

A long-term savings plan for people living with disabilities



Plan ahead with the CIBC Disability Savings Plan

The Registered Disability Savings Plan (RDSP) is a long-term savings plan that offers tax-deferred investment growth, government incentives and flexibility in withdrawals to help eligible Canadians living with disabilities achieve financial security.

Highlights

Eligibility – Canadian residents who are eligible for the Disability Tax Credit¹ can be the beneficiary of a Registered Disability Savings Plan. Plans can be opened by parents of an eligible child with disabilities, if the child is a minor, or by a legal representative of the beneficiary, if the beneficiary is a minor or legally incapable of entering into the contract. If the beneficiary is an adult and contractually capable, they can open the RDSP themselves. If they are an adult and contractually incapable and have no legal representative, a qualifying family member² may be able to open the RDSP for them. An initial RDSP can be opened and contributions can be made until the end of the year the beneficiary turns 59.

Opening an RDSP – The lifetime contribution limit per beneficiary is \$200,000 with no annual limit on contributions. The person who opens the RDSP, who is called the plan holder, can make contributions and can give permission to others to make contributions.

Contributions – Contributions to the plan may be eligible for the Canada Disability Savings Grant, and the Canada Disability Savings Bond may also be available, based on income, until the end of the year the beneficiary turns 49.

Tax treatment – Earnings and growth on all contributions, grants and bonds are not taxed until they are withdrawn from the plan. Since 2011, unused grant and bond entitlements can be carried forward to future years. The carry-forward period started after 2007 and is for a period of 10 years.

Government incentives – To encourage long-term savings, the federal government will match a portion of RDSP contributions through the Canada Disability Savings Grant and will also provide the Canada Disability Savings Bond into plans of eligible persons. The amount of Canadian government assistance is based on family income.

Contact a CIBC RDSP specialist at <u>1800 465-3863</u> to learn more.

Making the most of government incentives

Canada Disability Savings Grant

- The Canada Disability Savings Grant (CDSG) is a Government of Canada payment directly into the RDSP and is dependent on family income. Until December 31 of year the beneficiary turns 18, family income includes that of parents (based on income information used to determine the Canada child benefit), and beginning the year the beneficiary turns 19, it is only based on income of beneficiary and their spouse or common-law partner.
- The CDSG can be received up to a maximum of \$3,500 per year until the year the beneficiary turns 49, to a lifetime maximum limit of \$70,000.³

| Annual family net income ⁴ | Annual grant amount | Maximum annual grant amount |
|--|---|-----------------------------|
| Less than or equal to \$98,040 | \$3 for every \$1 contributed (300%) on the first \$500 of annual contribution | \$1,500 |
| | \$2 for every \$1 contributed (200%) on the next \$1,000 of annual contribution | \$2,000 |
| Greater than or equal to \$98,041 or no information available | \$1 for every \$1 contributed (100%) on the first \$1,000 of annual contribution | \$1,000 |

Canada Disability Savings Bond

- The Canada Disability Savings Bond (CDSB) helps make the RDSP accessible to those who do not have the resources to make contributions. The CDSB is a Government of Canada payment directly into the RDSP and is independent of any private contributions.
- The CDSB can be received up to a maximum of \$1,000 per year until the year the beneficiary turns 49, to a lifetime maximum limit of \$20,000.³

| Annual family net income ⁴ | Annual bond amount | Maximum annual bond amount |
|---------------------------------------|---|----------------------------|
| Less than or equal to \$32,028 | \$1,000 without any contribution | \$1,000 |
| Between \$32,029 and \$49,020 | Pro-rated to receive a portion of the \$1,000 | \$1,000 |



A "proportional repayment rule" applies to withdrawals made from an RDSP. Under this rule, for each \$1 withdrawn from an RDSP, \$3 of any CDSGs or CDSBs that were paid into the plan in the 10 years preceding the withdrawal must be repaid. If the RDSP is terminated or deregistered, or the RDSP beneficiary passes away, all CDSGs or CDSBs that were paid into the plan during the previous 10 years must also be repaid.

Withdrawing from an RDSP

Payments from the RDSP are available to beneficiaries as:

Disability Assistance Payments (DAPs)

DAPs are payments from the RDSP, subject to a prescribed maximum annual limit if government contributions exceed private contributions. In addition, a DAP may also be limited if it will exceed the amount the issuer must hold back in case a repayment of CDSGs or CDSBs is required at some point. DAPs are permitted under the CIBC DSP.

Lifetime Disability Assistance Payments (LDAPs)

These are DAPS that are regularly scheduled periodic payments that can start at any time but must begin by the end of the year the beneficiary turns 60 and must continue for life, or until earlier termination of the RDSP. LDAPs are limited to a prescribed minimum for LDAPs paid in or after the year the beneficiary turns 60 and maximum annual payment and are subject to conditions relevant to DAPs.

All DAPs and LDAPs include taxable and non-taxable portions calculated by a pre-determined formula. Contact a tax professional for more details.



¹ The Disability Tax Credit is available to an individual with a severe and prolonged physical or mental disability. To qualify, a medical practitioner must make a certification on Form T2201, "Disability Tax Credit Certificate," which must then be approved by the Canada Revenue Agency. For more information, please visit <u>canada.ca/en/revenue-agency/services/tax/individuals/segments/tax-credits-deductions- persons-disability-tax-credit.html</u>.

² Qualifying family member is defined as a legal parent of the beneficiary or a non-separated spouse or common-law partner of the beneficiary.

³ Income amounts shown are for 2021.

⁴ Annual family net income levels will be indexed annually by the Canada Revenue Agency.

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