

Top Ten Reasons For Opening An RDSP

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I am always surprised when I hear people's skepticism about the RDSP. For the vast majority of people, the RDSP represents the most powerful savings tool they will find to save for their own future or for the future of a loved one with a disability; and saving represents one of the cornerstones for a secure financial future.

So, here are my top ten reasons for opening an RDSP:

1. **Receive up to \$70,000 from the federal government in matching contributions.** The federal government has implemented the Canada Disability Savings Grant program to assist Canadians with disabilities to save for their futures.

The federal government will contribute up to \$3,500 per year to your RDSP through the Canada Disability Savings Grant program, if your net family income is below \$81,941. (Family income is that of the beneficiary if the beneficiary is 18 years or older). The government's matching contribution rates are as follows:

- o \$1,500 on the first \$500 that you or your family contribute to your RDSP, and
- o \$2,000 on the next \$1,000 that you contribute.

2. **Receive up to \$20,000 from the federal government without making a contribution.** The Canada Disability Savings Bond program will contribute up to \$20,000 into your RDSP if you have a low income.

The federal government will contribute \$1,000 per year to your RDSP through the Canada Disability Savings Bond program, if your net family income is below \$23,855. (Family income is that of the beneficiary once the beneficiary is 18 years or older.) A smaller amount is contributed into your RDSP if your income is between \$23,856 and \$40,970 – all without you making a contribution yourself.

3. **Saving in an RDSP doesn't affect other disability benefits.** Your provincial disability benefits are not affected when you save in an RDSP, no matter what province or territory you live in. Federal government benefits, like Canada Pension Plan, Disability Benefits, Old Age Security and Guaranteed Income Supplement are also not affected.

When it comes time to withdraw your money from your RDSP, the federal government - and most provincial governments - have said that you can use any amount from your RDSP without affecting your benefits.

Quebec, New Brunswick and Prince Edward Island have said that your benefits won't be affected until your monthly income is greater than a certain amount. (In New Brunswick, you can receive \$800 per month; in Quebec, \$300 per month; and in PEI, you can receive an amount that brings your income to the low income levels as defined by the National Council of Welfare.)

Remember that when you turn 65, you go off of your provincial disability benefits and on to the federal government programs for seniors: Old Age Security and Guaranteed Income Supplement.

4. **Compound Interest.** When you save money and invest it in an RDSP, it begins to earn you income. After only a few years, your RDSP's annual investment income is greater than your annual \$1,500 contribution. You can see in the table below that if you earn 5% on your savings, your annual investment income is greater than your annual contributions after only 5 years.

	Your Contributions	Federal Gov. Contributions	Income on Investment	Total RDSP Savings
Year 1	\$1,500	\$4,500	\$300	\$6,300
Year 2	\$1,500	\$4,500	\$615	\$12,915
Year 3	\$1,500	\$4,500	\$946	\$19,861
Year 4	\$1,500	\$4,500	\$1,293	\$27,154
Year 5	\$1,500	\$4,500	\$1,658	\$34,811

5. **You can spend your RDSP money on anything you want.** Neither the federal government nor provincial governments have placed restrictions on what you can spend your RDSP money on. It's yours – you can do what you want with it.
6. **Anyone can make contributions to your RDSP.** You. Your parents. Your grandparents. Your brothers, sisters, aunts and uncles. Even your friends. And when they contribute, the federal government contributes even more – up to three times more!
7. **If you receive a lump sum amount, you can shelter you money in an RDSP.** If you receive an inheritance, a legal settlement or a large severance payment, you may be able to put it into an RDSP for future use without affecting your federal or provincial disability benefits.
8. **The income that you earn on your savings in an RDSP is tax deferred.** You only have to pay tax when you make withdrawals from your RDSP. And you pay tax only on the government contributions and the investment income in your RDSP. You don't pay tax on the money that you have contributed.

9. **People will begin to see you differently.** People have told us that when they own a valuable asset, others treat them like investors, customers and home owners rather than people with disabilities.

10. **You will have more choices.** Think what a difference it would make to have a bit more money so that you could begin to do things that you can't financially do now.



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