Ontario Disability Support Program - Income Support Directives

4.10 Registered Disability Savings Plans

Summary of Policy

Registered Disability Savings Plans (RDSP) are fully exempt as income and assets.

Legislative Authority

Sections 28(1)26.1; 42.17; 43(1)15.4, 15.5, 15.6 and (5.1)

Summary of Directive

The treatment of RDSP assets, contributions, withdrawals, interest, Canada Disability Savings Grants (CDSG) and Canada Disability Savings Bonds (CDSB) is explained.

Intent of Policy

To encourage families and individuals to plan for the future of people with disabilities by fully exempting RDSP assets and income when determining eligibility for social assistance.

Application of Policy

Treatment of RDSP Assets

All funds held in RDSPs are exempt as assets when assessing eligibility for ODSP income support. There is no maximum applied to this exemption.

Treatment of RDSP Income

The following is exempt as income when assessing eligibility for ODSP income support:

- contributions made to RDSPs by family members and other third parties;
- Canada Disability Savings Grants;
- Canada Disability Savings Bonds;

- income earned and re-invested in RDSPs; and
- all withdrawals from an RDSP for any purpose.

Further, RDSP withdrawals are also exempt from the formula used to calculate the required financial contribution of a person who is eligible for Employment Supports from the total income reported for income tax purposes.

RDSP Structure

RDSPs consist of:

- **Contributions** are limited to a lifetime amount of $200,000 per beneficiary, with no annual limit. Anyone can contribute to an RDSP including the beneficiary and their family.

- **Canada Disability Savings Grants (CDSGs)** – The federal government will match annual contributions with CDSGs up to a lifetime CDSG limit of $70,000. Matching rates will vary depending on family income.

- **Canada Disability Savings Bonds (CDSBs)** – CDSBs up to $1,000 per year will be provided where RDSPs are established by low- and modest-income families, up to a lifetime limit of $20,000. There is no requirement for a person to contribute to an RDSP in order to access CDSBs.

RDSPs and the Disability Tax Credit

To establish an RDSP, a person must first qualify for the federal Disability Tax Credit (DTC). The federal government assesses eligibility for this tax credit on a case by case basis.

Under federal rules, a financial institution is required to notify the federal government when an RDSP is established. Upon receipt of notification, the Canada Revenue Agency (CRA) verifies the DTC eligibility and residency of the RDSP beneficiary.

Currently, the Canada Disability Savings Program will not issue CDSGs or CDSBs until CRA has verified that all eligibility requirements have been met. As a result, social assistance staff are not required to verify that the applicant/recipient meets the federal government’s eligibility requirements for opening an RDSP.

CRA will also notify a person if he/she is no longer eligible for the DTC.

Treatment of Funds after RDSP Closed

If a person ceases to be eligible for the DTC, the RDSP must be closed. Withdrawals from an RDSP made up to and including the month in which the RDSP is closed is exempt as income. The recipient may use the funds as he or she wishes, including purchasing or converting the funds into assets that are exempt under social assistance (e.g. principal home).

If there are funds left at the end of the month that the RDSP is closed, and these funds are not used towards an exempt asset, the funds would be considered an asset starting the following month. Assets that are not exempt are taken into account when determining financial eligibility and could result in the person no longer qualifying for social assistance.

Under ODSP, a recipient who intends to purchase or convert the funds into an exempt asset has six months to make the conversion. During this time, there is no impact to eligibility.

Transferring Assets to RDSPs

Under ODSP, income charges are not applied to the portion of a payment received from the sale of an asset that will be transferred to an RDSP. In addition, an applicant is allowed to transfer assets into an RDSP prior to applying for ODSP without being considered to have:

- disposed of assets for purposes of qualifying; or,
- Inadequately disposed of assets.

Trust Payments into RDSPs

A payment from an absolute discretionary trust (Henson-type) is considered to be a voluntary payment because it is made at the discretion of the trustee who has no obligation to make the payment to a recipient. Therefore, a payment from such a trust made for the purpose of contributing to an RDSP is exempt as income.

Further, the ODSP regulation and policy support the conversion of an exempt asset into another exempt asset without applying an income charge. As a result, transfers from trusts that are exempt as assets under ODSP into RDSPs are considered an allowable conversion and are therefore exempt as income. .

In some cases, there will be trusts (exempt or non-exempt) where the trustees are obligated to make monthly trust payments to an applicant/recipient. Monthly payments that trustees are obligated to pay may not be exempt as income under the RDSP income exemption because such payments may not be considered a gift or voluntary payment received for the purpose of making a contribution to an RDSP. Legal Services Branch may be consulted with respect to the terms of a trust

Hyperlinks associated with this policy directive

Related Directives:

[4.7 Funds Held in Trust]
[4.1 Definition and Treatment of Assets]
[5.1 Definition and Treatment of Income]
[5.8 Gifts and Voluntary Payments]
[5.9 Disability-Related Items and Services]