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Government steps up to plate for disabled

The registered disability savings plan, finally

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If you are disabled, you have less than 60 days to get up to \$4,500 from the federal government.

While the new tax-free savings account that came into effect Jan. 1 has garnered much of the media coverage, the government's registered disability savings plan is more generous.

Luckily for Canadians with a disability, the Bank of Montreal stepped up to the plate in December and said it would begin setting up RDSP accounts. None of the other major banks have so far done so.

It wasn't an easy task getting systems ready for the new TFSA and RDSP at the same time, concedes David Sharone, product manager of registered plans with BMO mutual plans.

"From the beginning, BMO has understood the importance of RDSPs and made a commitment to the government and [Finance Minister] Jim Flaherty that we would be ready," Mr. Sharone says, adding banks only got the final rules on the new accounts in June.

The timing has been so tight that the government has extended the deadline for 2008 contributions to RDSP plans. That's key. Anyone with a plan now has until March 2 to make a contribution and take advantage of the government grant for last year.

The grants are generous, to say the least. If you don't have money to contribute to the plan, Ottawa will still issue you a bond based on an income test.

Here's how it works: For starters, to be eligible for an RDSP you have to be a Canadian citizen or resident under age 60 and claiming the disability tax credit. To get the tax credit, you need a professional like a doctor or psychiatrist to fill out a form outlining your disability. Canada Revenue Agency then considers the claim.

Many disabled Canadians have not bothered claiming the tax credit because they had so little income. It's time to reconsider.

If your annual income is less than \$21,287 per year, you are eligible for a \$1,000 government annual

bond. Over the lifetime of the plan, you could get \$20,000 in bonds.

The grants are based on contributions. With a household income of less than \$75,769, the government matches the first \$500 contribution with \$1,500 and the next \$1,000 with \$2,000. So, for a \$1,500 contribution, you now have \$5,000 in your account.

Even for families with a household income of more than \$75,769, the government will match the first \$1,000 in the plan dollar-for-dollar. You can receive grants up until age 49 with a maximum payout of \$70,000.

Jack Styan, executive director of the Vancouver-based Planned Lifetime Advocacy Network, which has been lobbying for the RDSP for about six years, figures about 500,000 Canadians could qualify for the plan based on their age and disability.

"We found almost half of families in Canada are not applying for the disability tax credit," says Mr. Styan, adding many families just don't know what is available. His group plans to get the word out to the disabled community.

"The stakes have gone up significantly," says Mr. Styan, noting RDSP plans can be set up for children through their parents. Up to \$200,000 can be contributed to the plan, a significant tax shelter.

It's too bad only one bank was ready when the plan was officially launched in December. Scuttlebutt has it that some of the banks are taking longer to set up their RDSP programs because they want to sell it at branch level. BMO is doing it through a call centre, which received 700 calls on the program's first day.

Mr. Styan says the banks' slow reaction time is understandable because they have been gearing up for TFSAs, which is a much larger market than the 500,000 people who might open RDSPs.

Yasmin Meralli, vice-president of diversity and workplace equity at BMO, says it's no coincidence her bank was first out of the chute with an RDSP plan.

"Our commitment to diversity goes back a long, long time. It is part of our core values," says Ms. Meralli, adding about 3% of the bank's 29,000 Canadian employees have a disability.

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