

# Clarifying The NEW RDSP Carry Forward Rules

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One of our client administrators had a question recently, "I just turned 50. Can I open an RDSP and put money in the Grant and Bond for previous years?" The question is a good one. "If I was entitled to receive the Grant for previous years – when I was 48 or 49 – can I carry my entitlements forward and use them later?" The short answer is no. The more detailed technical answer follows...

First of all, for the most part nothing has changed with respect to payment of Grant and Bond. The Canada Disability Savings Program will only pay Grant on contributions made on or before December 31 of the year in which the beneficiary turns 49, and will only pay bond on requests made on or before December 31 of the year in which the beneficiary turns 49. This rule has not changed.

Second, to be eligible for the carry forward from any given year, the following rules must be met:

1. The beneficiary must have been a resident of Canada in that particular year
2. The beneficiary must have been DTC eligible for that particular year (this underlines the importance of asking for DTC eligibility retroactively)
3. Taxes must have been filed (for the two years previous) so that the government knows the beneficiary's family income for that year and can determine the level of eligibility. If taxes are not filed, for a given year (remember, two years previous), the entitlement for that year will be 1 to 1 for grant and no bond entitlement.

So, a Holder must open the plan on or before December 31 of the year in which the beneficiary turns 49 in order to establish any carry forward eligibility.

To receive any accumulated Bond entitlement, they will need to make a Bond request, and upon receipt of that request the Program will pay all accumulated bond entitlements including the current year and ten previous years, but not before 2008.

To receive any accumulated Grant, a contribution will need to be made requesting Grant, and upon receipt of that request the Program will pay accumulated Grant entitlements starting with the highest and oldest matching rate first to the newest and lowest matching rate last to a maximum of \$10,500 in grant.

Third, the RDSP must be registered in order to qualify for any eligibility, including carry forward. A contract is deemed to be registered on the date that the contract was entered into between the financial institution and the Holder. It may take a bit of time to determine that the beneficiary plan qualifies for registration, but this will be retroactive to the date of signature once all information has been determined. At the time of registration the beneficiary must be DTC eligible and resident in Canada.

Remember, the beneficiary doesn't have to have the DTC confirmed when the contract is signed with the financial institution, and DTC can be retroactive for as much as 10 years.

So, to answer the original question: Because the RDSP would be opened after December 31st of the year that the beneficiary turned 49, the beneficiary would qualify for neither Bond nor Grant, even if

contributions are made. If, however, the RDSP had already been opened but the contribution not made until after December 31st of the year in which the beneficiary turned 49, the answer remains the same, no Grant could be received.

In other words, the carry forward entitlements do NOT carry forward past December 31st of the year in which the beneficiary turns 49.



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