

Money Matters for Disability Families

With Cathleen I Rulli, CPA

Disclaimer – this presentation is for informational/educational purposes and is not advice, please talk to a lawyer, accountant or financial planner for advice.

Topics

- Authorize a representative - CRA
- Disability Tax Credit (DTC)
- Canada Disability Benefit (CDB)
- RDSP
- Henson Trust

CRA Authorize a Representative

This is an important, often overlooked step in helping support your adult child with a disability.

It allows you to access their CRA account.

It allows you to talk to CRA on their behalf.

Multiple family members can be authorized.

Avoids getting locked out of you and your child's CRA account

RAC Levels

- CRA Represent a Client has 3 levels of authorization
 - Level 1 – share information only
 - Level 2 – share and change limited information
 - Level 3 – full access – Must be a legal representative to be granted this level.

New website
launching
November
2025 with
courses and
free resources



www.disabilitydollars.ca

Disability Tax Credit (DTC)

- Non-refundable tax credit
- When ODSP is the only income, they will not have enough income to receive the tax savings
- Can be transferred to a supporting person
- Supporting person must provide financial support for the basic necessities (food, shelter, clothing)
- The person with the DTC must be related to you qualify as an eligible supporting person.
- DTC can expire
- Worth approximately \$1,990/year in tax savings for an adult and up to \$3,150 for a minor.

Disability Tax Credit (DTC)

Myths and Common Mistakes

DTC is not based on diagnosis, but how it affects completing activities of daily living

- When completing the application many parents/doctors focus on ability to work or attend school, CRA wants to know how the disability impacts activities of daily living NOT work and school.

The person with the disability must be bed ridden to qualify.

- This was the rule when the DTC was first created. It's been more inclusive for decades.

Mom applies because typically she's the primary caregiver

- The parent identified in Part A #2 of the form should always be the parent with the higher income. You can include a letter to request eligibility be placed on both parent's account

Disability Tax Credit (DTC)

Myths and Common Mistakes

Part A #2 of the form CRA wants to know how you support the person with the disability.

- CRA only wants to know financial support on a regular consistent basis for food, shelter and clothing. If they live with you simply stating they reside in a house I maintain is all you need to say

Only the doctor can complete Part B of the form.

- Only a medical professional can certify the information in Part B but third-party services and parents/child can provide the information for Part B

Applying as an adult, CRA will auto reassess the parent's returns

- No, once the person with the disability is an adult CRA will only auto reassess the adult.

DTC Questions?



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Canada Disability Benefit (CDB)

- New benefit with the first payments received in July 2025
- It's worth up to \$200/month
- Apply via Service Canada NOT CRA
- You can support your child in applying
- You can apply 6 months before your 18th birthday to ensure the benefit starts the month after your 18th birthday
- A 2024 tax return must be filed to receive the July 2025 – June 2026 benefit

Canada Disability Benefit (CDB)

- A decision on eligibility is mailed within 28 days of applying (add an extra month if applying as a representative)
- Details about the benefit are available in your My Service Canada account. The dashboard has limited options but is slowly improving.
- Do not have to reapply each year but must file a tax return on time to avoid gaps in receiving the benefit

CDB Questions?



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Registered Disability Savings Plan (RDSP)

The RDSP is a retirement savings plan.

- It offers the most generous benefit of any government savings plan
- Should you open an RESP or RDSP? You should always open an RDSP while your child is a minor, as many plans do not allow for joint holders when opening as an adult. Where to put your funds, is a personal choice, but you need to take care of your own retirement savings first.
- The person with the disability needs to start filing tax returns from the year they turn 17.
- If you/your child has DTC approval you/they should open an RDSP.

RDSP

How & Where to Open

- Pick a financial institution – all the major banks offer RDSP
 - TD & National Bank are the only self directed options.
- When ready to open you need
 - SIN (both parent & child)
 - Photo ID
 - Legal document if opening as a legal rep
 - They might ask for – DTC Approval letter and birth certificate for minor child
- The bank sends the registration to ESDC and it takes until the 20th of the month following for the account to be registered.
- You can call ESDC to confirm the RDSP is registered and to find out the max contribution limit for the year.
- Make your first contribution.

RDSP Annual Letter Sample

The maximum grant amount available in 2023	The amount of money you need to put in the RDSP to get the maximum grant in 2023
\$6,000.00	\$6,000.00
The Government of Canada will pay up to a maximum of \$10,500 per year in grant, including any amounts from the previous 10 years when the beneficiary was eligible for a grant amount, but did not receive it. The amount indicated above is the sum of all unused grant entitlements from the previous 10 years, plus the grant entitlement for the current year. <u>If there is a \$0 in the box above, contact the Canada Revenue Agency to confirm the status of the beneficiary's Disability Tax Credit (DTC), by calling 1-800-959-8281.</u>	No minimum contribution is required. If you contribute less than the amount indicated above for this year, the amount of grant the beneficiary will receive will be less than the maximum amount of grant available to them in 2023. Any contributions exceeding the amount indicated above will not receive matching grant.

For **general information** on Statements of Entitlement or the Grant and Bond, please contact us:

- by phone, at 1-866-204-0357 (please have your Social Insurance Number [SIN] and the beneficiary's SIN ready); or
- by email, at rdsp-reei@hrsdc-rhdcc.gc.ca (please do not include your SIN or other personal information in your email, as it is not a secure method of transmission).

If there is an amount of \$0 in the table above, please contact the Canada Revenue Agency by phone at 1-800-959-8281 and ask to discuss the beneficiary's Disability Tax Credit information.

For general information, you can also consult our website at: **Canada.ca/RDSP**

RDSP Contributions

Maximum Grants/Bonds Possible if only ODSP income

	Annual Amount	Lifetime Maximum
Bonds	\$1,000	\$20,000
Contributions	\$1,500	\$30,000*
Grants	\$3,500	\$70,000

*\$30k in lifetime contributions will achieve the maximum grant for those whose only income is ODSP.

The maximum limit for contributions and rollovers is \$200,000.

RDSP Withdrawal Repayments

- Since the account is intended for retirement the government requires a 10 year gap between the last bond/grant paid and the withdrawal.
- If you withdraw before this 10 year limit there is a clawback penalty of \$3 for every \$1 withdrawn up to a maximum.
- This is why you cannot count on using RDSP funds for housing or education.

RDSP Withdrawals

RDSP is made up of:	
Contributions	Non taxable
Government grants/bonds	Taxable
Gains/Income made from investments	Taxable
RRSP/RRIF Rollover	Taxable

10 year gap between last grant/bond and first withdrawal is required to avoid penalties of \$3 repayment for every \$1 withdrawn.

PGAP and LDAP

- PGAP = Primarily Government Assisted Plan
 - The government put in more money than you
- LDAP (Lifetime Disability Assistance Payment)
 - Age based formula that must start at age 60
 - meant to work like a pension.
 - once started cannot be stopped.

RDSP PGAP vs Non PGAP

- PGAP withdrawals are limited to a maximum of 10%
- Non PGAP has no limit on withdrawals
- This is a huge difference for planning purposes and parents need to consider the ability to rollover an RRSP for both estate planning and use of the RDSP.

RDSP

- Good to know:
 - Exception for shortened life expectancy
 - Annual statement from ESDC
 - Investing options – mutual funds or self directed
 - Financial institutions have some flexibility in how withdrawals are handled.
 - Only 1 RDSP is allowed but you can transfer to another institution
 - ODSP \$40k asset limit but the RDSP is exempt

RDSP Planning

- Important to know for your trustee/exectuor:
 - Which financial institution holds the RDSP
 - How have the funds been invested
 - How much contribution/grant room is left
 - Where is the money for more contributions coming from
 - What age will contributions end
 - How are the funds to be used

RDSP Questions?



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Henson Trust

Henson Trust is a tool to leave an inheritance to your child without affect ODSP.

- Instructions are in your will to set up a Henson Trust to hold/manage your child's inheritance, the trust does not exist until parent(s) pass away
- Important items to include
 - How will trustees be replaced?
 - What happens to the \$ when the beneficiary passes away

Henson Trust

You can create a Henson Trust for when you're alive (inter vivos), however, there are limited situations where you would want to do this.

An inter vivos trust is taxed at the highest tax rate. So, unless you earn over \$250k/year this doesn't make sense as it's not 'sheltering' tax dollars.

Owning a house for a child with disability might be necessary for ODSP purposes if a portion of the house is a rental. However, a bare trust might be sufficient. A bare trust is a trust that doesn't have legal paperwork to support the situation/relationship.

Henson Trust

- Gift limit of \$10k per 12 months
- \$10k limit is for ALL gifts
- Exception if expense is directly related to their disability
- Likely need to file T3 Trust Return
- Need to keep 'books'
- T3's are due March 31
- Only 1 trust can be designated as a QDT

Thank you!



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