

BMO RDSP

Frequently Asked Questions

Plan Overview

What is a Registered Disability Savings Plan (RDSP)?

A Registered Disability Savings Plan (RDSP) is a registered savings plan that is intended to help parents and others to save for the long-term financial security of Canadians with disabilities who are eligible for the Disability Tax Credit.

How are BMO RDSP accounts set up? (Opening an account)

For information on how to set up an RDSP, contact your financial advisor or call the BMO Investment Centre at 1-800-665-7700.

Eligibility

Who can be named a beneficiary to an RDSP?

Any person can be the beneficiary of an RDSP provided that they:

- are eligible to claim the Disability Tax Credit (DTC)* and have received notification of approval from the CRA; and
- have a valid Social Insurance Number (SIN); and
- are a Canadian resident at the time the plan is opened; and
- will be 59 years of age or younger at December 31st of the year in which the RDSP is opened.

*For more information on the DTC please visit: <http://www.cra-arc.gc.ca/E/pbg/tf/t2201/>

Can I name more than one beneficiary in the RDSP?

No, only one beneficiary per plan is permitted across all financial institutions.

Can I have more than one RDSP per beneficiary?

No, only one RDSP per beneficiary is permitted.

Who can open an RDSP?

When Beneficiary is a Minor (under age 18 in most provinces)

- The legal parents, guardian or agency legally authorized to act for the minor beneficiary may set up a plan and remain holders of the plan until the beneficiary reaches the age of majority.
- The beneficiary may become the holder or a co-holder of the plan upon reaching 18 years of age, provided they are legally capable to enter into a contract.

When Beneficiary is an Adult (18 or older in most provinces)

- If a beneficiary is contractually competent, then he/she must be the holder of the plan.
- Where, in the opinion of an RDSP issuer, an individual's capacity to enter into a contract is in doubt, the spouse, common-law partner, or parent of the individual will be considered a "qualifying family member" and will be eligible to establish an RDSP for the individual (i.e., be the plan holder of the RDSP) provided this is a first RDSP for this beneficiary across all financial institutions.

Can there be more than one account holder under an RDSP?

Yes. The legal parents of the beneficiary can both be account holders under the plan. In addition, the parents and the beneficiary can also be joint holders under the plan once the beneficiary reaches age of majority.

Does the account holder need to be a resident of Canada?

No. The account holder does not have to be a resident of Canada provided that the beneficiary was a resident of Canada when the plan was opened and when each contribution was made to the plan.

Can the account holder of an RDSP be changed?

Yes. Over the lifetime of a plan, the account holder can change. For example, if the mother of the beneficiary establishes the plan and is the holder, after her death the beneficiary or the beneficiary's subsequent legal guardian can become the plan holder. If at any time the plan holder (other than a legal parent) ceases to be an eligible holder, they must be replaced with someone who is eligible to be a holder of the plan.

How do I complete a Disability Tax Credit Certificate?

Download Canada Revenue Agency Form T2201 from <http://www.cra-arc.gc.ca/E/pbg/tf/t2201/> , Complete Part A, have a qualified practitioner complete Part B of the form, and send it to Canada Revenue Agency for approval.

- Part A is completed by the intended beneficiary of the RDSP (or their representative)*
- Part B is completed by one of the following:

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, complete Canada Revenue Agency Form T1013, Authorizing or Canceling a Representative.

Contributions

Who can contribute to an RDSP?

Anyone can make a contribution to a RDSP, provided that the contributor has the written consent of the account holder.

How much can I contribute to an RDSP?

You may contribute up to \$200,000 per beneficiary during the lifetime of the RDSP. There is no annual contribution limit.

How long can I contribute to an RDSP?

Contributions can be made to a plan until the earliest of:

- December 31st the year in which the beneficiary reaches 59 years of age; or
- The time when contributions to the plan total \$200,000; or
- The time when the beneficiary no longer qualifies for the DTC; or
- The beneficiary is no longer resident in Canada for tax purposes; or
- The beneficiary's death.

Are contributions tax-deductible?

RDSP contributions are not tax-deductible; however, the growth on RDSP contributions is tax-deferred while held within the plan.

Are investment products available for purchase within a BMO RDSP account?

Yes, 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 member companies offer a range of options to maximize the growth potential of your RDSP.

For more information about BMO Mutual Fund products please visit: www.bmo.com/rdsp

Can I set up automatic contributions for my RDSP?

Yes. Setting up automatic RDSP contributions at regular intervals throughout the year is easier on your budget and a convenient way to reach your target contribution amount before the December 31st deadline each year.

Government Grant & Bond

To encourage long term savings through an RDSP, the Government of Canada created the Canada Disability Savings Grant (CDSG) and the Canada Disability Savings Bond (CDSB).

What is the Canada Disability Savings Grant?

The CDSG is a federal government grant that provides matching contributions of 100%, 200% or 300% up to \$3,500 annually, based on a family's net income. There is a lifetime limit of \$70,000.

What is the Canada Disability Savings Bond?

The CDSB from the federal government is paid annually into the RDSPs of lower to modest-income families. The CDSB was created to assist families who may not have the resources to make a contribution. A tax-return must be filed to be eligible for the CDSB; specifically a tax-return must be completed two years prior to the year for which you are intending to attract a bond. The maximum annual CDSB payable is \$1,000, and the lifetime maximum is \$20,000.

What is the deadline for annual grants and bonds?

The deadline is December 31st for grant and bond consideration for any given calendar year in which the beneficiary would have been eligible.

What is the maximum age when a beneficiary can receive grant or bond monies?

Once beneficiary can receive the Canada Disability Savings Grant and Canada Disability Savings Bond payments up until December 31 of the year the beneficiary turns 49 years old. After this date, they will no longer receive grant or bond monies.

Can I receive additional grants and bonds from previous years?

Yes. Beginning in 2008 and for a maximum of 10 years, unused grant and bond may be carried forward, providing an opportunity to catch-up by contributing more than \$1,500 a year. Note that when catching-up, the maximum payable by ESDC in any one year is \$10,500 in grant and \$11,000 in bond. No additional forms need to be filled out. The beneficiary will receive past grant and bond provided they were eligible for the Disability Tax Credit in the years for which they intend to receive these government incentives and their annual income tax returns were filed as outlined above.

How are grants and bonds deposited to my RDSP account?

Grant payments will be deposited into the same fund as the original contribution. For example if the contribution was invested in the BMO LifeStage Class 2030 Fund, the grant will be credited to the BMO LifeStage Class 2030 Fund.

As bond payments are not tied to a contribution, they are paid to money markets as a default

When are grant and bond payments credited to my account?

Grant payments will be credited to the RDSP account on a monthly basis based on transactions processed in the previous month. For example contributions made in January will have any qualifying grant credited at the end of February.

Bond payments are not credited based on contributions to the account. Qualifying bond payments will be credited to the account at the end of the month following the account opening. On a yearly basis qualifying bond payments will be credited in January/February.

Are there any conditions on keeping grants and bonds?

Yes, if a withdrawal is made from the plan, the lesser of all grants and bonds received in the 10 years prior or 3 for 1 on the amount withdrawn must be returned to the government.

Payments & Withdrawals

What types of withdrawals are permitted from an RDSP?

There are two types of withdrawals, known as payments:

- **Lifetime Disability Assistance Payment (LDAP)**
- **Disability Assistance Payment (DAP)**

Lifetime Disability Assistance Payment (LDAP)

- LDAPs are recurring annual payments that, once started, must continue until either the death of the beneficiary or until the termination of the RDSP.
- LDAPs may begin at any age but must begin by the end of the year in which the beneficiary reaches age 60.
- The maximum annual LDAP amount is limited by a legislative formula that considers the life expectancy of the beneficiary and the fair market value of the plan or 10% of the account.
- LDAPs are made up of a portion of contributions, income, and grant and/or bond.
- LDAPs can be used for disability and non-disability related expenses.
- Only the beneficiary can receive payments out of the RDSP
- LDAPs are subject to the 10-Year Rule - All grants and bonds received in the 10 years preceding the LDAP must be returned to the government. All grants and bonds received after 10 years is the beneficiary's to keep.

Disability Assistance Payment (DAP)

- DAPs are a lump sum payment made from the RDSP to the beneficiary or to the beneficiary's estate.
- DAPs may be requested by the beneficiary when they reach age 27 provided the total of government grant and bond exceed all account holder contributions at the beginning of the calendar year.
- DAPs are made up of a portion of contributions, income, and grant and/or bond.
- DAPs can be used for disability and non-disability related expenses.
- Only the beneficiary can receive payments out of the RDSP.
- DAPs are subject to the proportional repayment rule – For each \$1 withdrawn from an RDSP, \$3 of any grant or bond paid into the plan in the proceeding 10 years must be repaid up to a maximum of all grants and bonds received in the previous 10 years. - All grants and bonds received after 10 years are the beneficiary's to keep.

Who pays the taxes on payments from an RDSP?

Withdrawals are payable only to the beneficiary and therefore taxed in the hands of the beneficiary or the beneficiary's estate in the case of a beneficiary's death.

Each dollar withdrawn from the plan is deemed to be comprised of three parts:

- Account holder contributions
- Income growth
- Grants and Bonds

The account holder contribution amounts are not taxable. The income growth, Grants and Bonds are taxable in the hands of the beneficiary.

Other

Can a beneficiary lose their eligibility for an RDSP?

Yes. If a beneficiary's condition factually improves such that the beneficiary does not qualify for the DTC for a taxation year (i.e., the beneficiary is DTC-ineligible throughout a full calendar year), the RDSP must be terminated by the end of the following year. No contributions may be made to, and no CDSGs or CDSBs may be paid into, the RDSP once the beneficiary is DTC-ineligible.

In addition, the 10-year repayment rule applies (with the required repayment being equal to the amount of the assistance holdback amount immediately preceding the beneficiary becoming DTC-ineligible) and any assets remaining in the RDSP must be paid to the beneficiary.

A beneficiary who becomes DTC-ineligible might, due to the nature of their condition, be eligible for the DTC for some later year and would be able to establish a new RDSP. Contribution room and repaid CDSGs and CDSBs are not restored in these circumstances.

To reduce the administrative burden on these beneficiaries and ensure greater continuity in their long-term saving, Budget 2012 extended, in certain circumstances, the period for which an RDSP may remain open when a beneficiary becomes DTC-ineligible.

This measure* will apply to RDSPs where the beneficiary has become DTC-ineligible. In addition, a medical practitioner must certify in writing that the nature of the beneficiary's condition makes it likely that the beneficiary will, because of the condition, be eligible for the DTC in the foreseeable future.

* If an RDSP plan holder decides to take advantage of this measure, the plan holder will be required to elect in prescribed form and submit the election, along with the written certification, to the RDSP issuer. The RDSP issuer will then be required to notify Human Resources and Skills Development Canada that the election has been made. The election must be made on or before December 31st of the year following the first full calendar year for which the beneficiary is DTC-ineligible.

Results of an Election

Where an election is made, the following rules will apply commencing with the first full calendar year for which the beneficiary is DTC-ineligible:

- No contributions to the RDSP will be permitted, including under the proposed rule for the rollover of RESP investment income. However, a rollover of proceeds from a deceased individual's Registered Retirement Savings Plan or Registered Retirement Income Fund to the RDSP of a financially dependent infirm child or grandchild will still be permitted.
- No new CDSGs or CDSBs will be paid into the RDSP. If a beneficiary dies after an election has been made, the existing 10-year repayment rule will apply (with the required repayment being equal to the amount of the assistance holdback amount immediately preceding the beneficiary becoming DTC-ineligible, less any repayments made during or after the first full calendar year for which the beneficiary is DTC-ineligible).
- No new entitlements will be generated for the purpose of the carry-forward of CDSGs and CDSBs for years for which the beneficiary is DTC-ineligible.

- Withdrawals from the RDSP will be permitted, and will be subject to the proposed proportional repayment rule and the proposed maximum and minimum withdrawal rules as applicable. For years for which the beneficiary is DTC-ineligible, the assistance holdback amount will be equal to the amount of the assistance holdback amount immediately preceding the beneficiary becoming DTC-ineligible less any repayments made during or after the first full calendar year for which the beneficiary is DTC-ineligible.

Neither the certification required for an election, nor the election itself, will have any bearing on any determination of an individual's eligibility for the DTC. The sole purpose of the certification and election is to allow an RDSP to remain open for the years under election.

Duration of an Election

An election will generally be valid until the end of the fourth calendar year following the first full calendar year for which a beneficiary is DTC-ineligible. The RDSP must be terminated by the end of the first year for which there is no longer a valid election.

If a beneficiary becomes eligible for the DTC while an election is valid, the usual RDSP rules will apply commencing with the year for which the beneficiary becomes eligible. For example, contributions will be permitted and new CDSGs and CDSBs may be paid into the RDSP. Should the beneficiary become DTC-ineligible at some later time, a new election could be made. This measure will apply to elections made after 2013.

RDSPs, that under current rules would have to be terminated before 2014 because the beneficiary has become DTC-ineligible and that have not yet been terminated, will not be required to be terminated until the end of 2014. Plan holders of such RDSPs may take advantage of this measure if they obtain the required medical certification and make an election on or before December 31, 2014.

What happens should the beneficiary die?

Upon the death of the beneficiary, all Grants and Bonds received in the 10 years preceding the beneficiary's death must be returned to the government.

The remaining proceeds of the plan – Grants and Bonds older than 10 years, income growth and account holder contributions - will pass to the beneficiary's estate. The proceeds of the plan will be distributed according to the individual's will. If the individual dies without a will, the funds will be distributed according to provincial estate laws.

Do I receive an account statement?

BMO RDSP clients will be issued a quarterly statement.

Do RDSPs impact other federal government programs?

No. RDSPs do not affect other income-tested federal government programs including: Old Age Security (OAS); Guaranteed Income Supplement (GIS); Canada Pension Plan (CPP); and the Goods and Services Tax Benefit (GST Benefit), just to name a few.

In most provinces and territories, RDSP benefits do not impact existing provincial social assistance support programs. It is advised that you check with your province's government offices to confirm RDSP benefit exemption in your area.

The **Alberta** government fully exempts the income and assets of an RDSP when determining eligibility for provincial financial assistance programs. For more information, contact the [Government of Alberta](#).

The **British Columbia** government fully exempts RDSPs when calculating an individual's eligibility for provincial disability assistance. For more information, contact the [Government of British Columbia](#).

The **Manitoba** government fully exempts RDSP income when determining eligibility for social assistance. For more information, contact the [Government of Manitoba](#).

The **New Brunswick** government fully exempts RDSP assets when calculating a client's eligibility for programs such as social assistance and social housing benefits. For more information, contact the [Government of New Brunswick](#).

The **Newfoundland and Labrador** government fully exempts RDSP income from the calculation of Income Support benefits. For more information, contact the [Government of Newfoundland and Labrador](#).

The **Northwest Territories** government fully exempts both RDSP assets and RDSP withdrawals in determining eligibility for income security programs administered by the Department of Education, Culture and Employment. For more information, contact the [Government of the Northwest Territories](#).

The **Nova Scotia** government fully exempts RDSP contributions when calculating clients' eligibility for income assistance. Clients will also be able to withdraw funds from their RDSPs without affecting their income assistance payments. For more information, contact the [Government of Nova Scotia](#).

The **Nunavut** government fully exempts savings held within an RDSP, and money withdrawn from the plan will not be treated as income for the purpose of establishing eligibility for social assistance. For more information, contact the [Government of Nunavut](#).

The **Ontario** government fully exempts RDSP assets and money withdrawn from the plan when determining eligibility for social assistance. For more information, contact the [Government of Ontario](#).

The **Prince Edward Island** government exempts RDSP assets when calculating eligibility for social programs such as social assistance, disability support services, child care subsidies, social housing, pharmacy programs and children's dental programs. Any withdrawal from an RDSP will be exempt as long as total income is not greater than the low-income level defined by the National Council of Welfare. For more information, contact the [Government of Prince Edward Island](#).

The **Quebec** government exempts RDSP assets from social assistance calculations. Withdrawals from an RDSP will be exempt up to a maximum amount as defined by the Ministère de l'Emploi et de la Solidarité Sociale. For more information, contact the [Government of Quebec](#).

The **Saskatchewan** government fully exempts RDSP assets and income from social assistance calculations. For more information, contact the [Government of Saskatchewan](#).

The **Yukon** government fully exempts RDSP assets when determining benefit levels. For more information, contact the [Government of Yukon](#)

Additional Resources

RDSP information from the [Canada Revenue Agency](#)

RDSP information from [Human Resources and Skills Development Canada](#)

