposit capabilities into the RDSP (important to avoid affecting disability benefits)
- Options for lump-sum withdrawals (Disability Assistance Payments) versus formula-based withdrawals (Lifetime Disability Assistance Payments)
- Joint holdship options

Investment Options:

- Range of investment products offered
- Access to financial planning advice
- Ability to customize investments based on risk tolerance and time horizon

4.2 Opening Your RDSP

When you're ready to open your RDSP, bring

- Your Social Insurance Number (SIN)
- One piece of valid picture ID
- Proof of legal representation, if applicable

You do not need to bring a copy of your DTC approval or income tax returns—the financial institution will access this information directly from the CRA

You'll be asked to complete an "Application for Canada Disability Savings Grant and/or Canada Disability Savings Bond" form. Even if you choose not to receive grants and bonds (to allow more withdrawal flexibility), you must still complete this form and indicate your refusal.



Section 5: Investing Your RDSP

5.1 Understanding Your Investor Profile

Investing your RDSP funds wisely can significantly impact your long-term financial security. Before making investment decisions, consider:

Risk Tolerance:

- How much risk are you comfortable with?
- Low-risk investments offer steady but lower returns
- Higher-risk investments may yield larger gains but also potential losses

Return Expectations:

- How much growth are you hoping to achieve?
- What rate of return do you need to meet your future goals?

Time Horizon:

- How long do you plan to invest before needing withdrawals?
- Longer time horizons typically suit higher-risk investments
- Shorter time horizons favor more conservative options

5.2 Investment Options by Risk Level

Financial institutions offer various investment types suited to different risk profiles

Low-Risk Investments:

- Cash and savings accounts
- Guaranteed Investment Certificates (GICs)
- Money market funds
- Treasury bills
- Government and corporate bonds

Characteristics: Unlikely to lose money, lower returns, high liquidity

High-Risk Investments:

- Aggressive growth stocks
- High-yield bonds
- Emerging market funds
- Small-cap stocks
- Futures and options
-

Characteristics: May lose money, higher long-term return potential, suitable for longer time horizons

Moderate-Risk Investments:

- Blue-chip stocks
- Quality growth stocks
- Moderate-yield bonds
- Income-producing properties
- Conservative mutual funds
- Large-cap stocks

Characteristics: Balanced risk-return profile, potential for steady growth

Key Insight: Not investing at all is also a risk. A difference of 3-4% in annual growth could mean tens of thousands of dollars over time.

Section 6: Withdrawals and Payments

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6.1 Two Types of RDSP Withdrawals

There are two main types of withdrawals from an RDSP

Lifetime Disability Assistance Payment (LDAP):

- Recurring, regular withdrawals designed to provide ongoing income
- Must begin by December 31 of the year the beneficiary turns 60
- At least one payment per year is required once LDAPs start
- Subject to an annual maximum based on the LDAP formula

Disability Assistance Payment (DAP):

- Lump-sum withdrawals that can be requested at any time
- Not all financial institutions offer DAP withdrawals
- Useful for major expenses like purchasing a vehicle, a home down payment, or education

6.2 The LDAP Formula

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Once the beneficiary reaches age 60, the maximum annual LDAP is calculated using this formula

$$\text{LDAP} = [\text{FMV} - \text{D}] \div [\text{Greater of (80, Age of Beneficiary)} - \text{Age}]$$

Where:

FMV = Fair market value of RDSP assets at the beginning of the year

D = Total of all locked-in annuity contract payments (if applicable)

This formula ensures that RDSP funds are distributed over the beneficiary's expected lifetime.

6.3 Primarily Government-Assisted Plans (PGAP)

RDSPs are classified as either **Primarily Government-Assisted Plans (PGAP)** or **Non-PGAP** based on the proportion of government contributions versus private contributions on January 1 of the calendar year:

PGAP: Government grants and bonds exceed private contributions

Beneficiary Age	Minimum Withdrawal	Maximum Withdrawal
Under 60	None	LDAP formula and/or 10% of FMV
60 and over	LDAP formula	Greater of LDAP formula or LDAP + 10% of FMV

Non-PGAP: Private contributions equal or exceed government grants and bonds

Beneficiary Age	Minimum Withdrawal	Maximum Withdrawal
Under 60	None	None
60 and over	LDAP formula	None



6.4 The Assistance Holdback Amount (AHA)

The **Assistance Holdback Amount (AHA)** is a critical concept for anyone considering withdrawals before age 60. The AHA represents the total amount of grants and bonds paid into the RDSP within the 10 years before a withdrawal.

The 3:1 Proportional Repayment Rule:

- For every **\$1** withdrawn, **\$3** worth of grants and bonds received in the previous 10 years must be **repaid**
- Maximum repayment is limited to the AHA
- This rule discourages short-term savings and encourages long-term planning

Example: Alex's Withdrawal

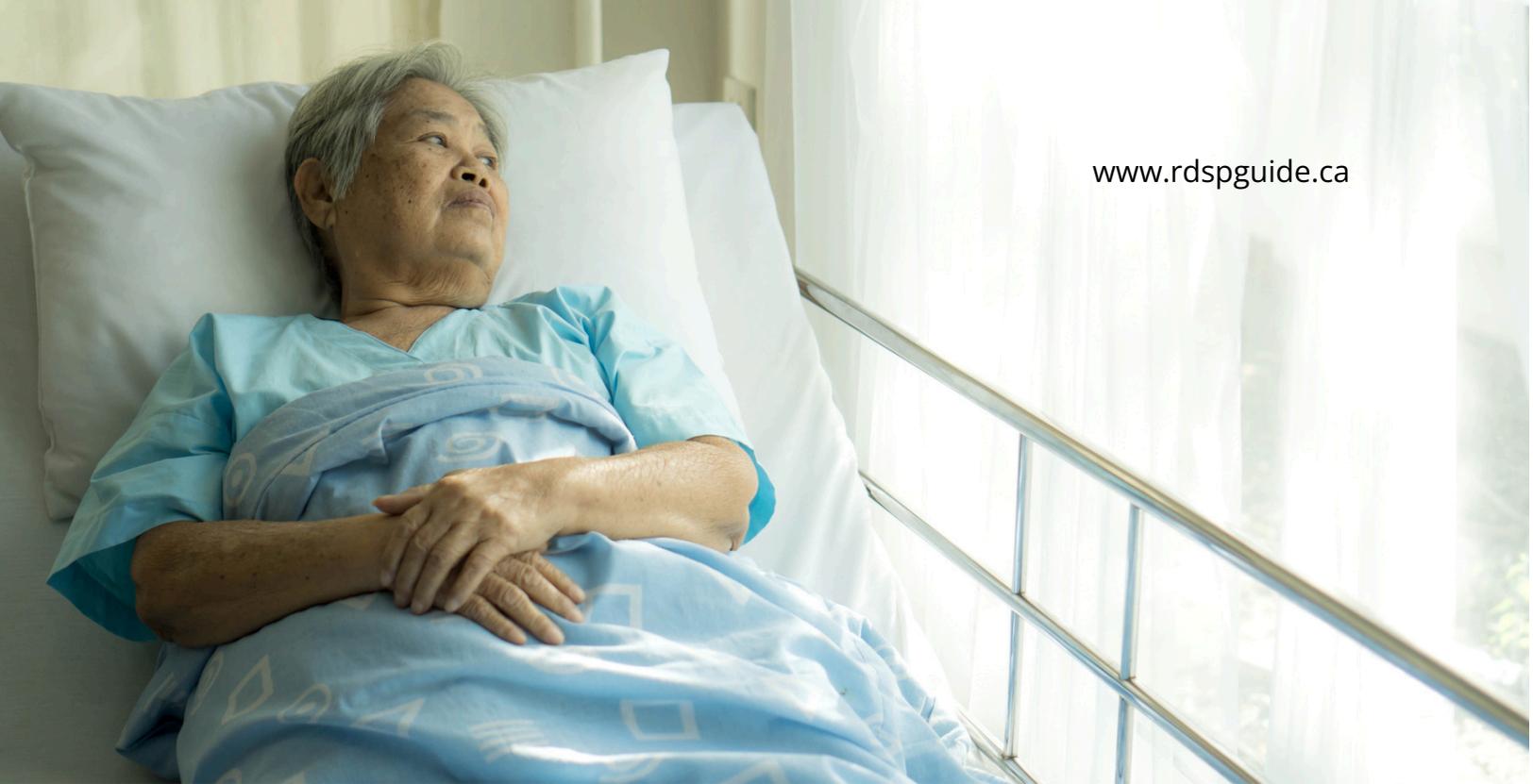
Alex, age 31, has received maximum grants (\$3,500/year) and bonds (\$1,000/year) for the past 10 years, totalling \$45,000 in government contributions. His AHA is therefore \$45,000.

If Alex withdraws \$3,000 for a car down payment:

Withdrawal amount: \$3,000

Required repayment: $\$3,000 \times 3 = \$9,000$

Total removed from RDSP: $\$3,000 + \$9,000 = \$12,000$



6.5 Specified Disability Savings Plan (SDSP)

A **Specified Disability Savings Plan (SDSP)** provides greater withdrawal flexibility for beneficiaries with shortened life expectancy. An RDSP can become an SDSP when:

- A licensed medical doctor or nurse practitioner certifies in writing that the beneficiary is unlikely to survive more than five years
- The holder completes an SDSP election form and submits it with medical certification

SDSP Rules:

- No contributions, grants, or bonds are permitted (except RESP rollovers from retirement plans)
- Withdrawals must begin by December 31 of the year following SDSP designation
- After the first year, minimum annual withdrawals are required based on the LDAP formula
- The AHA does not apply as long as taxable withdrawals don't exceed \$10,000 per year (unless the LDAP formula requires more)

An SDSP can revert to a regular RDSP under certain conditions, including if contributions are made, grants/bonds are deposited, or withdrawal conditions aren't met. After reverting, the holder must wait 24 months before converting back to an SDSP.



6.6 Taxation of Withdrawals

RDSP withdrawals have different tax treatments depending on their source:

Source	Taxable as Income?
Private contributions (excluding rollovers)	No
Government grants	Yes
Government bonds	Yes
Investment growth	Yes
Rollovers from RRSP, RRIF, RPP, PRPP, SPP	Yes
Rollovers from RESP (AIP)	Yes

Empire Life applies withholding taxes on taxable amounts that exceed the combined total of the Basic Personal Amount and the Disability Amount.

A white rectangular sign with the word "CLOSED" written in large, bold, red capital letters. The sign is slightly tilted and appears to be hanging from a string or wire. The background is dark and out of focus.

Section 7: Closing and Transferring an RDSP

7.1 When Can an RDSP Be Closed?

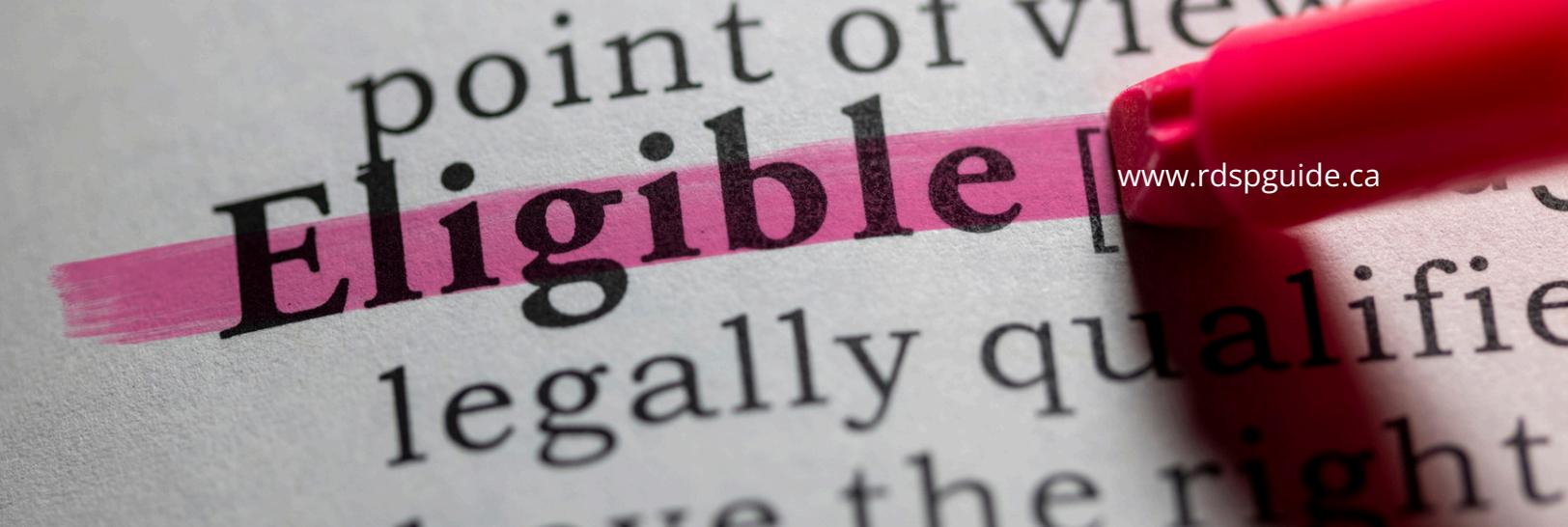
An RDSP can be closed under specific circumstances:

Voluntary Closure by Holder:

- If the beneficiary is no longer DTC-approved
- If only the AHA remains in the account
- If all funds have been withdrawn

Mandatory Closure:

- Upon the death of the beneficiary (must close by December 31 of the year following death)
- If the government deregisters the plan for non-compliance.



Eligible

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7.2 Loss of DTC Eligibility

If the beneficiary loses DTC approval, the holder can choose to keep the RDSP open or close it:

If Kept Open:

- Withdrawals can still be made
- No new contributions are permitted
- No grants or bonds will be paid
- Rollovers from retirement plans are allowed for up to 4 years after DTC loss
- Grants and bonds already in the plan do not need to be repaid solely due to DTC loss.
- Withdrawals before age 60 still trigger the 10-year repayment rule

If DTC approval is regained, the RDSP resumes normal operation.

7.3 Death of the Beneficiary

When the beneficiary passes away :

- The RDSP must close by the end of the calendar year after the year of death
- Any remaining AHA must be repaid to the government
- All remaining funds are paid to the beneficiary's estate
- Based on the Income Tax Act, RDSP proceeds must pass to the estate; a named beneficiary cannot be designated on Empire Life segregated fund contracts held within an RDSP

Estate Planning Tip: Everyone with an RDSP should have a Will that specifies how the remaining RDSP funds should be distributed. Without a Will, provincial law determines fund distribution.

7.4 Transferring an RDSP

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The holder can request to transfer an RDSP to a different financial institution at any time:

- The full amount must be transferred to the receiving institution
- The original institution must close the RDSP, as beneficiaries can only hold one RDSP at a time
- Transfer fees typically range from \$50-\$100



Section 8: Provincial and Territorial Considerations

8.1 Impact on Provincial Benefits

Opening and contributing to an RDSP does not affect federal disability benefits. However, withdrawals may affect certain provincial and territorial benefits. Each province and territory has different rules regarding how RDSP assets and withdrawals are treated:



Some provinces exempt RDSP withdrawals from income calculations for social assistance programs

Others may count withdrawals as income, potentially reducing benefits

Asset limits for provincial disability programs may or may not include RDSP holdings

Action Required: Contact your provincial or territorial government to understand how RDSP withdrawals will affect your specific benefits.

Section 9: Protecting Yourself and Your Money



9.1 Avoiding Fraud and Scams

When managing significant assets in an RDSP, it's important to protect yourself from fraud:

Five Warning Signs of Scams:

1. **Stranger Contact:** Someone you don't know contacts you about investment opportunities
2. **Unverifiable Information:** You can't independently confirm what they're telling you.
3. **Unrealistic Promises:** Claims of large returns with little or no risk.
4. **Secret Information:** "Hot tips" that you're told not to share with others.
5. **High Pressure:** Feeling rushed or pressured to make immediate decisions.

Protection Strategies:

- Only open RDSPs with well-known, reputable financial institutions
- Deposit money only where your RDSP is held
- Never invest without guidance from a trusted financial professional.
- Get a second opinion from someone you trust before making major decisions.
- Never give personal information (SIN, date of birth, bank details) to strangers over the phone or online.
- Only deal with registered investment professionals—verify registration through provincial securities regulators.

If you suspect fraud, report it to the RCMP fraud reporting line at 1-888-495-8501.

Section 10: Additional Resources and Support

10.1 Where to Get Help

Government Resources:

- Canada Revenue Agency (CRA): 1-800-959-8281 for DTC questions.
- Employment and Social Development Canada (ESDC): Information on grants and bonds
- Service Canada: SIN applications and general inquiries
- Government of Canada RDSP webpage: canada.ca (search "RDSP")

Financial Planning:

- Financial advisors specializing in disability tax planning
- Lawyers experienced in estate planning for persons with disabilities
- Accountants knowledgeable about disability tax credits and benefits

10.2 Important Forms and Documents

- **Form T2201:** Disability Tax Credit Certificate
- **RDSP Application:** Provided by your financial institution
- **Grant and Bond Application:** Canada Disability Savings Grant and/or Bond form
- **SDSP Election Form:** To designate an RDSP as a Specified Disability Savings Plan
- **Transfer Forms:** To move an RDSP between financial institutions

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