

Enhancing Access to the Registered Disability Savings Plan for Disabled Employees

Issue

In Canada, it is estimated that 4.4 million Canadians suffer a disability, of which many are children and young adults under the age of forty-nine. Of these, only 442,241 Canadians ages 0-49 have applied for and received a Disability Tax credit, and of those, only 107,863 (or 24.3%) have opened a Registered Disability Savings Plan (Canada Disability Savings Program – Annual Statistical Review - 2015).

Background

Based on many interviews with applicants, and industry experience in working with clients to apply for and get funding, the application process is what is impeding its use. The reason for that is the intense, cumbersome paperwork that is required throughout the process. To successfully complete the process, the applicants have to have a medical assessment done and file the paperwork to receive the federal Disability Tax Credit (DTC). During interviews at information seminars with potential candidates, it was discovered that most people with disabilities, as well as their caregivers, are in a low-income bracket and do not see the need to obtain a tax credit on taxes they don't pay. However, when learning of the bond portion of the program, there was renewed interest.

In an effort to assist in accessing the program, it was learned that there are similar income-tested provincial programs that are very similar to the DTC requirements and applications. Furthermore, there seems to be an appetite for government and community leaders to be more collaborative in finding ways to make access to the Registered Disability Savings Plan (RDSP) easier and more efficient. In BC, for example, there is an RDSP Action Group led by the Honourable Michel Stillwell, created by the BC government, which is focused on making the program more accessible to all of BC.

In reviewing the provincial program requirements, given the overlap, there is a strong possibility that upon acceptance to the provincial program, it could and should automatically grant access to the RDSP program.

Another strong supporter of the Canadian disability community is business. There is a real interest in employers making a point of including people with disabilities in their business wherever possible. Good employers also take an interest in the health and financial well-being of their work force. Studies have shown that employees who are offered financial education, support, and savings programs at work are more reliable, and become better, more engaged employees. Employers can assist and promote contribution to an RDSP on behalf of qualifying employees.

Finally, another part of the program that needs serious review is the ten-year rule. This rule stipulates that the beneficiary must wait ten years after the latest grant or bond is received to access further funds without penalties.

This also prevents the beneficiaries from receiving access to the full amount of funds in the program until ten years after they have made their final contribution at age forty-nine. The issue here is that many people with disabilities often have serious financial needs earlier in life that they may not be able to address without the program, such as the purchase or modification of a home, or the purchase of special equipment or vehicles.

Recommendations

That the provincial/territorial and federal governments:

1. Investigate and implement a cross-linked application process to enable those with recognized disabilities to have access to both a provincial/territorial disability support program and the DTC under one application;
2. Review all existing recipients of a provincial/territorial disability support program to determine eligibility of the DTC based on timing of the last tested application; and
3. Create a national program to provide employers a workable linkage to the RDSP program for employees with disabilities.
4. Amend the 10-year rule for the clock to start when the RDSP is opened, from 10 years past the last grant installment.