



# Registered Disability Savings Plan (RDSP) Withdrawal and Tax Implications

2012

The RDSP is a new federally registered savings plan that is delivered by the Canada Revenue Agency. It is designed to ensure long-term financial security for people with disabilities. Beneficiaries may receive the added benefit of government grants and bonds. The RDSP, grant and bond are an initiative of the Government of Canada. Richmond Centre for Disability (RCD) encourages people to apply for RDSP's. This savings plan aligns with the Independent Living philosophy encouraging people with disabilities to plan for their long term financial security and the future costs of disability needs. Please contact RCD at 604-232-2404 for more information or visit their website at [www.rcdrichmond.org](http://www.rcdrichmond.org).

## Did you know?

### Types of withdrawals you can make

The RDSP is a long-term savings plan. The grants and bonds are intended to encourage savings and must remain in an RDSP for at least 10 years. Whenever money is withdrawn from an RDSP, all grants and bonds paid into the RDSP during the 10 years before the withdrawal must be repaid to the Government. Private contributions and investment income earned are not affected by the Assistance Holdback Amount.

When you have decided to access the money in your RDSP there are two ways to receive it:

- Disability Assistance Payments (DAP)
  - A withdrawal from the RDSP to the beneficiary
- Lifetime Disability Assistance Payments (LDAP)
  - Regular withdrawals that must begin by the age 60 (but may begin earlier).
  - Once started, LDAPs must continue to be paid at least annually until the beneficiary passes away or the plan is closed

### Withdrawal Notes:

- The money in your RDSP can be used for any purpose
- Only the beneficiary will be permitted to receive payments from the plan
- Withdrawals from RDSPs are not considered as income and they will not impact federal assistance program Money paid out of an RDSP does not affect your eligibility for federal benefits such as the Canada Child Tax Benefit, the Goods and Services Tax credit, Old Age Security, or Employment Insurance

### **Withdrawal Notes continued:**

- British Columbia has announced a full exemption for RDSP assets and income, which means RDSP will have no impact on provincial social assistance payments. (see RDSP Information sheet #3 for more information)
- If the person has a shortened life expectancy (within 5 years) they can take out payments up to \$10,000 per year in taxable savings

### **Withdrawal Examples**

- **No Federal Contributions:** If you only contribute your own money into the plan (or the money contributed by friends and family) there are no restrictions on when the money can be withdrawn, or how much. Once you turn 60, minimum annual payments will need to start. The assistance holdback does not apply
- **More Personal Contributions than Federal Contributions:** If there are more private contributions than federal government contributions, lump sum payments can be taken before the age of 60. At 60 years of age, minimum payments will begin to come out annually based on a formula. In addition, lump sums can still be withdrawn. The assistance holdback applies
- **Less Personal Contributions than Federal Contributions:** If private contributions are less than federal government contributions, you cannot take out payments that exceed the amount determined by the formula. The assistance holdback applies

### **Information on Taxes**

- Earnings accumulate tax-free until you take money out of your RDSP
- The grant, bond and investment income earned in the RDSP will be included in the beneficiary's income for tax purposes when paid out of the RDSP. Original contributions to the RDSP will not be included in the beneficiary's income for tax purposes when paid out of the RDSP
- Contributions are not tax-deductible for income tax purposes

### **Information on change of disability status or death**

- If a beneficiary loses eligibility for the Disability Tax Credit, or if the beneficiary passes away, all grants and bonds paid into the RDSP during the preceding 10 years must be repaid to the Government
- All other money in the RDSP, including private contributions, investment income earned, and grants and bonds that have been in the RDSP for more than 10 years, is paid to the beneficiary (or the beneficiary's estate and distributed according to the individual's will)

### **Richmond Centre for Disability**

100-5671 No. 3 Rd., Richmond, B.C. V6X 2C7  
tel 604 232 2404 ♦ fax 604-232-2415 ♦ tty 604 232 2479  
email: [rcd@rcdrichmond.org](mailto:rcd@rcdrichmond.org) ♦ web: [www.rcdrichmond.org](http://www.rcdrichmond.org)

2012