



SAVING FOR A SECURE FUTURE: THE MACKENZIE REGISTERED DISABILITY SAVINGS PLAN

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MACKENZIE
Investments


CONFIDENCE
IN A CHANGING WORLD



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The Registered Disability Savings Plan (RDSP)



Registered investment plan
Launched in 2008 by the Federal Government
Federal/provincial matching and funding
One account per beneficiary

“Qualified” Disabled Beneficiary

- 1) Recipient of Disability Tax Credit

(T2201 Disability Tax Credit Certificate)

<http://www.cra-arc.gc.ca/E/pbg/tf/t2201/t2201-fill-11e.pdf>

- 2) Less than 60 years of age
- 3) Canadian resident
- 4) Valid Social Insurance Number



Why apply for the Disability Tax Credit

- ▶ Benefit from a reduction in income tax payable
 - Non-refundable tax credits
 - Medical Expense deductions
 - (not covered by other means)
- ▶ Can be transferred from a dependant
- ▶ CRA will back-date and review tax returns
 - 10 years back
 - Date of disability

Qualifiers for Disability

Generally

- Impairment in Physical or Mental Functions lasting or expected to last at least 12 months

Specifically

- Blindness
- Receiving life-sustaining therapy
- Markedly restricted in one or more daily living activities (e.g., speaking, feeding, dressing, walking, mental functions, digestion)

“Accountholder” versus “Beneficiary”

- ▶ **Beneficiary is an Adult (18 or older)**
 - Must have legal capacity to be accountholder
 - If no capacity – parent or guardian or other representative who is authorized to act is accountholder
 - Until 2018 – Parent or Spouse/Common-law partner can open without Court authorization
- ▶ **Beneficiary is a Minor (under age 18), then accountholder may be**
 - Legal parent(s)
 - Guardian or public department/agency legally authorized to act

Funding

- ▶ Non-deductible contributions can be made by anyone
 - Plan holder must authorize
- ▶ Tax-deferred rollovers of RRSP/RRIF/RPP
 - No Government matching
- ▶ No annual limit
- ▶ Contributions before age 60

Maximum \$200,000 lifetime

RDSP and the Government: Canada Disability Savings Grant (CDSG)

Contributions may qualify for matching CDSG

- Eligible until December 31st at age 49
- **Maximum lifetime CDSG is \$70,000**

Family Net Income*	CDSG matching rates	Max. annual CDSG
Up to or equal to \$91,831	300% on first \$500 200% on next \$1,000	\$3,500
Over \$91,831	100% on first \$1,000	\$1,000

*2017 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.

RDSP and the Government: Canada Disability Savings Bond (CDSB)

No contributions for annual CDSBs

- Eligible until December 31st at age 49
- **Maximum lifetime CDSB is \$20,000**

Family Net Income*

Maximum annual CDSB

Up to or equal to \$30,000

\$1,000

Between \$30,000 and \$45,916

\$1,000 reduced on a

prorated basis

*2017 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.

Over \$45,916

No CDSB is paid



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Maximizing Grants and Bonds in Coming Years

Catch up on 10 years worth of Grants

- **2017 - Contribute \$3,500**
- Gives you $\$500 \times 300\% \times 7 \text{ years} =$ **\$10,500**
- **2018 - Contribute \$4,250**
- Gives you $\$500 \times 300\% \times 4 \text{ year} = \$6,000$
- Gives you $\$1,000 \times 200\% \times 2.25 \text{ years} = \$4,500$
 - Total **\$10,500**
- **2019 - Contribute \$5,000**
- Gives you $\$500 \times 300\% \times 1 \text{ year} = \$1,500$
- Gives you $\$1,000 \times 200\% \times 4.5 \text{ years} = \$9,000$
 - Total **\$10,500**
- **2020 – Contribute \$5,000**
- Gives you $\$500 \times 300\% \times 1 \text{ year} = \$1,500$
- Gives you $\$1,000 \times 200\% \times 4.5 \text{ years} = \$9,000$
 - Total **\$ 10,500**
- **2021 – Contribute \$3,250**
- Gives you $\$500 \times 300\% \times 1 \text{ year} = \$1,500$
- Gives you $\$1,000 \times 200\% \times 2.75 \text{ years} = \$5,500$
 - Total **\$ 7,000**
- Totals: **\$49,000**
- Contributions **\$21,000**
- **Grand Total \$ 70,000**

Getting money out of an RDSP

1. Lifetime Disability Assistance Payment (LDAP)
2. Disability Assistance Payment (DAP)
 - ▶ Withdrawals are made up of a portion of contributions, income, CDSG and CDSB
 - ▶ No restriction on use

Lifetime Disability Assistance Payment (LDAP)

- ▶ Annual payments begin at any age but no later than end of the 60th year
 - Once begun continue until death of beneficiary
- ▶ Withdrawal amount calculation:

Value of the Plan

3 + (life expectancy – age)

\$ 400,000

3 + (80 – 60)

= \$17,391

Disability Assistance Payment (DAP)



Disability Assistance Payment (DAP)

- ▶ Lump sum payment
 - Made to beneficiary or the estate
- ▶ Maximum withdrawal the greater of LDAP formula:

Value of the Plan

3 + (life expectancy – age)

\$ 400,000

3 + (80 – 60)

= \$17,391

- ▶ Or 10% of Plan Value \$40,000

Assistance Holdback Amount “AHA”

- ▶ All Government monies (CDSG/CDSB) received have a 10-year hold
- ▶ Any payments made within 10-year period will force repayment

Account opened in 2010

CDSB received 2010, 2011, 2012, 2013, 2014, 2015, 2016

Withdrawal 2017 – \$3 dollars for every \$1

Taxation of Withdrawals

- ▶ Withdrawals made up of:
 - Original contributions
 - After-tax
 - Investment income
 - Canada Disability Savings Grants (CDSG)
 - Canada Disability Savings Bonds (CDSB)
- ▶ Tax will be withheld on payouts relating to investment income, CDSG and CDSB to reduce tax at year-end

RDSPs – Minimum & Maximums

Starting in 2014

- ▶ Increase annual withdrawal limit from PGAPs to the greater of;
 - LDAP formula, and;
 - 10% of the FMV at beginning of year
- ▶ Apply minimum LDAP withdrawals to **ALL** RDSPs

RDSPs – Rollover of RESP Income

Starting in 2014:

- ▶ Tax-deferred rollover of RESP investment income to RDSP
- ▶ Must be RDSP eligible and AIP conditions must be met
- ▶ No Government assistance

RDSP Developments

Cessation of DTC Eligibility

- Extend period RDSP may remain open when beneficiary becomes DTC ineligible
- Medical practitioner certification required
- Election by Dec 31st of the following year
- Implications of election
- Valid until end of 4th year following 1st full year

Eligible Transfers

- ▶ Transfer of RDSP from one institution to another
 - All history must transfer
 - New account “Pending” until original closed
- ▶ Rollover of RRSP, RRIF or RPP from deceased parent or grandparent
 - Beneficiary must be “financial dependent”
 - Taxable when withdrawn
- ▶ Rollover RESP AIP for the same beneficiary
- ▶ Inheritance/gift from others
 - Withdrawals tax-free
 - Pairs well with a “Henson” Trust

Case Study – RRIF rollover

Client Sarah, age 81 - \$500,000 in her RRIF

- Disabled son John is financially dependent
- Two other adult children not disabled

No Rollover to John:

- \$500,000 taxable to Sarah = \$225,000 in tax

\$200,000 Rollover to John's RDSP:

- \$300,000 taxable to Sarah = \$135,000 in tax

Saves the Estate \$90,000 in tax



Impact on Social Assistance Benefits

- ▶ Payments from an RDSP do not impact other income-tested federal government programs, including:
 - Old Age Security (OAS)
 - Guaranteed Income Supplement (GIS)
 - Canada Pension Plan (CPP)
 - The Goods and Services Tax Benefit (GST Benefit)
 - Social assistance benefits.

Death of the beneficiary

- ▶ RDSP will be collapsed
 - CDSGs and CDSBs received in last 10 years will have to be repaid
 - Net proceeds to estate of beneficiary
 - Under beneficiary's will or
 - If no will, through provincial rules
- ▶ Tax on proceeds included in final tax return

Other Considerations

- ▶ Life insurance
- ▶ Transfer of non-registered investments
- ▶ Will planning
- ▶ Powers of Attorney planning
- ▶ Financial planning
- ▶ Charitable Giving

