



## For Canadians with disabilities

The RDSP provides people with disabilities an easy and effective way to save and invest for their long-term financial security.



Discover the  
benefits of  
**the Registered  
Disability  
Savings Plan.**

The Registered Disability Savings Plan (RDSP) offers benefits that are too good to ignore. Created by the federal government, the RDSP provides people with disabilities with an easy and effective way to save and invest for their long-term financial security. What's more, the government offers incentives through grants and bonds to help you accumulate more. If you are a person with a disability or provide care to someone with a disability, you'll definitely want to know more about RDSPs.

## Who can take advantage of an RDSP:

Anyone who can claim the Disability Tax Credit may be eligible to be a beneficiary of an RDSP. To qualify, the beneficiary must:

- Be a Canadian resident
- Have a valid Social Insurance Number
- Be under the age of 60.
- Complete a Disability Tax Credit Certificate (Canada Revenue Agency Form T2201) with the assistance of a qualified practitioner and receive notification of approval from the Canada Revenue Agency.

## RDSPs have three important advantages over other savings plans:

- As a registered savings plan, earnings grow tax-free until the money is taken out of the plan. This means RDSP contributions can grow faster, helping to accumulate more in the plan.
- RDSPs may be eligible for government incentives of up to an annual amount of \$3,500 and lifetime maximum of \$70,000 in grants and an annual amount of \$1,000 and lifetime maximum of \$20,000 in bonds, which can substantially boost an RDSP's value.
- Income payments from RDSPs do not affect income-tested federal government programs, including Old Age Security, Guaranteed Income Supplement and Canada Pension Plan. In most provinces and territories, you will still qualify for existing provincial social assistance programs if you have an RDSP.

### TIP

## Beneficiary, Account Holder or both?

The beneficiary is the person who receives the benefits from the RDSP. The account holder is the person who sets up the RDSP and may also be the beneficiary, provided they are an adult and are able to enter into a contract with the RDSP issuer. Otherwise, the account holder can be a spouse, common-law partner, parent or legal guardian of the beneficiary.

**Note:** Minor beneficiaries can be added as an account holder when they reach the age of majority and provided they may legally enter into a contract.

## Completing a Disability Tax Credit Certificate

Download Canada Revenue Agency Form T2201 from [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca), complete Part A and Part B of the form as follows and send it to Canada Revenue Agency for approval.

- The intended beneficiary of the RDSP (or their representative)\* completes Part A.
- Part B of the form is completed by one of the following qualified practitioners:
  - Medical doctor
  - Optometrist
  - Occupational therapist
  - Audiologist
  - Physiotherapist
  - Psychologist
  - Speech-language therapist

\* A representative is someone who can be legally appointed to act on the beneficiary's behalf regarding matters pertaining to income tax. To designate someone to act as your representative in this capacity, complete Canada Revenue Agency Form T1013, Authorizing or Canceling a Representative.



A woman with curly hair and a young girl are shown in profile, blowing bubbles. The woman is in the background, wearing a bright green shirt, and the girl is in the foreground, wearing an orange shirt. They are outdoors in a sunny, grassy area. The text is overlaid on a blue circular graphic in the upper left corner.

**The RDSP**  
**offers benefits**  
that are too  
good to ignore.

# Government incentives and contributions

RDSPs are specifically designed to build up a nest egg for the future financial security of the plan's beneficiary. What makes RDSPs so effective is that you can earn valuable incentives in the form of government grants and bonds

## Government grants and bonds

There are two types of government incentives available through RDSPs. The Canada Disability Savings Grant can add an annual amount of \$3,500 and a lifetime maximum of \$70,000 to an RDSP. The Canada Disability Savings Bond can add up to an additional \$1,000 annually to an RDSP for a lifetime maximum of \$20,000. How much you are eligible to receive in grants and bonds will depend on the net income of:

- the beneficiary (and spouse, if applicable), beginning in the calendar year the beneficiary reaches age 19.
- the beneficiary's family, up to and including the year in which the beneficiary reaches age 18.

## Contributions

Anyone can contribute to an RDSP as long as they have written permission from the account holder. There is no annual limit on contributions and the lifetime maximum is \$200,000. However, contributions must cease at the end of the year the beneficiary reaches age 59, no longer lives in Canada, no longer qualifies for the Disability Tax Credit, or when the beneficiary dies.

Consider making automatic RDSP contributions at regular intervals throughout the year – you will find it easier on your budget and a convenient way to reach your target contribution amount before the December 31st deadline each year. Keep in mind that the sooner your money is invested in an RDSP, the longer it has to grow tax-deferred.

## Plan contributions to maximize grants and bonds

Grants and bonds are only available until the end of the calendar year in which the beneficiary turns 49, so plan your contributions to maximize these incentives. Don't worry if you are late in setting up your RDSP or miss making a contribution. Beginning in 2008 and for a maximum of 10 years, unused grants and bonds are carried forward, giving you the opportunity to catch up by contributing more than \$3,500 a year. Note that when catching up, the maximum payable in any one year is \$10,500 in grants and \$11,000 in bonds.

## Modest monthly contribution maximizes grants

Hailey was age five when her parents set up an RDSP for her in 2008. With a net family income of \$75,000, they weren't eligible for bonds but were able to maximize grants with a monthly contribution of \$125. When Hailey reaches the age of 19, her net income may be low enough to qualify for bonds.

Hailey's age	Contribution (\$125 a month)	Canada Disability Savings Grant
5	\$1,500	\$3,500
6	\$1,500	\$3,500
7	\$1,500	\$3,500
8	\$1,500	\$3,500
9	\$1,500	\$3,500
<b>Total</b>	<b>\$7,500</b>	<b>\$17,500</b>

## Investment options for RDSPs

You can choose from a number of investment options for your RDSP, giving you the flexibility to build a plan most appropriate to your needs. BMO Financial Group offers a range of options to maximize the growth potential of your RDSP.

How you decide to invest the money in your RDSP will depend on many factors – your comfort with risk, the length of time you have to invest and when the money in the RDSP will be needed. Once you've decided on how to invest, take advantage of a regular investment program to contribute a smaller amount on a monthly basis and have it automatically invested for you right away.

## Henson Trusts and RDSPs

A Henson Trust is a legal arrangement that works well with an RDSP and can play an important role in planning for the financial well-being of a relative with a disability, especially when an inheritance is involved. Assets are set aside in a Henson Trust for the benefit of a person with a disability and are under the control of a trustee. With a Henson Trust and an RDSP, you can arrange to maximize support available from various levels of government – grants and bonds from the federal government through an RDSP and continued provincial disability-related income support regardless of the amount held in trust.

### Using the money in an RDSP

When the beneficiary needs to use the money in their RDSP they can access it in two ways – regular annual income payments (Lifetime Disability Assistance Payments) and periodic lump-sum payments (Disability Assistance Payments). Payments can be used for any purpose and are made up of contributions and earnings (investment returns, grants and bonds). Income tax only applies to the earnings portion of any payment and is attributed to the beneficiary. If the beneficiary has a low income, it's possible that they may pay very little or no tax on this income.

Plan to earn all grants and bonds well in advance of taking money out of your RDSP. Grants and bonds received in the 10 years preceding a payment, withdrawal or termination of an RDSP are subject to repayment rules.

Lifetime Disability Assistance Payments can begin at any time but must commence by the end of the year in which the beneficiary reaches age 60 and continue until the RDSP is terminated or the beneficiary dies. Payments are limited to an annual maximum based on the beneficiary's life expectancy and the value of the plan, or 10% of the fair market value of the account.

Disability Assistance Payments are available beginning in the calendar year when the beneficiary turns 28; however, this does not apply if the contributions are larger than all grants and bonds received.

Special payment arrangements can be made for beneficiaries who have a life expectancy of five years or less. When the beneficiary dies, grants and bonds earned in the preceding 10 years are returned to the government and the remaining RDSP balance goes to the beneficiary's estate.

### Plan to get started right away

The best way to take full advantage of the benefits of an RDSP is to make sure the money invested is working hard for you. Plan to contribute and earn the maximum grants and bonds as early as possible and aim to catch up on any past unused grants and bonds for which you are eligible. Your financial advisor or one of our BMO Investment Representatives can recommend the right investment solution for you based on many personal variables such as your time horizon and tolerance for risk. When it comes to providing long-term financial security for a person with disabilities, the RDSP is hard to beat.

### Learn more:



Talk to your financial advisor or call the BMO Investment Centre at **1-800-665-7700** to open an RDSP and start making the most of your plan.



Visit BMO Bank of Montreal:  
**[www.bmo.com/rdsp](http://www.bmo.com/rdsp)**

Canada Revenue Agency:  
**[www.cra-arc.gc.ca/tx/ndvdl/tpcs/rdsp-reei/menu-eng.html](http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rdsp-reei/menu-eng.html)**

Employment and Social Development Canada:  
**[www.esdc.gc.ca/eng/disability/savings/index.shtml](http://www.esdc.gc.ca/eng/disability/savings/index.shtml)**



Building up  
a nest egg  
for future  
financial security.



Talk with us  
**1-800-665-7700**



Learn more  
**[www.bmo.com/rdsp](http://www.bmo.com/rdsp)**



BMO Mutual Funds refers to certain mutual funds and/or series of mutual funds offered by BMO Investments Inc. a financial services firm and separate legal entity from Bank of Montreal.  
® Registered trade-marks of Bank of Montreal, used under licence.