



REGISTERED DISABILITY SAVINGS PLAN

2025 Reference Guide



The Registered Disability Savings Plan (RDSP) is a long-term registered savings plan to help people with disabilities save for their future financial security.

In addition to your own contributions to the plan, the federal government will also deposit the Canada disability savings grant and the Canada disability savings bond into your RDSP. The grants and bonds paid into the plan, as well as the RDSP earnings continue to grow on a tax-deferred basis until withdrawals are made from the plan. Neither RDSP assets nor income will impact your eligibility for Alberta's Assured Income for the Severely Handicapped (AISH).



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RDSP AGE MILESTONES AND AMOUNTS



Age 49

Beneficiary is eligible for grants and bonds up until December 31 of the year they turn 49.



\$70,000

Lifetime amount of grants available for eligible beneficiaries is \$70,000.

Age 59

A plan can be opened and contributions made until the end of the year the beneficiary turns 59.

\$20,000

Lifetime amount of bonds available for eligible beneficiaries is \$20,000.

Age 60

Lifetime disability assistance payments (LDAP) must start by December 31 of the year the beneficiary turns 60.

\$200,000

Lifetime contribution limit is \$200,000.

BENEFICIARY ELIGIBILITY

To be eligible as a beneficiary of an RDSP, when the plan is opened you must:

- be eligible for the disability tax credit (DTC)
- have a valid social insurance number (SIN)
- be under the age of 60
- be a resident of Canada

THE DISABILITY TAX CREDIT

To be eligible to open an RDSP you must also be eligible for the disability tax credit (DTC). The DTC is a non-refundable tax credit that may reduce tax that persons with disabilities have to pay. You cannot claim the disability tax credit until you are deemed eligible by the Canada Revenue Agency (CRA).

To apply for the DTC, you will need to complete Form T2201, Disability Tax Credit Certificate, and have it certified by a medical practitioner; this could be a doctor or a nurse practitioner. The medical practitioner is certifying that you have a severe and prolonged impairment, they will also include details in their certification. You must then submit your form to the CRA.

After reviewing your T2201, CRA will send you a Notice of Determination. If approved, your notice will outline how long you have been and will be eligible to claim the DTC. An application does not need to be submitted each year as the CRA will notify every eligible individual when their eligibility is about to expire one year in advance of the expiration.

If your application is declined following the review of your T2201, your Notice of Determination will include an explanation that is based on the information provided by the medical practitioner. This decision can be disputed through a letter to your tax centre or through a formal objection.

EXAMPLE

Leo is a resident of Canada with a valid SIN and has never opened an RDSP. Upon hearing more about the benefits to his long-term saving that an RDSP would provide, he decided to start saving in an RDSP this year. Just after his 35th birthday Leo met with his family doctor to have her certify Form T2201 which will be the required certification for CRA to determine his eligibility for the disability tax credit. Once he received his DTC eligibility approval from CRA, Leo made an appointment with a participating financial institution to open his account as he has now met all of the criteria to be the beneficiary of an RDSP.

THE ROLE OF THE HOLDER

In addition to a beneficiary, every RDSP must have a holder. In many cases the beneficiary will also be the holder. The holder of an RDSP is the individual or entity that opens the RDSP with the issuer and is responsible for managing the RDSP. The holder does not need to be a resident of Canada but must have a valid SIN (or business number in the case of an entity). There must be at least one plan holder at all times. If a holder ceases to be eligible, they must be replaced. In determining who is best suited for the role of the holder, the age of the beneficiary and an assessment of their contractual competency must be considered.

Who can be the holder of an RDSP:

- The beneficiary
- The beneficiary's legal parent
- The beneficiary's legal trustee
- A qualifying family member (QFM)

If the beneficiary is under the age of majority the holder would have to be the beneficiary's legal parent or legal trustee.

If the beneficiary is an adult, the options for who can be holder depends on the contractual competency of the beneficiary:

- If the beneficiary is contractually competent, the beneficiary has to be holder.
- If not contractually competent, the legal trustee that has been granted a Trusteeship Order under The Alberta Adult Guardianship and Trusteeship Act has to be holder.
- If the beneficiary's contractual competency is in doubt a Qualifying Family Member, either a parent, spouse/common-law partner, or sibling of the beneficiary would have to be holder. The spouse or common-law partner would not be eligible if they are living apart from the beneficiary due to a breakdown of their relationship.

What happens if the RDSP was opened when the beneficiary was a minor and the beneficiary is now the age of majority? At the point in time the beneficiary reaches the age of majority:

- If the beneficiary is contractually competent, the beneficiary must be given the opportunity to be a holder. The beneficiary can become the sole holder, or hold the RDSP jointly with the parent. Alternatively, the parent may remain the sole holder.
- If the beneficiary is not contractually competent, the parent may remain the holder, or the legal trustee can become holder.



EXAMPLES

Danika has met all of the eligibility requirements to become the beneficiary of an RDSP, but because she is under the age of majority in Alberta, having just celebrated her 16th birthday, she will need someone to open the RDSP on her behalf and become the plan holder. Karel, her legal father, holds a valid SIN and is therefore eligible to open the RDSP on her behalf. Once Danika turns 18, as she is contractually competent, she can be added on as a joint holder or become the sole holder, and have an active role in her financial affairs. Karel could have continued to be the sole holder of the account, however, the option for a contractually competent beneficiary to become sole or joint owner at the time they reach the age of majority is required.

Niran has just turned 18, is contractually competent, and has been eligible to be a beneficiary of an RDSP for a number of years. Niran's parents had not realized the long-term benefit of opening an RDSP until recently and decided that this year they must open one to benefit their daughter's financial future. Niran's parents soon find out that because their daughter is contractually competent and has reached the age of majority, she is the only person that is eligible to open the RDSP and become the holder. With her written permission, however, her parents will be able to make contributions to the plan whenever they choose.

Javier is 30 years old and eligible to become a beneficiary of an RDSP, however, he has never opened an account. Javier lives with his wife, Elena, and recently Javier's contractual competency has come into doubt. Javier's family learns more about the benefits of an RDSP and following their research determine that one should be opened for Javier. Currently, Javier does not have someone who is legally authorized to act on his behalf, but because of the qualifying family member rule, he has a few people in his life who would be able to act as the holder on the new RDSP. Both of Javier's parents are eligible to act as a QFM, but they are elderly and would prefer not to have to make the decisions regarding his finances. Javier's wife, Elena, is very comfortable managing their current finances and believes that she would be the best option for a QFM. Because she and Javier are married and living at the same address she is eligible to act as the QFM.

Jin is 25 years old and eligible to open an RDSP. Jin is not contractually competent, however, his sister Adeline has been granted a trusteeship order over Jin's financial affairs through the Alberta Adult Guardianship and Trusteeship Act and is legally authorized to act on his behalf and manages all of his affairs. Because of Adeline's legal standing, she is able to open an RDSP for Jin and become the holder. In order for others to make contributions to Jin's accounts, Adeline will have to provide the written authorization on her brother's behalf. Even if Adeline did not have formal trusteeship, since she is a sibling of Jin, she would be considered a Qualifying Family Member (QFM) and would still be able to be the holder of Jin's RDSP.

CONTRIBUTIONS

There is no annual RDSP contribution limit, however, your total lifetime RDSP contribution limit is \$200,000.

Any person with written permission from the RDSP plan holder is able to contribute to the plan. Making contributions early following the opening of an RDSP is very important so that you can maximize the opportunity for long-term, tax-deferred growth in conjunction with government grants and bonds. Timely contributions are of particular importance because there are age limits that apply which will affect your ability to contribute, and your ability to have grants and bonds paid into the RDSP. Contributions into the plan can be made until the end of the year the beneficiary turns 59, however, grants will only be paid into the plan for contributions received until the end of the year the beneficiary turns 49.

Although you can make a one-time lump sum contribution of \$200,000, that contribution would only generate grants for the current year and any carry-forward grants that applied for that year. In other words, the maximum grant that could be paid into the plan is \$10,500 of the available \$70,000. As a result, if you are fortunate enough to be able to make a large lump sum contribution, you should ensure that you allow enough future RDSP room to have access to the remaining grants.



EXAMPLE

Chad tells his friend, Paola, that he has recently opened an RDSP and that because she is eligible for the disability tax credit, she should open one as well. Paola just turned 61 in the previous month so is ineligible to open an RDSP. Additionally, if Paola did have an existing RDSP, she would not be permitted to make any further contributions.

ROLLOVERS

A rollover is a tax-deferred transfer of funds from a registered account to an RDSP. Rollovers into an RDSP will decrease the amount of the lifetime contribution limit, so although there is no annual maximum that can be rolled into the RDSP, rollovers must comply with the \$200,000 lifetime maximum. Additionally, rollovers will not generate Canada disability savings grants.

There are two types of rollovers that are eligible to an RDSP plan:

- Retirement savings rollovers
- Education savings rollovers

Retirement savings rollovers

A parent or grandparent with a financially dependent child or grandchild can choose to name their dependent child or grandchild as the beneficiary of their retirement savings plan to allow for a tax-deferred rollover at the time of their death.

A child or grandchild is considered financially dependent if the net income of the child or grandchild for the previous year (line 23600 of the income tax and benefit return) was less than the basic personal amount plus the disability amount (\$16,129 plus \$10,138 for 2025). An infirm child with income above this amount may also be considered to be financially dependent, but only if the dependency can be demonstrated based on the particular facts.

The retirement savings plans that are eligible to be rolled into an RDSP are:

- Registered Retirement Savings Plan (RRSP)
- Registered Retirement Income Fund (RRIF)
- Registered Pension Plan (RPP)
- Pooled Registered Pension Plan (PRPP)
- Specified Pension Plan (SPP)

The rollover of the deceased's registered assets to an RDSP requires completion of CRA Form RC4625 Rollover to a Registered Disability Savings Plan. This amount must be reported as income on the income tax and benefit return of both the deceased and the eligible individual, with a deduction for the transfer reported on line 23200. CRA Form RC4625 must also be attached to each income tax and benefit return. The eligible beneficiary will also have to attach a 60(m) contribution receipt for the amount of the rollover.

The rollover can occur if the child or grandchild is named as the beneficiary of the registered account, or if the estate is named as beneficiary and the child or grandchild is a beneficiary of the estate. Which option to choose will depend on the size of the registered account and if the child or grandchild qualifies for AISH.

Education savings rollovers

If the beneficiary of an RDSP is also listed as a beneficiary of an existing RESP, the proceeds in the RESP that qualify as an Accumulated Income Payment (AIP) for that beneficiary can be transferred on a tax-deferred basis to the beneficiary's RDSP. The transfer represents only the taxable earnings in the RESP and can only be made if one of the following conditions are met:

- Beneficiary will not attend post-secondary education due to a severe and prolonged mental impairment.
- RESP is over 10 years old and all beneficiaries are over 21 years old and not pursuing post-secondary education; or
- RESP is over 35 years old.

The transfer must be done using CRA prescribed form **RC435 Rollover from a Registered Education Savings Plan to a Registered Disability Savings Plan**. The RESP must be closed by the end of February of the year following the transfer, so if the RESP is a family plan that is to continue for the remaining beneficiaries, the proceeds to be transferred will have to be transferred to an individual RESP before they can be transferred to the RDSP.

RETIREMENT ROLLOVER EXAMPLE

Lucy is currently an RDSP beneficiary and since she opened the plan she and her family, with her written permission, have contributed \$149,000 to the plan. Lucy's grandfather Marc, whom she was financially dependent on, passed away this year and has left his RRIF account to her as his sole beneficiary. The amount of the account is \$55,000. Since the lifetime contribution limit is \$200,000, the maximum amount that is eligible to be rolled into Lucy's RDSP is \$51,000. This rollover will use up Lucy's remaining RDSP contribution room but will not generate any grants.

EDUCATION ROLLOVER EXAMPLE

Gerard is currently the beneficiary of an RDSP and a sole beneficiary of an individual RESP. Unfortunately, he has a prolonged mental impairment that will prevent him from attending a post-secondary institution. His mother, the RESP subscriber, would like the assets transferred to Gerard's RDSP. Since the RESP has been open for 10 years and there are no other RESP beneficiaries for consideration, Gerard's mother, the subscriber, is able to request that her financial institution transfer the income to the RDSP on a tax-deferred basis. Any RESP grants will be paid back to the government and the contributions will be refunded to the RESP subscriber. This tax-deferred rollover will reduce Gerard's remaining RDSP contribution limit, but will not generate any grants.

QUALIFYING TRANSFERS

Funds may be transferred between two RDSPs in the same beneficiary's name, but a beneficiary cannot hold more than one RDSP at a time. Because of this, no partial transfers are permitted between RDSPs. Following the approval of all plan holders, all funds must be transferred and the relinquishing account must be closed. Once closed, the new account can be registered with CRA and begin to attract grants. Note that while rollovers are included in the beneficiary's \$200,000 lifetime maximum, qualifying transfers completed by a financial institution are not.

EXAMPLE

Owen is the holder and beneficiary of an RDSP plan with BBB Bank. He has been disappointed by the service at his bank and is not finding value in the financial advice that he is receiving. As a result, Owen would like to move his RDSP plan to another financial institution and his friend has recommended that he try the local ABC Bank. Owen meets with a representative at ABC Bank to open his RDSP and submit for a transfer; the representative lets him know that all funds must be transferred as Owen cannot hold two RDSPs at once. Once the funds have arrived in his new RDSP account at ABC Bank, he has to be sure the account at BBB Bank is closed so that the new account can be registered with CRA. This is particularly important so that the new account can begin receiving grants and bonds from the federal government.



GRANTS AND BONDS

One of the main benefits of an RDSP are the grants and bonds that the federal government will deposit on your behalf into the RDSP.

The amount of grant and/or bond you will be eligible for is based on the beneficiary's family income:

- Until the end of the year the beneficiary turns 18, the term "family income" refers to the family income of the primary caregiver. The primary caregiver is usually the individual that receives the Canada Child Benefit (CCB).
- Beginning the calendar year the beneficiary turns 19, the term family income refers to the combined income of the beneficiary and their spouse or common-law partner, if applicable.

Also, it's important to note that there is a two-year lag on the family income that is applied. The income applied for grants/bonds earned for 2025 will be 2023 income, for 2024 it will be 2022 income, and so on. The reason for the two year lag is that if you contribute early in the year, not only does the government not know your current year's income, you may not have filed your taxes yet for the previous year, so they don't know your previous year's income either. As a result, it is important to ensure all applicable tax returns have been filed.

CANADA DISABILITY SAVINGS GRANT

The Canada disability savings grant is a matching grant from the federal government based on contributions made to the RDSP and family income levels. A beneficiary is eligible to receive matching grants up until December 31 of the year they turn 49.

The maximum amount of matching grants that can be received through the disability savings grant in one year is \$3,500 and \$70,000 over the beneficiary's lifetime.



RDSP grant entitlement for 2025

Beneficiary's 2023 family income	Grant	Maximum	Total
\$114,750* or less	On the first \$500	\$3 for every \$1 contributed	\$1,500
	On the next \$1,000	\$2 for every \$1 contributed	\$2,000
More than \$114,750* (or if no income information from CRA)	On the first \$1,000	\$1 for every \$1 contributed	\$1,000

*These amounts are indexed to inflation each year.

EXAMPLE

Perrin is a 30-year-old beneficiary and holder of an RDSP and is not married or in a common-law relationship. Perrin works part-time and earns \$51,000 a year before taxes in this role, and his employment income is his only source of income. He has previously maximized his grant room each year and is wondering how much grant money he will receive from the federal government this year. Because he makes less than \$114,750 in one year, and there are not family members incomes to include in the calculation, Perrin will receive \$3,500 in grants if he contributes \$1,500 this year. If he only chooses to contribute \$500, he would receive \$1,500 in grants.

CANADA DISABILITY SAVINGS BOND

The Canada disability savings bond is money the federal government contributes to RDSPs of low- and modest-income Canadians. Like the grant, the beneficiary is eligible to receive the bond up until the year that he or she turns 49 and the amount of the bond is determined based on the beneficiary’s family income. Unlike grants, contributions are not necessary to attract the bond. The lifetime limit of the bond is \$20,000.



RDSP bond entitlement for 2025

Beneficiary's 2023 family income	Maximum
Less than or equal to \$37,487* (or, if the holder is a public institution)	\$1,000
Between \$37,487* and \$57,375*	Based on annual formula: \$1,000 - (\$1,000 x family income - \$37,487) / (\$57,375 - \$37,487)
More than \$57,375* (or if no income information is available from CRA)	No bond paid

*The beneficiary family income thresholds are indexed each year to inflation.

CARRYING FORWARD GRANT AND BOND ELIGIBILITY

Grants and bonds that you have been entitled to, but have not yet accessed, will carry forward up to 10 years, or the year you became eligible for the DTC, whichever is more recent. The annual maximum you can access of unused entitlements is \$10,500 for the grant and \$11,000 for the bond. In other words, if you have been eligible for the DTC for 10 years or longer, but have not yet opened an RDSP, when you open the RDSP you will be able to access not only the grants and bonds you are eligible for in the current year, but also those that would have been granted in the previous 10 years, subject to the annual carry forward maximums.

These back grants are paid in the following order: highest to lowest, oldest to newest, and eligibility is applied to the income and thresholds that applied in each of the relevant years.

Other than in the year you open an RDSP you should not need to calculate the amount of contribution that would be required to generate maximum grants. Every February, existing RDSP holders will receive a "Statement of Entitlement" showing the amount of unused grant entitlements available as well as the amount of contributions required to maximize grants in that calendar year. You should refer to this statement to confirm the contribution amount that will maximize grants for years subsequent to the first year the RDSP exists.

EXAMPLE

George turned 41 in 2025 and has been DTC eligible since 2022. Since 2020, his income combined with that of his spouse has been below the annual threshold for grants, but above the threshold for bonds. If he opens an RDSP this year and wants to contribute enough to generate the maximum grants available he should contribute as follows:

	Contribution	Grant
Current year	\$4,250	\$10,500
Following year	\$3,250	\$7,000
Going forward each year to age 49	\$1,500	\$3,500

The calculations for George's contributions above are as follows:

Current Year (2025): \$4,250 generates maximum grant of \$10,500

- The first \$500 contribution will generate \$1,500 (300% grant for 2022)
- The next \$500 contribution will generate \$1,500 (300% grant for 2023)
- The next \$500 contribution will generate \$1,500 (300% grant for 2024)
- The next \$500 contribution will generate \$1,500 (300% grant for 2025)
- The next \$1,000 will generate \$2,000 (200% grant for 2022)
- The next \$1,000 will generate \$2,000 (200% grant for 2023)
- The next \$250 will generate \$500 (200% grant for 2024)

Following Year (2026): \$3,250 will generate remaining available grants of \$7,000

- The first \$500 contribution will generate \$1,500 (300% grant for 2026)
- The next \$750 contribution will generate \$1,500 (200% for remainder of 2024)
- The next \$1,000 contribution will generate \$2,000 (200% for 2025)
- The next \$1,000 contribution will generate \$2,000 (200% for 2026)

Going forward:

- \$1,500 contribution will generate \$3,500 each year until age 49.

REPAYMENT OF GRANTS AND BONDS

There are certain circumstances when grants and bonds you have received into your RDSP will have to be paid back to the government. Repayments are required when:

- The RDSP is terminated, or the plan ceases to be an RDSP
- The beneficiary dies.

If either of the above events occur, all grants and bonds that have been paid into the account by the government in the preceding 10 years must be repaid. This amount is referred to as the assistance holdback amount (AHA).

Repayments are also required if:

- Withdrawals from the plan are made within 10 years of receiving grants and bonds into the RDSP.

In the case of grant and bond repayment as a result of a withdrawal from your RDSP, the lesser of three times the amount of the withdrawal or the amount of grants and bonds received in the previous 10 years (AHA) would have to be paid back to the government.

A different reference period for the AHA calculation is applied for any RDSP beneficiary that is no longer eligible for the DTC after the calendar year in which they turn 49. The reference period would begin on January 1 of the year that is 10 years before the year in which the withdrawal or plan closure occurs and ends on the day preceding the day on which the beneficiary ceased to be eligible for the DTC.

EXAMPLE

Let's look at our previous example of George. In the first two years he contributed \$7,500 and received grants into the RDSP of \$17,500. If in year three, he wanted to withdraw \$5,000, the lesser of \$15,000 (three times the withdrawal) or \$17,500 (AHA) would have to be paid back to the government. He would have to pay back \$15,000 of the grants received, and would not be eligible to earn those grants again.

Although this may seem very punitive, the rules are designed to ensure that RDSPs are being used for their intended purpose of long-term savings. This is why the plan is structured so that grants and bonds stop being paid into the plan at age 49 and regular scheduled payments start at age 60.

QUALIFIED INVESTMENTS

There are a variety of investment options to consider once a contribution has been made to your RDSP. Broadly speaking, you can hold many of the same investments in your RDSP that you can hold in your RRSP. Qualifying investments include:



Cash



Guaranteed Investment Certificates (GICs)



Mutual funds



Bonds



Securities listed on a designated stock exchange in Canada or internationally:

- Exchange-traded funds (ETFs)
 - Stocks
-

Although foreign securities listed on a designated exchange are qualifying investments for an RDSP, dividends paid on those shares may be subject to foreign withholding tax, with no tax treaty relief available. As a result, income from your foreign securities in your RDSP may not be completely tax-deferred.

Ultimately, the type of investment you choose to hold in your RDSP should reflect your specific situation, risk tolerance and time horizon. Your ATB Wealth advisor will be able to ensure your RDSP investment choices are in line with your personal objectives.

WITHDRAWALS FROM YOUR RDSP

Withdrawals from an RDSP are referred to as disability assistance payments. At the latest, regular lifetime payments from an RDSP must begin by the end of the year the beneficiary turns age 60. Payments may be requested by the holder at any time or by a non-holder beneficiary without the holder's consent if the beneficiary is between the age of 27 and 58 inclusively and the RDSP is considered a primarily government-assisted plan (PGAP). An RDSP is considered to be a PGAP when the total amount of grants and bonds paid into the beneficiary's RDSP exceeds the total amount of private contributions that have been made at the beginning of the calendar year.

Withdrawals are classified as either:



Disability Assistance Payments (DAPs)

These are one-time payments that can be requested at any time.



Lifetime Disability Assistance Payments (LDAPs)

These are recurring payments that are based on a pre-calculated formula. These payments can start at any time, but must begin by the end of the year the beneficiary turns age 60. Once started, they are payable at least annually, and continue for life according to a defined payment schedule.

A payment cannot be made from an RDSP if the value of the RDSP, after the payment, will be less than the AHA. Even if there is no AHA, there are maximums that may apply to the payment amounts. The maximums depend on whether the plan is considered a PGAP plan. General calculations of payment minimums and maximums are provided below:

Non-PGAP Plan

	Minimum	Maximum
DAP	Combined with LDAP	No maximum
LDAP	Value of the RDSP at the beginning of the year divided by # of years before beneficiary turns 83	
DAP + LDAP	Value of the RDSP at the beginning of the year divided by # of years before beneficiary turns 83	No maximum

PGAP Plan

	Minimum	Maximum
DAP	Combined with LDAP	Combined with LDAP
LDAP	Value of the RDSP at the beginning of the year divided by # of years before beneficiary turns 83	
DAP + LDAP	Value of the RDSP at the beginning of the year divided by # of years before beneficiary turns 83	Greater of LDAP amount or 10% of the value of the RDSP at the beginning of the year

Different minimum and maximum amounts may apply if payments are made:

- From an RDSP before the end of the year in which the beneficiary turns 59
- From a specified disability savings plan (SDSP)
- From an RDSP in a specified year (the calendar year the medical practitioner certifies the beneficiary is not expected to live longer than five years and that certification is provided to the RDSP issuer).

RDSPs do not have restrictions on how the money that is withdrawn must be spent. Withdrawals do not impact eligibility for determining provincial disability benefits in Alberta.

Although RDSP funds can be accessed at any time, this could result in a very punitive grant and bond repayment. These repayment rules exist to encourage beneficiaries and plan holders to plan for long-term savings within the RDSP.

TAX IMPLICATIONS OF THE RDSP

When a payment is made from an RDSP, some of it is taxable, including: the part of the payment that represents the grants and bonds; any amount received into the plan from a rollover; and, all investment income earned in the RDSP. RDSP issuers will report this income in box 131 of a T4A slip. This amount is to be reported on line 12500 of the beneficiary's income tax and benefit return for the year the payment was made. The portion of the payment that represents the payment out of contributions would not be taxable.

As mentioned, assets and income from an RDSP will not affect your AISH eligibility. The taxable income from an RDSP (grants, bonds, rollovers, investment earnings) will be excluded from income when calculating income-tested benefits such as the GST credit and the Canada Child Benefit (CCB). It is also excluded when calculating the social benefit repayment and refundable medical expense supplement.

WITHHOLDING TAX APPLIED FOR RDSP WITHDRAWALS

The taxable portion of the RDSP withdrawal will have to be reported on your income tax and benefit return, however, the financial institution will only apply withholding tax on your RDSP withdrawal when the taxable portion exceeds the combined amount of two non-refundable tax credits, the federal basic personal amount and the federal disability amount.

For 2025, the credits and corresponding withholding tax threshold can be illustrated as follows:

2025

Federal Basic Personal Amount	\$16,129
Federal Disability Amount	\$10,138
Total	\$26,267

For 2025, no withholding tax would be applied if the total taxable portion of LDAPS combined with the taxable portion of DAPs stays below \$26,267. Once taxable amounts have been withdrawn that exceed the threshold, withholding tax will be applied.

The applicable withholding rate will be applied to:

- Total taxable portion of all LDAPS expected to be paid in the year
- Taxable portion of each individual DAP when requested

The lump sum withholding rates are:

10% for amounts up to and including \$5,000

20% for amounts more than \$5,000 and up to \$15,000

30% for amounts more than \$15,000

LIFETIME DISABILITY ASSISTANCE PAYMENTS (LDAPs) EXAMPLE

In 2025, Jason is receiving LDAPs from his RDSP of \$4,500 per month (\$54,000 per year). The taxable portion of each monthly LDAP is \$3,000 for a yearly total of \$36,000. The lump sum withholding rate on \$36,000 is 30%, and the threshold based on the combined tax credits is \$26,267.

As a result, the first 8 months of payments will not have withholding tax applied as the withholding threshold has not yet been reached. $8 \times \$3,000 = \$24,000$, which is less than the withholding threshold of \$26,267.

In September, only \$2,267 of the taxable payment is under the remaining withholding threshold. \$733 of the LDAP would be subject to \$220 in withholding tax $(\$3,000 - \$2,267) \times 30\% = 219.90$. In each of October, November and December \$900 withholding tax will apply and be deducted from these payments $(\$3,000 \times 3 \times 30\%) = \$2,700$.

In 2025, Jason will receive a total of \$54,000 in LDAPs and will have \$2,920 of income tax deducted (\$220 for September + \$2,700 for the remainder of the year).

DISABILITY ASSISTANCE PAYMENTS (DAPs) EXAMPLE

Continuing with the previous example, Jason decided he will be receiving a DAP of \$10,000 at the end of August. The taxable portion of that DAP was \$6,500. The lump sum withholding rate on \$6,500 is 20%.

In this case, Jason's withholding tax threshold of \$26,267 in taxable income will be reached in August, $(\$3,000 \times 8) + \$6,500 = \$30,500$. As a result, for August, \$847 in tax will be withheld, calculated as 20% on the portion of the DAP that exceeded the threshold $(\$4,233 \times 20\%)$. For September to December an additional \$3,600 will be withheld $(\$3,000 \times 30\%) \times 4$ months).

To summarize, in 2025 Jason will receive \$54,000 in LDAPs and have \$3,600 in income tax deducted. He also received a DAP of \$10,000 with \$847 in income tax deducted. The total tax deducted was \$4,447.

RDSPS FOR SHORTENED LIFE EXPECTANCIES— SPECIFIED DISABILITY SAVINGS PLAN (SDSP)

If the beneficiary of an RDSP is expected to have a shortened life expectancy, the holder can apply to have the RDSP classified as a specified disability savings plan (SDSP). Withdrawals from an SDSP will not trigger a repayment of grants or bonds. A licensed medical practitioner must certify in writing that the beneficiary is not expected to live for more than five years. The holder then makes the election and provides the election along with the medical certification to the RDSP issuer. The issuer will inform Employment and Social Development Canada (ESDC) of the SDSP election. Once the election is made, the plan is no longer eligible for contributions, and is not able to attract any new grant or bond money.

There are circumstances that can terminate an RDSP's status as an SDSP. If the plan stops being an SDSP, the holder would have to wait 24 months before making a new election for SDSP classification.

BECOMING INELIGIBLE FOR THE DISABILITY TAX CREDIT (DTC)

Previously if a beneficiary was no longer eligible for the DTC the RDSP would have had to be closed by December 31 following the year the beneficiary became ineligible. That is no longer the case. There is no longer a time limitation on the period that an RDSP may remain open after its beneficiary becomes DTC-ineligible. Also, there is no longer a requirement for a licensed medical doctor or nurse practitioner to certify in writing that the beneficiary is likely to become DTC-eligible in the future for the plan to remain open.

RDSP AT DEATH

The RDSP must be terminated by December 31 of the calendar year following the year in which the beneficiary dies. The taxable portion of any payments received by the beneficiary while living will be taxable to the beneficiary on their final tax return.

Upon death, any remaining grants and bonds that have been paid into the plan in the previous 10 years must be repaid to the government. The remaining funds will be paid to the estate of the beneficiary. The taxable portion (the earnings and remaining grants in the plan) will be included in the income of the estate for the year in which the payment was made. The amount paid out that represents the remaining contributions that will be paid to the estate tax free.

RDSP CONSIDERATIONS FOR NON-RESIDENTS

If you are the beneficiary of an RDSP and become a non-resident of Canada, contributions will not be permitted to your RDSP. Grants and bonds will not be paid into the plan while you are a non-resident and retirement savings rollovers and education savings rollovers would not be permitted. Non-resident withholding tax would be applied to the taxable portion of any DAPs or LDAPs paid from the RDSP.

RDSP CONSIDERATION FOR US PERSONS

RDSPs do not provide the same tax benefits under US tax rules as they do under the Canadian system. If the beneficiary or the holder of the RDSP is a US person, the US person would have to annually report the income and pay applicable taxes to the Internal Revenue Agency (IRS). Further annual reporting to the IRS is also required. US persons should consult a qualified cross-border tax professional before investing in an RDSP.



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