

Budget introduces registered disability savings plan Program modelled after RESPs

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By [Stewart Lewis](#)

The 2007 federal budget is introducing a registered disability savings plan for parents with children suffering from severe disabilities.

The RDSP is modelled on the existing registered education savings plan design — as recommended by the Expert Panel on Financial Security for Children with Severe Disabilities in December 2006 to Finance Minister Jim Flaherty. It will include a Canada disability savings grant program and Canada disability savings bond program.

The RDSP will have the most significant impact of any taken for the disabled and their families in 25 years, says Jack Styan, executive director of Planned Lifetime Advocacy Network, a Vancouver-based organization that helps disabled people and their families, and played a major role in the expert panel's deliberations.

Ottawa says it will work with financial institutions to put the necessary administrative mechanisms in place to allow financial institutions to begin offering RDSPs to Canadians as soon as possible in 2008.

Individuals establishing an RDSP in 2008 will be eligible for a full year's CDSG and CDSB entitlement.

Generally, any person who is eligible for the disability tax credit, a parent, or other legal representative, will be eligible to establish an RDSP. The DTC-eligible individual will be the plan beneficiary.

Contributions to an RDSP will not be tax deductible. The investment income on contributions, CDSGs and CDSBs will accrue tax-free. Contributions will not be included in income for tax purposes when paid out of an RDSP. Investment income earned in the plan will be included in the beneficiary's income for tax purposes when paid out of an RDSP. However, most recipients are expected to have very little, if any, tax liability when payouts eventually occur.

Contributions to an RDSP will be limited to a lifetime maximum of \$200,000. But there will be no annual limit. There will be no restriction on who can contribute to the plan. This will allow relatives, friends and community groups to make donations, says Jim Love, partner with Toronto law firm Love & Whalen and CEO of Legacy Private Trust, and chair of the expert panel.

Contributions will be permitted until the end of the year in which the beneficiary attains 59 years of age.