



Advisors still waiting on RDSP

Bryan Borzykowski / February 28, 2008

The new tax-free savings account might be all the rage, but advisors are still awaiting news on an earlier budget initiative — the registered disability savings program.

In 2007 the Conservative government announced that it would implement the RDSP — a program for disabled Canadians that is similar to the registered education savings plan — but so far, advisors have yet to hear any news on when the plan might begin.

“We want to get this stuff up and running,” says Frank Wiginton, a CFP with TriDelta Financial. “But there’s no way to do that until the government gets the proper paperwork in place and everything is up and running.”

Many advisors expected the plan to be introduced in early January, or February at the latest, but they now have no idea when the program might get off the ground.

“I keep hearing it’ll be a couple of weeks, and then it’ll be another couple weeks,” says Wiginton. “It’s more of a frustration when I’m trying to serve my clients.”

“It’s very frustrating,” adds Toronto CFP Janet Freedman, who has clients waiting for the program to start. “They have the mechanism in place with the RESP. It’s essentially the same thing — you just change some numbers. So what’s the holdup?”

Freedman and Wiginton are already working the RDSP into their clients’ financial plans, so it’s getting harder to remain patient with the government bureaucracy. “We built it into plans for clients who have disabled children, and they want to get this set up because it’s a tremendous thing,” says Wiginton.

While Freedman says her clients are anxious, waiting to incorporate the RDSP into their plans hasn’t hindered their overall financial outlook. However, the waiting game has made it difficult for clients to coordinate with the Ontario Disability Support Program or with Hensen trusts.

Unfortunately, a spokesperson for the Department of Finance could not say when the RDSP will be available, but only that “2008 was always the date which the government is working with, and we are still on track with this measure.”

The spokesperson added that regulations are being drafted “at this moment.”

JoAnne Hayes, a media representative for the Bank of Montreal, reveals that she’s heard the plan will come into effect in December of this year. She says that’s the earliest any financial institutions could have their systems ready, and right now they’re waiting for the “interface transaction standards, which will give us an idea of the requirements.”

If financial intuitions will be ready for RDSP implementation in December — and even that, says Hayes, might be optimistic — it’s unlikely clients will be able to invest their money until at least January 2009. Wiginton says it can take up to a month for assets to be transferred into a new account.

As well, there’s always a learning curve when new types of accounts are created, so it could be even longer for everything to start running smoothly. “My fear is that mistakes will be made,” says Wiginton. “But that’s not for the client to worry about — that’s for me to think about.”

Doug Brodhead, assistant director of public policy for the Plan Institute — a Vancouver-based organization that supports marginalized and disabled Canadians — says he originally thought the program would be introduced early this year, but he’s now expecting to see it in late 2008.

He points out that “it’s possible it could come in 2009.”

the delay isn’t causing Brodhead to panic though; if anything, he’s happy the government is taking its time to consult with Canadians - including the PLAN Institute - on how to move forward with the program. He says it’s not as simple as running with the RESP model, as there are specific issues related to the RDSP that have to be sorted out.

"They have to be careful with how they set up regulations," he says. "You're dealing with a lot more money than the RESP. With that, the max is \$42,000. With the RDSP, if you're paying in since your kid was four and putting in grants and bonds - that can get between \$600,000 and \$800,000. It's a bit of a different ballgame."

He adds that the Conservatives are also working with provincial governments to pledge that the RDSP won't affect provincial initiatives.

"Families want it now," he says, "but realistically it's not easy."

For Wiginton, the waiting game is something he's seen before. He says the education savings grant took about 16 months to get off the ground after people started depositing money into RESPs. He's also worried that the TFSA program introduced in this year's budget might take longer to start up than people think.

"The government introduces all these big plans and great initiatives, but they don't follow through on getting them set up and running," he says. "It's a detriment to the individual as they are losing out on tax-free growth and the benefits of using these great plans. I perceive something similar will happen with the TFSA."

Former Ontario premier and current by-election candidate Bob Rae says often times governments announce measures only to have their implementation "drastically delayed". He says this happens for a number of reasons, including technical problems and financial issues.

But the vague deadlines posed by the Conservatives - and the ruling parties of the past - are a significant concern. "Governments like to control the financial flow and they like to get credit for the announcement and figure the implementation will come later. It's not commendable," he says.

Rae explains the best option for advisors and clients alike are to contact their MPs and ask them to raise the issue in the house. "Essentially what should happen is people should start to raise a question in the House of Commons and try to make it an issue there," he says. "It's a matter of talking to the political parties in the house and looking at who the disability spokesperson is for the different parties."

Until Canadians start engaging the political machine though, clients will remain frustrated, and advisors out of answers. Wiginton has resorted to telling clients that he'll call them when he hears something. "We can't expect bureaucracy to turn on a dime. So it's all about setting clients' expectations."

And for now, those expectations aren't being set high.

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