

Dear Community Partner,

On March 4, 2010, the Government of Canada, through its Budget 2010, announced two enhancements to the Registered Disability Savings Plan (RDSP), grant and bond. We are pleased to advise that the legislation to enact these changes received Royal Assent on December 15, 2010. The 'carry forward' and 'roll over' provisions will provide Canadians with disabilities and their families with more flexibility when saving for the future.

Please find below some questions and answers that we hope will assist you in helping your members and clients to understand and benefit from these new provisions.

What is the carry forward?

As people with disabilities and their families may not be able to contribute regularly to their RDSPs, the carry forward allows beneficiaries to claim unused grant and bond entitlements for a 10-year period (starting from 2008, the year RDSPs became available). In order to claim unused grant and bond entitlements, the beneficiary must be eligible to receive the grant and bond (at the time of the claim, the beneficiary must be aged 49 or under).

Grant and bond entitlements are based on the beneficiary's family income. The grant amount also depends on how much is contributed to the RDSP. For unused grant entitlements, the matching grant rate will be the same as what would have applied in the year the entitlement was earned.

When does the carry forward come into effect?

The carry forward comes into effect on January 1, 2011.

As it will take time to develop the electronic system to process these transactions, the functionality to administer the carry forward will not be available immediately. Therefore, 2011 carry forward entitlements are expected to be paid into RDSPs in early 2012.

Is there a special application form for the carry forward?

Whether an individual already has an RDSP, or opens an RDSP in January 2011 or thereafter, a special application form will not be required for the carry forward. Grant and bond entitlements will be calculated automatically.

What is the roll over?

The proceeds (or a portion thereof) from a deceased individual's Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), and Registered Pension Plan (RPP) can be rolled over, tax free, into the RDSP of a financially dependent child or grandchild with a disability.

The amount of money rolled over into an RDSP will form part of the \$200,000 lifetime contribution limit. For example, if there is already \$50,000 in private contributions in an RDSP, the amount rolled over from an RRSP, RRIF and RPP cannot exceed \$150,000.

A matching grant will not be paid on RRSP, RRIF and RPP contributions.

When does the roll over come into effect?

The roll over comes into effect July 2011. This measure will be effective for individuals who pass away after 2007.

BACKGROUND

The RDSP is a long-term savings plan that helps people with disabilities, and their families, save for the future. To be eligible, a person must be:

- under the age of 60;
- a Canadian resident with a social insurance number; and
- eligible for the Disability Tax Credit (Disability Amount)

There is no annual contribution limit to the RDSP, but there is a lifetime contribution limit of \$200,000.

To help people save, the Government of Canada will pay a matching grant of up to \$3,500 a year, depending on the amount contributed and the beneficiary's family income. There is a lifetime limit of \$70,000 in grant payments.

The Government of Canada will also pay a bond of up to \$1,000 a year into RDSPs of low- and modest-income Canadians. There is a lifetime limit of \$20,000 in bond payments. No contribution is necessary to receive the bond.

Grants and bonds will be paid until the year the beneficiary turns 49.

For more information about the RDSP, grant and bond, please visit www.disabilitysavings.gc.ca or call 1 800 O-Canada (1 800-622-6232). TTY users may call 1-800-926-9105. A detailed brochure – available in alternate formats such as large print, Braille, audio cassette, CD, DAISY, and computer diskette – is also available by calling these numbers.

Should you wish to make an inquiry by e-mail, please send your message to rdsp-reei@hrsdc-rhdsc.gc.ca.

Sincerely,

RDSP, Grant and Bond Outreach Team