MACKENZIE
Investments

Enabling Canadians with RDSPs made easy.

Your guide to the Mackenzie Registered Disability Savings Plan

BE INVESTED

Empowering families to save for the future

Many Canadians living with disabilities aren't getting the financial help they need today, to ensure they're better-off tomorrow. In fact, only 35% of those who qualify for a Registered Disability Savings Plan (RDSP) have opened one since the program's inception.*

Those already benefitting from an RDSP recognize the current system's shortcomings. From complicated paperwork, to limited investment options, and a lack of expert advice and assistance, they're often left to navigate the program on their own.

Mackenzie wants to help change that. We've become experts in this space, offering guidance, knowledge and a simplified approach.

People with disabilities and their loved ones face a distinct set of financial challenges throughout their lives. To help address these challenges, the federal government introduced the Registered Disability Savings Plan (RDSP) in 2008. Designed to help build long-term financial security for people with disabilities, the RDSP makes it easier to accumulate funds by providing assisted savings and tax-deferred investment growth.

Here you'll learn about the main features of an RDSP and find examples of how you can maximize your benefits.

*Investor Economics, 2022.

What's an RDSP?

The RDSP is a tax-deferred savings vehicle designed to help Canadians with disabilities and their families save for their long-term financial security.

Eligibility

A Canadian resident who's eligible for the Disability Tax Credit (DTC) is also eligible for an RDSP until December 31 of the year they reach age 59.

The DTC is available if you have mental or physical impairments that markedly restrict your ability to perform one or more of the basic activities of living, such as speaking, hearing or walking. The impairment must be expected to last for one or more years, and a physician or nurse practitioner must certify the extent of the disability. You can apply to the Canada Revenue Agency (CRA) for the DTC using Form T2201.

Form T2201

To qualify for an RDSP, you must:

01 Be eligible for the Disability Tax Credit

02 Be a resident of Canada

03 Be less than 60 years of age

04 Have a valid Social Insurance Number (SIN)

What's the difference between an RDSP holder and an RDSP beneficiary?

Holder

- An individual (or individuals) who opens and manages the RDSP account on behalf of a beneficiary who isn't legally competent to sign a contract because they are either a minor or mentally impaired.
- If an adult beneficiary's capacity is in doubt, a person (or persons) authorized to act on their behalf may include a spouse, common-law partner, sibling or a parent ("qualifying family member"), or a formally named legal representative or guardian.
- They have principal decision-making ability over the plan, such as directing investments and the amount and timing of withdrawals.
- There can be more than one holder.

Beneficiary

- The individual for whom the RDSP has been established and who will receive the money in the future.
- A beneficiary may also be the holder.
- They may have only one RDSP at any given time.
- Only one beneficiary is allowed per plan.

An RDSP can be transferred from one financial institution to another as the holder and/or beneficiary wish.

Opening an RDSP

The person opening the RDSP is known as the "**holder**". The "**beneficiary**" is the individual for whom the RDSP has been established and who will receive the money in the future. If the person with the disability opening the account has capacity they will be the "holder and "beneficiary".

Steps to open an RDSP

Determine if you're eligible for the Disability Tax Credit (DTC)

↓

Obtain and complete an RDSP application form from Mackenzie Investments

↓

Complete the grant/bond application form (EMP5608) and the following annex forms if applicable:

Annex A:
Joint Holder Application for Canada Disability Savings Grant and/or Canada Disability Savings Bond (EMP5609)

Annex B:
Primary Caregiver Application for Canada Disability Savings Grant and/or Canada Disability Savings Bond (EMP5610)

↓

Forward signed application forms to Mackenzie Investments

CASE STUDY

Designation of RDSP holder

A car accident left 16-year-old Steve disabled.

He qualifies for the DTC and is therefore eligible for an RDSP. His father Colin opens the plan and is named as holder because Steve is a minor. Colin has decision-making authority over the plan.

The family decides that once Steve reaches the age of majority, he'll become a joint holder with Colin.

Contributions to your RDSP

Once you open an RDSP, anyone may contribute to the plan, either directly with the holder's written consent, or by giving money to the holder to deposit. Written consent is required to ensure the holder of the plan is able to manage contributions to maximize government grants (we'll discuss this later).

Three things to know:

1. $200,000 maximum lifetime contribution per beneficiary. No annual limit, so you may contribute $200,000 in any one year.
2. Contributions aren't tax-deductible, but growth isn't taxed while held in the plan.
3. Contributions must cease by December 31 of the year in which the beneficiary reaches age 59.

The beneficiary is eligible for CDSGs and CDSBs until December 31 of the year the beneficiary turns 49

Enabling Canadians with RDSPs made easy.

Investment options

Your RDSP can generally hold the same investments as a Registered Retirement Savings Plan (RRSP) or a Registered Education Savings Plan (RESP). That includes cash, stocks, bonds, GICs, mutual funds and a variety of other investments.

A few things you need to know:

- Where a non-qualified investment is made within an RDSP, or where a qualified investment ceases to be qualified, you may face a tax of 50% of the fair market value of the investment, and income earned on the investment would also be taxable.
- Talk to your financial advisor to ensure that investments are appropriate for the RDSP.

Five ways to contribute:

01 Contributions by the account holder.

02 Contributions by people the account holder has authorized.

03 Federal grants and bonds.

04 Transfers from a qualified RRSP, RRIF or RPP.

05 Transfers of the accumulated income from a Registered Education Savings Plan (RESP) if it names the same beneficiary as the RDSP.

Government help

Taking advantage of grants and bonds

The federal government offers assistance in the form of Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs).

Canada Disability Savings Grants (CDSGs)

CDSGs are annual matching federal grants deposited into a beneficiary's RDSP to help build long-term savings. The grants are based on the amount contributed and family net income.

2025 CDSG matching rates

Family net income*	CDSG matching rates	Maximum annual CDSG
Up to or equal to $114,750	300% on first $500, 200% on next $1,000	$3,500
Over $114,750	100% on first $1,000	$1,000

*2025 rates (indexed annually to inflation). For a minor beneficiary, the family net income is that of his or her parents. Where the beneficiary is over the age of majority, the family net income is that of the beneficiary and his or her spouse, if applicable.

CASE STUDY

Optimizing government contributions

Jennifer is a widow and ailing mother.

Jennifer is concerned about who would care for her daughter with a disability, Susan, following her death. Susan is financially dependant on Jennifer.

Holder mother — **RDSP** — **Beneficiary** daughter

Jennifer opened an RDSP for Susan with an initial contribution of $50,000.

$50k

+

In her will she leaves an additional $150,000 to be contributed to the plan upon her death, provided Susan is still age-eligible (under 60).

$150k

This would ensure the maximum contribution is made to Susan's RDSP.

Maximum grant

There is a lifetime limit of $70,000 per beneficiary. CDSGs are payable until the end of the year in which the beneficiary turns 49, if the beneficiary remains a Canadian resident.

Unused grants

When catching up on grants and bonds,the maximum CDSG you can receive in a single year is $10,500 and the maximum CDSB is $11,000. However, you may carry forward unused grant and bond entitlements for a 10-year period.

Income thresholds for carry-forward will use the family net income applicable for each year used.

CASE STUDY

Non-household contributions

Meg and Allen are Tony's aunt and uncle.

Tony is an adult with a disability. Because he is age of majority, his family income is used for CDSG purposes. Meg and Allen decide to contribute $2,000 for each of the next five years to an RDSP for Tony.

Tony's family net income and grant allocation for the next five years are as follows:

Year	Family net income	Contribution	CDSG
Year 1	$44,500	$2,000	$3,500
Year 2	$48,350	$2,000	$3,500
Year 3	$50,000	$2,000	$3,500
Year 4	$75,000	$2,000	$3,500
Year 5	$125,000	$2,000	$1,000
Total	-	**$10,000**	**$15,000**

Since there are no annual contribution limits for RDSPs, contributions of up to $200,000 can be made in any given year. However, where a lump sum $200,000 contribution is made, no CDSG would be paid after the initial year.

RDSP contributors should work with a financial advisor to determine whether lump sum or periodic contributions are the better option. Depending on expected rates of return, the age of the RDSP beneficiary and cash flow needs, smaller annual contributions may be more suitable. Lump sum contributions would provide a longer period of tax-deferred growth, whereas annual contributions would maximize CDSGs.

CASE STUDY

RDSP lump sum vs. annual contributions

Isaac, age 44, has $10,000 to contribute to his RDSP.

He has a decision to make: contribute the full $10,000 upfront to maximize tax-deferred growth or contribute $2,000 for each of the next five years. He and his financial advisor discuss the following potential outcomes (assuming a 6% rate of return and family net income of less than $111,733:

Isaac
$10,000

	Option 1	Option 2
	Contribute $10,000 upfront	Contribute $2,000/year for 5 years
Total contribution:	$10,000	$10,000
CDSG:	$3,500	$17,500
RDSP value after 5 years:	$18,066	$32,864

Isaac chooses Option 2, as it is expected to provide a greater return and flexibility for annual cash flow needs. His overall return may be enhanced if he invests the remainder (after each contribution) in a nonregistered account or Tax-Free Savings Account (TFSA).

If Isaac is receiving provincial disability support, there are limitations to the assets he can hold outside an RDSP. This could negatively affect his benefits.

CASE STUDY

RDSP lump sum vs. annual contributions

Kim, age 44, receives an inheritance of $200,000.

Like Isaac, she has a decision to make: should she contribute the full $200,000 upfront or contribute $40,000 each year for five years to allow cash flow flexibility? She and her financial advisor discuss the following potential outcomes (assuming a 6% rate of return and family net income of less than $111,733:

Kim
$200,000

	Option 1	Option 2
	Contribute $200,000 upfront	Contribute $40,000/year for 5 years
Total contribution:	$200,000	$200,000
CDSG:	$3,500	$17,500
RDSP value after 5 years:	$272,329	$259,926

Kim chooses Option 1. For her, a lump sum RDSP contribution will likely produce a better return despite forgoing grants. If Kim chooses Option 2 and invests the remaining $160,000, she could lose all or part of her provincial disability benefits, as the value of tax benefits decrease when income (from investments, employment, etc.) reaches a specified level.

In addition, if Kim is receiving provincial disability support, inherited assets that aren't contributed to an RDSP may reduce her provincial benefits.

Canada Disability Savings Bonds (CDSBs)

In addition to CDSGs, lower-income families may qualify for Canada Disability Savings Bonds (CDSBs). The government may deposit up to $1,000 a year to the RDSP of a low-income beneficiary, even if no contributions are made into the RDSP.

2025 CDSB rates

Family net income*	Maximum annual CDSB
Up to or equal to $37,487	$1,000
Between $37,487 and $57,375	$1,000 is reduced on a pro-rated basis (based on the formula in the Canada Disability Savings Act)
Over $57,375	No bond is paid

*2025 rates (indexed annually to inflation). For a minor beneficiary, the family net income is that of his or her parents. Where the beneficiary is over the age of majority, the family net income is that of the beneficiary and his or her spouse, if applicable.

For a minor beneficiary, family net income is that of their parents. For an adult beneficiary, family net income is that of the beneficiary and their spouse, if applicable.

CDSB payments are subject to a lifetime limit of $20,000 per beneficiary and are payable until the end of the year in which the beneficiary reaches age 49, if the beneficiary remains a resident of Canada. You may carry forward unused grant and bond entitlement to future years. The carry forward is for a maximum period of 10 years.

CASE STUDY

Canada Disability Savings Bond program

Lower-income families may qualify for up to a lifetime maximum of $20,000 from the Canada Disability Savings Bond (CDSB) program.

Victor and Shauna have a 16-year-old son, Mark, who requires regular life-sustaining therapy and have a family net income of $20,500. As Mark is eligible for the disability tax credit, he is also eligible for an RDSP. Although Victor and Shauna don't have funds to contribute to Mark's RDSP, they can open a plan and still receive CDSBs of $1,000 per year.

Accessing the money in your RDSP

There are two types of withdrawals from an RDSP. Both can be used for disability or non-disability-related expenses.

1. Lifetime Disability Assistance Payments (LDAPs)

- Recurring annual payments, once started, must be paid until the plan is terminated or the beneficiary has died.
- May begin at any age but must commence by the end of the year in which the beneficiary turns 60.
- Payments are limited to a maximum tied to the fair market value of the plan and the beneficiary's life expectancy (age 80 in most cases).

2. Disability Assistance Payments (DAPs)

- Lump sum payments made to the beneficiary or the beneficiary's estate.
- May only be made if the plan's fair market value after payment will be more than the Assistance Holdback Amount that would apply on CDSGs and CDSBs received in the 10 years prior to the DAP.
- The maximum amount doesn't apply where a physician certifies that the beneficiary isn't expected to survive beyond five years.

If the plan is a Primarily Government Assisted Plan (PGAP), this means there is more government money in the account than private contributions. As of January 2014, maximum withdrawals are the greater of the LDAP formula or 10% of the value of the plan at the beginning of the year.

Beware of early withdrawals

Before withdrawing funds, you should be aware of the 10-year rule.

If your RDSP received CDSGs or CDSBs in the 10 years prior to the withdrawal, the **Assistance Holdback Amount (AHA)** will apply; for every $1 withdrawn, $3 worth of CDSGs or CDSBs must be repaid to the government.

Why?

Because RDSPs are intended for long-term savings, the AHA ensures that government funds aren't withdrawn and re-contributed to gain additional matching grants in future years.

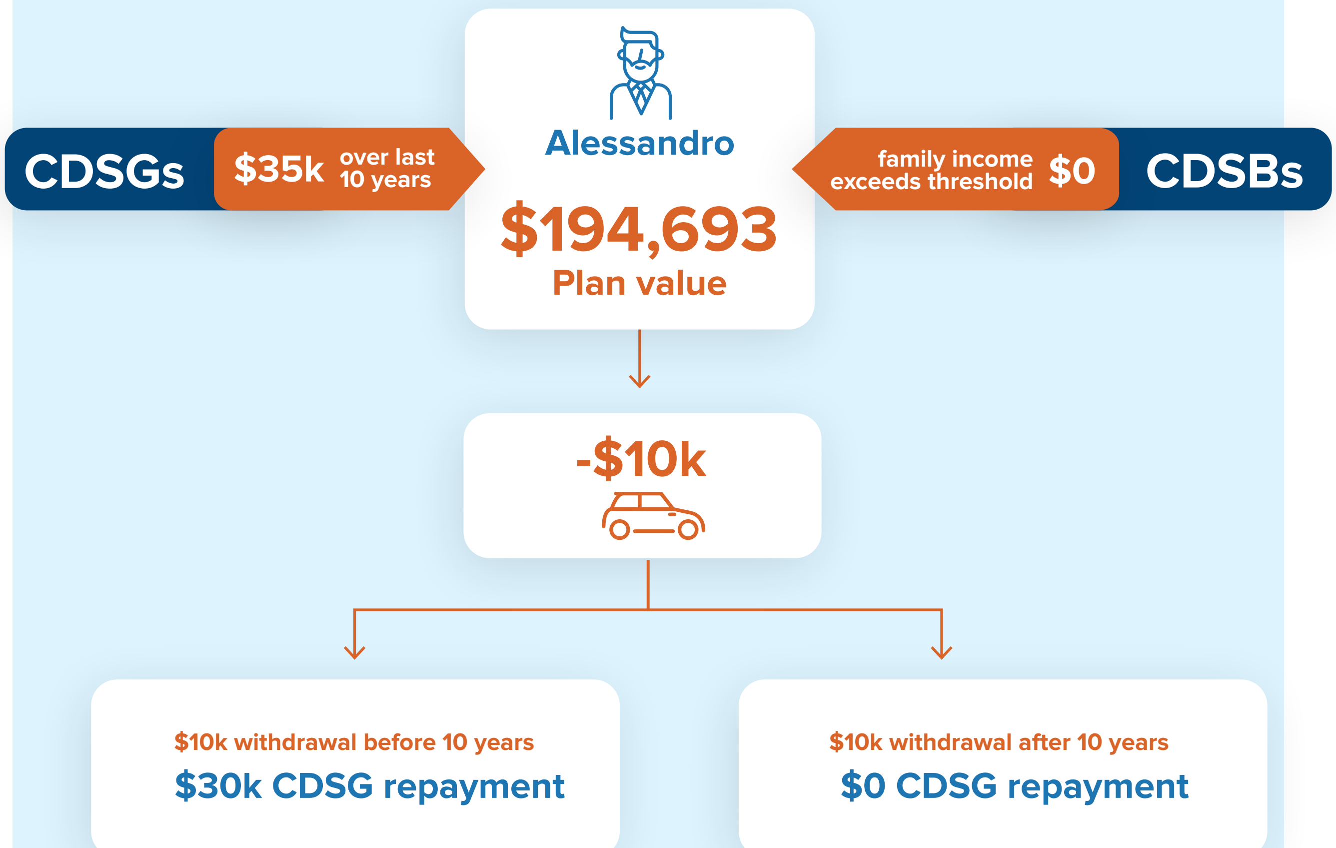
- The rule also applies to grants and bonds received in the 10-year period before the beneficiary's death or if they are no longer eligible for the DTC.
- Grants and bonds received more than 10 years prior don't have to be repaid.

Because of the repayment provisions, your RDSP may not be a good option for short-term expenses.

CASE STUDY

Impact of early withdrawal

Alessandro, 35 and disabled, has an RDSP that his family has been contributing to for the past 10 years. He wishes to withdraw $10,000 from his RDSP to purchase a car.



Alessandro's $10,000 redemption will result in repayment of $30,000 for CDSG for the 10-year period before the withdrawal. CDSGs received prior to the 10-year period aren't subject to repayment.

If Alessandro's family only contributed once and received CDSGs and CDSBs in the first year, and this withdrawal is made after 10 years, no repayment would be required.

Taxation of withdrawals

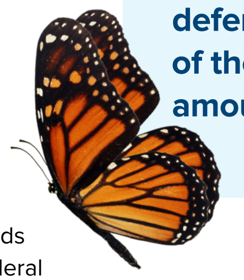
Withdrawals generally consist of original contributions, investment income, CDSGs and CDSBs (subject to repayment obligations).

Each withdrawal will consist of both taxable and non-taxable amounts, generally in the same proportion as the total contributions to overall plan value.

- Original contributions are made with after-tax dollars, so they aren't taxable on withdrawal.
- Investment income, CDSGs and CDSBs are fully taxable to the RDSP beneficiary when received.

If the beneficiary has little or no other income, the DTC and the basic personal amount may offset their tax liability.

Note: RRSP, RRIF or RPP proceeds transferred from a deceased parent or grandparent will be taxable to the RDSP beneficiary. This is also the case with tax-deferred transfers of the taxable amount of RESPs.



Three things you need to know:

1. The 10-year rule

Once a withdrawal of any amount is made, all federal grants and bonds paid into the RDSP in the previous 10 years must be repaid to the federal government on a 3:1 basis.

2. Tax-deferred growth

Beneficiaries aren't required to pay taxes on their RDSP until withdrawals are made or the RDSP is terminated.

3. Grants/bonds are optional

If you think a Disability Assistance Payment is likely, you can choose to not request CDSG or CDSB payments. These can be restarted after the payment.

CASE STUDY

Withdrawals from an RDSP

Fred just turned 60, so by the end of the year he must begin withdrawals from his RDSP.

His financial advisor points out that $24,500 must be withdrawn from his plan, an amount calculated based on Fred's life expectancy of age 80. Details of his RDSP are as follows:

Plan value = $587,996

$24,500
withdrawal

If Fred has other income

$8,333 Non-taxable

Of the $24,500 to be withdrawn, $8,333 (or 34% of the withdrawal) will be non-taxable, because it represents contributed funds.

$16,167 Taxable

The rest of his withdrawal, $16,167, would be taxable to Fred, as it represents CDSGs and investment growth.

If Fred has no other income

$24,500 Non-taxable

His DTC and basic personal amount will offset the taxable RDSP distribution of $16,167 and he won't have to pay any income tax on the withdrawal.

Transferring funds into your RDSP

An RDSP beneficiary or holder may wish to transfer an existing plan to another issuer. Remember, a beneficiary can only have one RDSP plan, so the original plan must be terminated immediately after the transfer between issuers is complete.

The receiving plan must pay any minimum amounts for the year where the transferring plan hasn't yet done so (generally applicable to beneficiaries aged 60 or older).

How to transfer an RDSP

RDSP transferring between plans

Did you know?

- You may also transfer assets on a tax-deferred basis from RRSPs, RRIFs or RPPs to an RDSP to the maximum contribution limit. These transfers are only allowed from an RRSP, RRIF or RPP of a deceased parent or grandparent if the beneficiary of the RDSP was financially dependent on that individual.
- Tax-deferred transfers of the taxable amount of RESPs are allowed.

Impact on social assistance benefits

Payments from an RDSP don't affect other federal government programs, including:

- Old Age Security (OAS)
- Guaranteed Income Supplement (GIS)
- Goods and Services Tax Benefit (GST Benefit)
- Social assistance benefits

Generally speaking, RDSP assets and payments shouldn't have a negative impact on eligibility for programs such as subsidized housing and long-term care.

However, each province and territory has its own program that provides support to persons with disabilities, so be sure to check with your legal and/or financial advisor for the most up-to-date legislation in your jurisdiction.

Closing your RDSP

What if the beneficiary dies?

When a beneficiary dies, the RDSP will collapse and full proceeds of the plan will be paid to the beneficiary's estate (subject to CDSG and CDSB repayment obligations).

- Original contributions remain non-taxable.
- CDSGs, CDSBs and investment income received will be taxed as ordinary income to the beneficiary's estate.
- If CDSGs or CDSBs were paid to the RDSP in the 10 years prior to death, those funds must be repaid

If the beneficiary dies without a will, the proceeds are distributed according to the laws of the province or territory where the beneficiary resided. However, relying on the laws of intestacy could lead to unintended distributions, particularly if the beneficiary has a preference that non-related individuals (e.g., friends, caregivers) inherit. Because the rules differ between jurisdictions, it is important to speak to a lawyer in the jurisdiction of the RDSP beneficiary to determine applicable rules.

What if the beneficiary no longer has a disability?

If the beneficiary ceases to be eligible for the disability tax credit because their condition has improved, you have two options:

1. Collapse the RDSP

You may collapse the RDSP by the end of the year following the cessation of the DTC.

2. Put the RDSP on hold

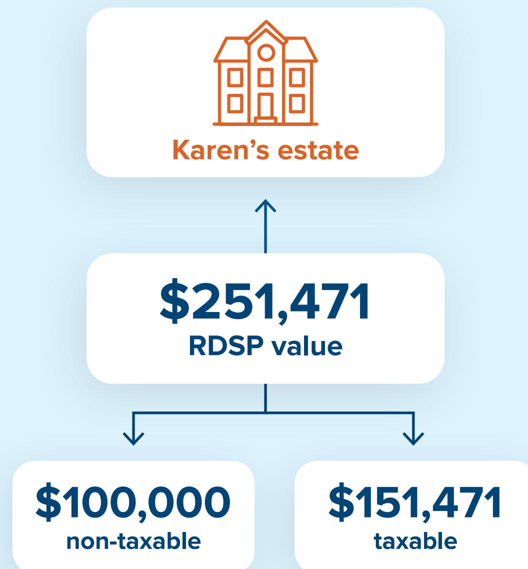
You may put the RDSP on hold (and make no contributions or withdrawals). If there is a relapse, and the beneficiary is again DTC-eligible, the RDSP can be restarted with minimal paperwork.

CASE STUDY

Death of the beneficiary

Karen recently passed away.

At the time of her death, her RDSP was valued at $251,471 of which $100,000 was original contributions. No grants or bonds were received in the 10-year period prior to death.



Karen's estate received a payment of $251,471, of which $100,000 was non-taxable. The remaining $151,471, consisting of grants, bonds and investment income was taxable to her estate.

Other planning opportunities

Henson Trust

Named after the Henson family, a Henson trust is a formal trust to which assets can be contributed on behalf of a disabled individual. Because the trust is discretionary in nature (i.e., the trustee has full discretion over when, how and if assets are distributed to the disabled beneficiary), the trust can provide a certain level of financial support without having the disabled beneficiary's provincial benefits clawed back. It should be noted that some provinces and territories (Northwest Territories for example) do not recognize such trusts.

In many provinces, Henson trusts will continue as an effective estate planning strategy alongside RDSPs. Suitability should be discussed with a financial advisor and a lawyer. Greater flexibility may be achieved through a Henson trust, as maximum and minimum withdrawals do not normally apply. Short-term expenses may also be addressed more easily in the absence of CDSG and CDSB repayment provisions. As an estate planning strategy, a contribution of $200,000 could be put into an RDSP during the contributor's lifetime, with any excess being left to a trust in the deceased contributor's will.

As of 2016, a Henson trust may be designated as a qualified disability trust, which receives preferential tax treatment on income earned in the trust.

Peace of mind starts with a conversation

Speak with a financial advisor to determine if an RDSP is suitable for you or your loved one's circumstances. For more information on RDSPs, please visit us at mackenzieinvestments.com/RDSP.

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MACKENZIE Investments

General inquiries

For all of your general inquiries and account information please call:

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