

Access up to \$90,000 in government funding with an RDSP

RDSPs are now offered by
Concentra Trust via
Canadian credit unions



Do you have a loved one with a disability? Are you concerned about providing for their financial security? A Registered Disability Savings Plan (RDSP) offered by Concentra may be the right option for you. The RDSP offers tax-sheltered growth as well as the potential to access up to \$90,000 in grants from the Government of Canada.

Canadian residents with a severe and prolonged mental or physical impairment may be eligible to be named as a beneficiary of an RDSP if they are eligible for the disability tax credit (DTC). Eligible individuals who are not yet taking advantage of this tax credit can apply to the Canada Revenue Agency (CRA) using the [T2201 Disability Tax Credit Certificate](#). This form must be completed and certified by a qualified medical practitioner prior to submission to the CRA for approval. The CRA reviews every application on a case-by-case basis to determine eligibility for the DTC. Seeking approval for the DTC is worthwhile as it is the gateway to an RDSP and access to incentives provided by the Government of Canada.

Opening an RDSP

An RDSP can be opened any time up until the end of the year the DTC-eligible individual turns age 59. The holder opens the plan, and the beneficiary is the DTC-eligible individual for whose benefit the plan is being opened. An RDSP can be opened by the beneficiary if they have attained the age of majority and are competent to enter into a contract. If the beneficiary is under the age of majority, the plan may be opened by a legal parent or a legal representative of the beneficiary.

Contributions may be made to an RDSP for the beneficiary up to a lifetime maximum limit of \$200,000. Contributions are not tax-deductible; however, earnings are tax-sheltered. Eligible contributions attract the Canada Disability Savings Grant. In addition, the Canada Disability Savings Bond is available to low-to-modest income beneficiaries and no contributions are required to receive this amount. The grant and bond are payable until the beneficiary reaches age 49. Once an application for these incentives is made, the grant and bond are paid automatically to the RDSP each year.

Canada Disability Savings Grant

The Canada Disability Savings Grant (CDSG) is a grant the Government of Canada pays to an RDSP as a percentage of contributions. The government will pay a matching grant of at least 100% up to 300%, depending on the beneficiary's family net income. The government sets the income threshold each year (\$98,040 for 2021). Where a beneficiary's income is below the threshold, CDSG would equal 300% on annual contributions up to \$500 and 200% for contributions over \$500 up to \$1,000. A \$1,500 contribution nets the maximum grant amounting to \$3,500 that year. Where income is above the threshold, annual contributions up to \$1,000 will result in 100% matching CDSG paid. The lifetime limit of CDSG a beneficiary may receive is \$70,000.

If you are unable to make contributions necessary to obtain the full annual maximum grant entitlement in a year, you do not lose out as the beneficiary accumulates grant room which is carried over to subsequent years. Unused entitlements can be accessed from the previous 10 years to a maximum of \$10,500 in a year; this includes DTC-eligible years prior to the RDSP being opened.

Canada Disability Savings Bond

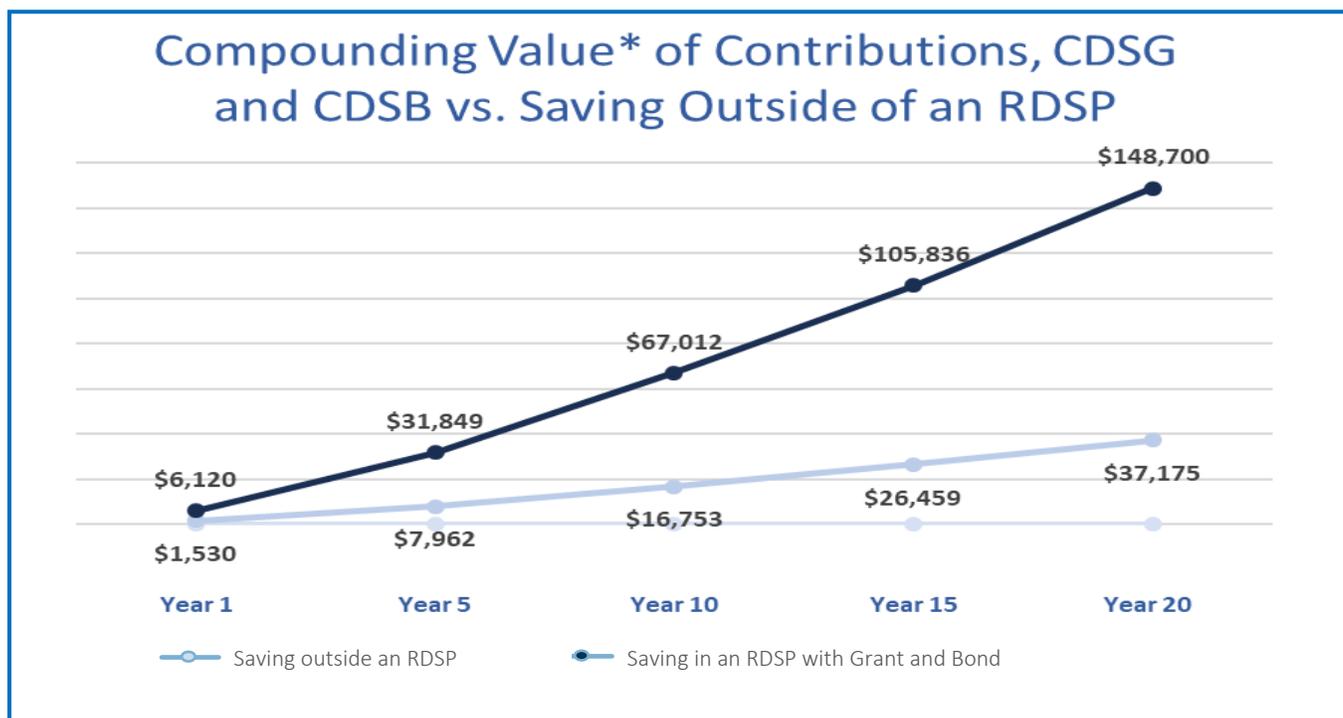
The Canada Disability Savings Bond (CDSB) is a payment the Government of Canada makes to an RDSP for a low-to-moderate income beneficiary. The amount of CDSB paid is up to \$1,000 per year to a lifetime limit of \$20,000. Eligibility is based on the beneficiary's family net income (up to \$49,020 for 2021) and is not based on contributions.

Unused CDSB entitlement accrues for an eligible beneficiary and carries forward to future years, allowing a beneficiary access to entitlement from the previous 10 years. If an RDSP is opened and there is CDSB entitlement carried forward from previous years, the maximum amount that may be paid to an RDSP in a year is \$11,000.

RDSPs have considerable potential for long-term savings

RDSPs can grow quickly when entitlements are utilized for maximal growth. As the intention is to save long-term, CDSG and CDSB must remain in the plan for 10 years before withdrawal.

The following chart illustrates the substantial impact of CDSG and CDSB paid into an RDSP for a beneficiary with family net income of \$30,000 per year who receives the maximum CDSG and CDSB entitlement each year. As demonstrated, the balance in the RDSP after 20 years is more than four times the balance of an investment made in a savings account/GIC.



The example in the chart above is for \$30,000 annual family net income, eligible for maximum CDSG and CDSB each year, \$1,500 annual contributions, 2% annual return*

* Actual returns may vary

For more information on RDSPs, contact Concentra at 1.800.788.6311 | trustservices@concentra.ca or visit your local credit union.

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A word from our lawyers

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