

RDSP frequently asked questions



MACKENZIE
Investments

1. What is a Registered Disability Savings Plan (RDSP)?

An RDSP is a registered savings plan established by the Federal Government to assist families in saving for the long-term financial security of individuals with severe disabilities. Government matching and extra funding for low-income beneficiaries form part of the Plan. Contributions to the plan are not tax deductible, but the earnings grow tax free while held in the plan.

2. What is the role of the account holder?

The account holder is the individual who opens the RDSP, makes contributions to the plan and authorizes third parties to contribute.

3. What is the role of the beneficiary?

The beneficiary is the disabled person who will benefit from the RDSP.

Eligibility

4. Who is eligible for an RDSP?

To qualify to be an RDSP beneficiary, you must:

- Be eligible for the Disability Tax Credit
- Be a resident of Canada
- Be less than 60 years of age
- Have a valid Social Insurance Number

5. How does an individual qualify for the Disability Tax Credit (DTC)?

A person is DTC-eligible in a tax year if they have a severe and prolonged physical or mental impairment, and they or another person is entitled to a credit under section 118.3 of the Income Tax Act. To be entitled to the credit, Form T2201, Disability Tax Credit Certificate, must have been completed by a qualified physician or nurse practitioner and submitted to the Canada Revenue Agency for approval. For more information on the disability tax credit, see Persons with disabilities on the CRA website (www.cra-gc.ca)

If someone is interested in opening an RDSP but hasn't already applied for the DTC, they must be approved for the DTC prior to opening an RDSP. If an RDSP account is opened, grant and bond monies will not be payable until the DTC approval has been verified.

6. Can a beneficiary have more than one RDSP?

No, a beneficiary can only have one RDSP at any one time. However an RDSP can be transferred from one institution to another. The new RDSP will be "pending" until the transferring institution has closed the original RDSP.

7. Can more than one RDSP beneficiary be named?

No, there can only be one beneficiary under the plan, and the beneficiary must remain the same throughout the lifetime of the plan.

8. Who can be the account holder on an RDSP?

The following can open an RDSP and become the holder of the plan:

- A beneficiary who has reached the age of majority
- A legal parent, guardian, tutor, curator of the beneficiary, or an individual who is legally authorized to act for the beneficiary
- A public department, agency, or institution that is legally authorized to act for the beneficiary.
- Qualified Family Member, this includes a parent, spouse or common-law partner. This provision is available until 2023.

9. Is there an age limit for an RDSP?

Yes. RDSP accounts can be opened for eligible individuals until Dec. 31st of the year the beneficiary turns 59. (Note: government matching does not apply for individuals over age 49, since the grants and bonds must be held in the account for a minimum of 10 years or be subject to repayment to the Government).

10. Can an RDSP be held jointly?

Yes. The legal parents of a minor beneficiary may be joint holders of an RDSP. When a beneficiary reaches age of majority they can be added as a joint account holder with their parent.

11. Can the holder be a parent even if the beneficiary is over the age of majority?

Yes. If the parent has been legally appointed as a guardian of the beneficiary or is otherwise authorized to act for the beneficiary, that parent can be the holder whether the child is a minor or over the age of majority.

The Minister of Finance made a change to the existing rule in Budget 2012. Under the new rules a “qualifying family member” is allowed to establish an RDSP for a beneficiary who is not contractually competent. The definition of a qualifying family member is only a spouse, common-law partner or a parent. This is a temporary change and applies from July 2012 to the end of 2023. Even though this is temporary it is important to note that the account holder is able to remain as account holder beyond 2023. It is simply that any new RDSPs cannot be opened this way after 2023.

12. Can one parent be the holder and not both?

Generally speaking, yes. One parent can be the holder, both can be joint holders or one or both can be joint holder with the beneficiary. In the case of a minor beneficiary, if the account holder is not the recipient of the Canada Child Benefit (CCB) then the recipient of the CCB must be identified in the primary caregiver section of the application.

13. Can a holder be anyone else?

Yes. A guardian or other representative who is legally authorized to act on behalf of the beneficiary may be holder or joint holder of the plan.

14. How can a Mackenzie RDSP be opened?

As with any other type of plan offered by Mackenzie, an interested client can open a plan through their financial advisor.

15. What is a specified year?

The year a doctor attests in writing that the beneficiary is not likely to survive more than five years.

16. What are the rules for an RDSP in a specified year?

In the case of a specified year, a beneficiary can receive all the funds in his or her RDSP in a lump sum or the funds may be spread over the next five years. Withdrawals from the RDSP will trigger the repayment of the Assistance Holdback Amount (AHA).

17. What is a specified disability savings plan (SDSP)?

This is provided to beneficiaries who have a shortened life expectancy – 5 years or less. A doctor must certify in writing that the beneficiary has 5 years or less to live and then they make an election to turn the plan into a specified plan. Withdrawals from the SDSP will not trigger the repayment of the AHA as long as the total of the taxable amount of all withdrawals made in the year do not exceed \$10,000. If an election is made no new contributions are permitted and no new grants and bonds can be paid into the account and they are not entitled to new carry forward of grants and bonds.

Contributions & Investments

18. Who can contribute to a RDSP?

Anyone can make a contribution to a RDSP for a beneficiary, with the holder's written consent.

19. How much can be contributed to an RDSP?

A maximum amount of \$200,000 can be contributed to each beneficiary's RDSP, and contributions can be made until December 31st of the year the beneficiary turns 59. This is a lifetime limit and is not reset if an RDSP is transferred, or closed and later re-established. There is no annual contribution limit.

20. How long can contributions be made to an RDSP?

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

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

21. If a contribution is being made by a person other than the holder, will Mackenzie allow PACs and third party cheques?

If the holder signs a consent form to allow someone other than the holder to make contributions to the RDSP, Mackenzie will allow PACs and third party cheques. The holder must be aware of the third party contributions in order to ensure that the maximum \$200,000 limit is not exceeded, and so that the holder of the plan is able to schedule contributions to maximize government grants.

22. Are contributions tax-deductible?

Contributions are not tax-deductible; however, the earnings grow tax free while held in the plan. There is however, legislation that will allow for a tax-deferred rollover of RRSP/RRIF or Registered Pension Plan monies and government grants and bonds to a disabled financially dependent child or grandchild of a supporting annuitant. As of January 1, 2014 the tax-deferred rollover of the AIP from an RESP is permitted as long as certain criteria are met, this is discussed in more detail in #25.

23. Can an RRSP/RRIF or RPP of a deceased parent or grandparent be transferred to an RDSP?

Yes, as of July 1, 2011 tax-deferred transfers from RRSPs, RRIFs or RPPs are permitted to an RDSP as long as the beneficiary of the RDSP was financially dependent on the parent or grandparent. The amount transferred cannot exceed the beneficiary's contribution limit. Contributions under these rules will be taxable to the RDSP beneficiary when withdrawn from the plan. In addition, contributions in these circumstances will not attract any Government grant or bond monies, so can be used as an immediate income stream for the RDSP beneficiary as long as grant/bond has not been received in the 10 years preceding the withdrawal. Please note this rollover must be made directly from the RRSP/RRIF or RPP of the deceased and cannot be done from the estate of the deceased.

24. What kind of investments can an RDSP hold?

Qualified investments for RDSPs are generally the same as those for Registered Retirement Savings Plans (RRSPs) and Registered Education Savings Plans (RESPs) and include cash, stocks, bonds, GICs, mutual funds and a variety of other investments. A Mackenzie RDSP can hold Mackenzie mutual funds. A full list of eligible funds can be found later in this document.

25. If a beneficiary had an RESP account opened and then later became disabled, are they able to transfer the RESP assets in-kind or in cash from the RESP to the RDSP and incur no tax?

Effective January 1, 2014, if a beneficiary has an RESP and becomes disabled, the accumulated income from the RESP may be transferred on a tax-deferral into the beneficiary's RDSP. It is important to note that the rollover is not eligible for the Canada Disability Savings Grant. The contributions in the RESP would be returned to the subscriber tax-free and can be invested in the RDSP. If this happens these contributions would be eligible for Government grants up to the maximum annual grant amount (currently \$10,500). When the RESP is collapsed, any grants in the account will need to be paid back to the Government. The AIP rollover is not subject to regular income tax or to the 20% penalty that would normally apply when an AIP is paid to an RESP subscriber.

The rollover from the RESP will reduce the beneficiary's RDSP contribution room and will be included as income when withdrawn.

26. Can investments from a non-registered account be moved in-kind to an RDSP?

Yes. In-kind transfers of Mackenzie Investments mutual funds from a non-registered Investment Account to an RDSP are allowed. If the transferred mutual funds are Mackenzie Investment funds carrying a back-end schedule, that schedule will be maintained upon transfer to the RDSP. (Note however, that a transfer from a non-registered Investment Account to an RDSP will have income tax consequences as it will be a disposition for tax purposes).

27. Can a holder transfer an RDSP from one financial institution to another?

Yes. Although a beneficiary can have only one RDSP at any given time, transfers from one financial institution to another are permitted. The receiving financial institution can set up the RDSP account to receive the transfer, but the new RDSP will be in “pending” status and unable to request CDSG and CDSB monies. Once the transfer is completed and the original RDSP is closed out, contributions can be made to the newly-established RDSP and qualifying grant and bond monies can be requested.

Mackenzie Investments Mutual Funds for RDSP Accounts

28. Which funds are we launching in the new Series AR for RDSPs?

Fund name	Series AR				Series PWR
	FE	BE	LL2	LL3	FE
Fixed income					
Mackenzie Canadian Bond Fund	109	209	509	309	709
Mackenzie Canadian Money Market Fund	124	224	524	324	724
Mackenzie Canadian Short Term Income Fund	182	282	582	382	782
Mackenzie Corporate Bond Fund	139	239	539	339	739
Mackenzie Floating Rate Income Fund	145	245	545	345	745
Mackenzie Global Credit Opportunities Fund	171	271		371	771
Mackenzie Global Tactical Bond Fund	151	251	551	351	751
Mackenzie Global Tactical Investment Grade Bond Fund	155	255	555	355	755
Mackenzie Investment Grade Floating Rate Fund	150	250	550	350	750
Mackenzie Strategic Bond Fund	146	246	546	346	746
Mackenzie Unconstrained Fixed Income Fund	147	247	547	347	747
Canadian equity					
Mackenzie Canadian Growth Fund	166	266	566	366	766
Mackenzie Canadian Large Cap Dividend Fund	189	289	589	389	789
Mackenzie Cundill Canadian Security Fund	137	237	537	337	737
Mackenzie High Diversification Canadian Equity Class	158	258		358	758
Mackenzie Ivy Canadian Fund	185	285	585	385	785



Fund name	Series AR				Series PWR
	FE	BE	LL2	LL3	FE
Global equity					
Mackenzie All China Equity Fund	175	275	575	375	775
Mackenzie Cundill Value Fund	157	257	557	357	757
Mackenzie Emerging Markets Fund	181	281	581	381	781
Mackenzie Global Dividend Fund	143	243	543	343	743
Mackenzie Global Environmental Equity Fund	188	288	588	388	788
Mackenzie Global Equity Fund	183	283	583	383	783
Mackenzie Global Growth Class	184	284	584	384	784
Mackenzie Global Leadership Impact Fund	174	274		374	774
Mackenzie Global Small-Mid Cap Fund	192	292	592	392	792
Mackenzie High Diversification Emerging Markets Equity Fund	163	263		363	763
Mackenzie High Diversification European Equity Fund	161	261		361	761
Mackenzie High Diversification Global Equity Fund	160	260		360	760
Mackenzie High Diversification International Equity Fund	162	262		362	762
Mackenzie Ivy Foreign Equity Currency Neutral Class	144	244	544	344	744
Mackenzie Ivy Foreign Equity Fund	135	235	535	335	735
Mackenzie Ivy International Fund	187	287	587	387	787
U.S. equity					
Mackenzie Cundill US Class	186	286	586	386	786
Mackenzie High Diversification US Equity Fund	159	259		359	759
Mackenzie US Dividend Fund	148	248	548	348	748
Mackenzie US Growth Class	170	270	570	370	770
Mackenzie US Mid Cap Opportunities Fund	193	293	593	393	793
Mackenzie US Small-Mid Cap Growth Class	140	240	540	340	740
Mackenzie US Small-Mid Cap Growth Currency Neutral Class	142	242	542	342	742
Balanced					
Mackenzie Canadian Growth Balanced Fund	167	267	567	367	767
Mackenzie Cundill Canadian Balanced Fund	100	200	500	300	700
Mackenzie Global Growth Balanced Fund	190	290	590	390	790
Mackenzie Global Strategic Income Fund	152	252	552	352	752
Mackenzie Global Sustainability and Impact Balanced Fund	173	273	573	373	773
Mackenzie Income Fund	136	236	536	336	736
Mackenzie Ivy Canadian Balanced Fund	168	268	568	368	768
Mackenzie Ivy Global Balanced Fund	169	269	569	369	769
Mackenzie Strategic Income Fund	141	241	541	341	741
Mackenzie US Strategic Income Fund	172	272		372	772
Managed assets					
Mackenzie Balanced ETF Portfolio	176	276		376	776
Mackenzie Conservative ETF Portfolio	178	278		378	778
Mackenzie Conservative Income ETF Portfolio	177	277		377	777
Mackenzie Growth ETF Portfolio	179	279		379	779
Mackenzie Moderate Growth ETF Portfolio	180	280		380	780

Fund name	Series AR				Series PWR
	FE	BE	LL2	LL3	FE
Managed assets (cont'd)					
Mackenzie Monthly Income Balanced Portfolio	153	253	553	353	753
Mackenzie Monthly Income Conservative Portfolio	154	254	554	354	754
Symmetry Balanced Portfolio	122	222	522	322	722
Symmetry Conservative Income Portfolio	134	234	534	334	734
Symmetry Conservative Portfolio	121	221	521	321	721
Symmetry Equity Portfolio Class	127	227	527	327	727
Symmetry Fixed Income Portfolio	128	228	528	328	728
Symmetry Growth Portfolio	129	229	529	329	729
Symmetry Moderate Growth Portfolio	123	223	523	323	723
Alternative strategies					
Mackenzie Diversified Alternatives Fund	156	256	556	356	756

Grants and bonds

29. What is the Canada Disability Savings Grant (CDSG) and the Canada Disability Savings Bond (CDSB)?

The Canada Disability Savings Grant (CDSG) and the Canada Disability Savings Bond (CDSB) are federal programs that provide payments to RDSPs to encourage long-term savings through an RDSP.

Grants and bonds are available to beneficiaries up until December 31st in the year they reach age 49. Contributions can be matched, based on family income, with up to \$70,000 in Canada Disability Savings Grants and up to \$20,000 in Canada Disability Savings Bonds.

30. Canada Disability Savings Grant (CDSG)

- CDSG is a matching program based on family net income. Contributions to an RDSP may qualify for payments from the CDSG, up to a lifetime maximum of \$70,000 per beneficiary
- Maximum annual CDSG - \$3,500 for family net income less than \$95,259
- Maximum annual CDSG - \$1,000 for family net income over \$95,259
- Family net income is based on:
 - Where the beneficiary is a minor, the family's net income
 - Where the beneficiary is an adult, the beneficiary's net income (and spouse, if applicable)

*Income amounts shown are for 2019. The income amounts are updated each year based on the rate of inflation. If CRA does not have income information available for a beneficiary the maximum CDSG a beneficiary will receive for the year is \$1,000.

31. Canada Disability Savings Bond (CDSB)

- CDSB is meant for low income families and no contributions are required in order to be eligible for the CDSB. It is strictly based on family net income. Available to beneficiaries whose family net income is less than \$47,630
- Maximum annual CDSB - \$1,000 for family net income below \$31,120
- Smaller amounts of CDSB for family net income between \$31,120 and \$47,630
- Maximum lifetime CDSB is \$20,000
- Family net income is based on:
 - Where the beneficiary is a minor, the family's net income
 - Where the beneficiary is an adult, the beneficiary's net income (and spouse, if applicable)
 - If CRA does not have income information available for a beneficiary will not be eligible for CDSB.

32. What's the basis for the income test for grant and bond money?

- For beneficiaries over 18 years of age:
 - They must file their personal income tax returns for the past two years prior to when the initial contribution is in reference to (for example for 2009 they look at 2007 income; for 2010 they look at 2008 and so forth) plus all future taxation years to qualify for the maximum matching grant. CRA uses the income data of the second preceding year to determine the grant match. This is because CRA has not finished processing the immediately preceding year's data until the second part of the year.
- For beneficiaries under 18 years of age:
 - Parents or guardians must file their income tax returns for the two years and all future taxation years, and apply for the Canada Child Benefit to qualify for the maximum matching grant.

33. Is there a deadline for annual grant and bond requests?

Yes. The annual deadline is December 31 for grant and bond consideration.

34. Can unused grants and bonds be carried forward?

Yes, beginning in 2011, unused grant and bond entitlements can be carried forward for a maximum 10 year period.

35. How does the Bond carry forward rule work?

Bond room can carry forward for up to 10 years. You do not have to establish an RDSP to generate Bond room; you just have to have been a resident of Canada who was DTC-eligible and meet the applicable income test for the year in question.

At most, a person will generate \$1,000 of Bond room in a particular year. The maximum Bond payment in a particular year is \$11,000, i.e., \$1,000/year * 10 years of carry forward, plus \$1,000 maximum entitlement for the current year.

Once an RDSP is established for a beneficiary, if the holder applies for the Bond, ESDC will look back to the past 10 years and award all Bonds generated in that period.



36. How does the Grant carry forward rule work?

Grant room can carry forward for up to 10 years. You do not have to establish an RDSP to generate Grant room; you just have to have been a resident of Canada who was DTC-eligible.

At most, a person will generate \$3,500 of Grant room in a year. However, the maximum Grant payment in a particular year is \$10,500, even though the beneficiary may have accumulated substantially more than \$10,500 of Grant room under the 10-year carry forward rules.

Contributions to an RDSP will first “use up” the beneficiary’s 300% room, then the 200%, then the 100%.

37. If a beneficiary sets up an RDSP after age 49, can grant and bond monies be requested until age 59?

No. Only contributions made before the end of the year in which the beneficiary turns age 49 will be eligible for matching CDSG amounts and CDSB amounts. This is because withdrawals (LDAPs) must begin by no later than age 60, which would cause any government monies paid into the RDSP to be clawed back by the Government due to the 10-year AHA rules.

38. How much CDSG monies would a beneficiary receive if the holder contributed the lifetime maximum of \$200,000 as a lump sum?

The lump sum of \$200,000 would be eligible for one annual CDSG amount based on the initial \$1,500 of the contribution. The lump sum will only attract this amount in the year the contribution is made. There would be no further CDSG monies that can be claimed in future years.

If the beneficiary has Canada Disability Savings Grant (CDSG) carry forward available to them the maximum they would receive in grant based on a \$200,000 contribution is \$10,500.

Withdrawals

39. How can withdrawals be made from an RDSP?

There are two types of withdrawals (payments) from an RDSP:

1. Lifetime Disability Assistance Payments (LDAPs) – recurring annual payments that continue until the beneficiary’s death. Payments can begin at any age but must commence by the end of the year in which the beneficiary turns age 60
2. Disability Assistance Payments (DAPs) – periodic lump sum payments that can be paid to the beneficiary anytime after the RDSP is established.

These payments may be subject to the Assistance Holdback rules. This is discussed in more detail in #41.

40. Are RDSP withdrawals taxable?

RDSP withdrawals are made up of contributions, growth, grants and bonds. Contributions are generally not taxable, while income growth, grants and bonds are taxable in the hands of the beneficiary. Contributions are taxable if the source of the contribution was a rollover of RRSP/RRIF or RPP monies of a deceased supporting parent or grandparent or a rollover from the AIP from an RESP.

41. What is the 10-year rule?

When the RDSP was first launched and a withdrawal of any amount was made, all federal grants and bonds paid into the RDSP in the previous 10 years had to be repaid to the federal government. This is known as the Assistance Holdback Amount (“AHA”). The purpose of the AHA is to ensure that RDSPs are used for long-term savings, and also to ensure that government funds contributed are not withdrawn and used as leverage for matching grants in future years.

As of January 1, 2014 instead of having to repay all of the Government grants and bonds that were contributed to the account over the last 10 years, the ratio will be \$3 of Government grants and bonds for every \$1 withdrawn from the account. This is good news because it results in less financial hardship for RDSP beneficiaries who require financial assistance from time to time from their RDSPs.

42. What happens to growth on government monies if amounts are repaid to the federal government?

Only the amounts paid by the government must be repaid – growth will be retained in the RDSP for the beneficiary to use.

43. What is the minimum amount that must be withdrawn from an RDSP when the beneficiary reaches age 60?

The Lifetime Disability Assistance Payment (LDAP) must begin by December 31st of the year the beneficiary turns 60 and the annual minimum withdrawal must be at least equal to the amount of the LDAP formula.

44. What is the maximum amount that can be withdrawn from an RDSP?

The maximum annual limit for total withdrawals (combined DAP and LDAP) from Primarily Government Assisted Plans (PGAP) – this is where there is more government contributions in the plan than private contributions – PGAPs is the greater of the amount determined by the LDAP formula and 10% of the fair market value of the account at the beginning of the year.

45. Does being an RDSP beneficiary affect eligibility for other income-tested federal government programs?

No. Payments from an RDSP do not impact other income-tested federal government programs, including:

- Old Age Security (OAS)
- Guaranteed Income Supplement (GIS)
- Canada Pension Plan (CPP)
- The Goods and Services Tax Benefit (GST Benefit)
- Social assistance benefits

In addition, all of the provinces have now generally agreed that provincial benefits will not be affected by RDSP income, although some provinces have a maximum income level test.

46. What happens if the RDSP beneficiary dies?

Upon death of the RDSP beneficiary, the RDSP must be collapsed by December 31st of the following year. Grant and bond money that has been paid into the RDSP in the previous 10 years will be repaid to the government. Growth, grants and bonds are taxable in the beneficiary's estate. Initial contributions are tax-free. Proceeds from the collapsed RDSP will be distributed in accordance with the beneficiary's will or, if the beneficiary doesn't have a will, in accordance with the rules of intestacy in each province.

47. What happens if the RDSP holder dies?

In cases where the holder is someone other than the beneficiary and the holder dies, control of the RDSP would normally pass to the holder's executor until either a qualified family or legal guardian of the beneficiary is added to the account. In the case of a joint holder scenario, control would pass to the surviving joint holder.

48. What happens if the RDSP beneficiary is no longer DTC eligible?

Prior to Budget 2019 If an RDSP beneficiary is no longer eligible for the Disability Tax Credit (DTC), the RDSP account had to be closed by December 31 of the following year. Any grants and bonds in the account had to be repaid to the Government and are lost forever.

Budget 2019 proposed to eliminate the requirement to close the RDSP account when someone loses the DTC. This will help retain grants and bonds in the account that under the previous rules needed to be repaid to the government. The RDSP account can remain open, but no new contributions can be made to the plan and it is not eligible for grant and bond or carry forward of grant and bond.

49. What happens if the RDSP holder becomes incapacitated?

In cases where the holder is someone other than the beneficiary and the holder becomes incapacitated, the Power of Attorney for the holder would assume control of the RDSP.

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