



CHARTERED ACCOUNTANTS

Registered Disability Savings Plans

The March, 2007 budget proposed the creation of Registered Disability Savings Plans (“RDSPs”). These plans are intended to make it easier for families with a disabled child to cope with the costs associated with the special needs of that child.

A RDSP can be created on behalf of anyone under the age of 60 who qualifies for the disability tax credit (the disability tax credit is available to individuals whose day-to-day lives are “markedly restricted” by way of a physical or mental condition such as loss/restriction of sight or hearing, etc. If you are unsure if your child qualifies, please consult your doctor - a doctor’s certification is required in the first year of claiming the disability tax credit).

Contributions to the RDSP can be made by anyone, but may not exceed \$200,000 in total. Although the initial contributions are not deductible, the income earned within the plan is not taxable until such time as it is ultimately paid out of the plan, and furthermore the withdrawal of contributions is not taxable as well.

Perhaps the most attractive feature of the plan is that contributions to the plan are matched by the federal government (by way of ‘Canada Savings Disability Grants’) such that the first \$70,000 of cumulative RDSP contributions will be matched on at least a dollar for dollar basis (families with combined net income under approximately \$75,000 will have their first \$500 contribution matched by \$1500 in grants, and their next \$1,000 matched by \$2,000 in grants. All other contributions are on a dollar-for-dollar basis).

In addition to and independent of the above, RDSPs of lower income families will receive up to \$1,000 in ‘Canada Disability Savings Bonds’ annually, subject to a cumulative maximum of \$20,000. RDSPs of families with income under approximately \$21,000 will receive the full \$1,000 of Canada Disability Savings Bonds. RDSPs of families with income up to approximately \$37,000 will receive a pro-rated portion. RDSPs of families with income above approximately \$37,000 will not receive Canada Disability Savings Bonds.

Once the disabled beneficiary turns 60, payments from the RDSP to the beneficiary or their legal representative will begin to be required.

Should the beneficiary die (or cease to qualify for the Disability Tax Credit), the RDSP will be required to repay all Canada Savings Disability Grants and/or Canada Disability Savings Bonds received by the RDSP, along with being required to pay tax on the accrued income of the past ten years. The remaining accrued income within the plan would be taxable to the beneficiary or their estate.

Note regarding implementation: RDSPs are not yet available as of the writing of this memo. There is no firm implementation date as of yet – Finance simply intends to implement “as soon as possible in 2008.” If you are interested in learning more about possible implementation dates, please watch for further announcements at the Canada Revenue Agency website (<http://www.cra-arc.gc.ca/>) or ask your KNV advisor.

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