

Payments – our latest explanation!

Summary Table

Payment Type	Federal Government Contributions exceed Private Contributions (at the beginning of the year)	Private Contributions exceed Federal Government Contributions (at the beginning of the year)
LDAP requests when beneficiary is under age 60	- permitted - maximum of LDAPs combined with other payments must be limited by formula	- permitted - LDAPs limited by formula
LDAP requests when beneficiary is age 60 or over	- required - maximum of LDAPs combined with other payments must equal amount determined by the formula	- required - formula determines the maximum LDAP payment
Flexible DAP requests when beneficiary is under age 60	- permitted - maximum of Flexible DAPs combined with other payments must be limited by formula	- permitted - no limit on amount
Flexible DAP requests when beneficiary is age 60 or over	- permitted - maximum of these payments combined with other payments must equal amount determined by the formula	- permitted - no limit on amount
Beneficiary-requested DAPs	- permitted between the ages of 27 and 59 - maximum of these payments combined with other payments must be limited by formula	- not permitted
Terminal-illness DAPs	- permitted whenever a physician provides a certificate that the beneficiary will not live longer than 5 years - no limit on amount	- permitted whenever a physician provides a certificate that the beneficiary will not live longer than 5 years - no limit on amount

Payments

In general, funds can be withdrawn from the RDSP anytime, but with some very important exceptions and restrictions.

Generally, there are two types of payments from RDSPs: Lifetime Disability Assistance Payments (LDAPs) and Disability Assistance Payments (DAPs) but we have identified three types of Disability Assistance Payments (DAPs):

1. Flexible Disability Assistance Payments
2. Beneficiary-requested Disability Assistance Payments
3. Terminal-illness Disability Assistance Payments.

Lifetime Disability Assistance Payments

The Lifetime Disability Assistance Payments are regularly scheduled periodic payments that are limited by a formula. Our lay explanation of the formula is: the amount of funds in the RDSP divided by the number of years the beneficiary is expected to live, where all people are expected to live to age 83. See Note 1 below for the exact formula. This formula defines the maximum amount of Lifetime Disability Assistance Payments that can be withdrawn in any given year.

Once they begin, these payments must continue at least annually, but can be scheduled monthly if permitted by the financial institution.

These payments must begin by the end of the beneficiary's 60th year (i.e. December 31st of the year they turn 60), but can begin before this time.

Flexible Disability Assistance Payments

Flexible - Disability Assistance Payments are flexible payments – they may be scheduled or unscheduled.

If private contributions exceed those of the federal government at the beginning of the year then these payments are not governed by the LDAP formula. That means the full amount of the RDSP (minus any holdback amount) may be withdrawn.

These payments may occur before or after the beneficiary turns 60.

If federal government contributions exceed private contributions at the beginning of the year, Flexible Disability Assistance Payments are still permitted but are limited by the formula. (Note: in this situation, the formula represents the maximum from all payments combined, not each type of payment.) Furthermore, in the calendar year in which the beneficiary turns 60 and all following years, Disability Assistance Payments equal to the formula are required, so there could be a combination of Flexible Disability Assistance

Payments and Lifetime Disability Assistance Payments withdrawn in the year or withdrawals of Lifetime Disability Assistance Payments only.

It's very important to note that financial institutions are not required to offer Flexible Disability Assistance Payments so people should check whether they are offered before opening a plan.

Beneficiary-requested Disability Assistance Payments

Beneficiary requested - Disability Assistance Payments are payments that a beneficiary can request if they are between the ages of 27 and 59, provided that the total amount of all government contributions in the plan exceeds the total amount of all private contributions in the plan at the beginning of the calendar year.

The beneficiary can request and receive these payments even if they are not the holder/sole holder of the RDSP. All financial institutions are obliged to offer these payments. There is no limit on the number of these payments in a given year, but, the total amount of these and all other payments, combined, that can be paid in a calendar year is capped by the maximum lifetime disability assistance payment formula.

Terminal-illness Disability Assistance Payments

Terminal Illness – Disability Assistance Payments are payments that may exceed the annual LDAP limit if certification from a medical doctor that the beneficiary is not likely to live more than 5 years is presented to the financial institution. The year of certification and the following five years are referred to as “specified years.” During a specified year, any amount up to the total in the RDSP, may be withdrawn (less the holdback amount).

These payments can be made whether federal government or private contributions are greater.

Financial institutions are required to offer these types of payments.

Repayment of Grant and Bond (Ten Year Rule)

Anyone who receives a federal government contribution (Grant or Bond) must wait ten years after the last Grant or Bond has been received before withdrawing any payments. If the beneficiary decides to withdraw before the 10 year waiting period has passed, they will be required to repay to the federal government an amount called the holdback amount: any Grant and Bond received within the last ten years (not including interest).

Example – If you receive the Grant and Bond for 20 years (\$90,000), in order to benefit from the full amount you have received, you would need to wait another 10 years before you started to withdraw from the plan. If you got to that 20 year point and decided that you could not wait another 10 years, you would be allowed to take out a payment but the beneficiary in question would have \$45,000 taken back by the Government (not including interest).

Note: (flexible) Disability Assistance Payments; (beneficiary requested) Disability Assistance Payments; (terminal illness) Disability Assistance Payments - and the “Ten Year Rule” are not terms used in legislation or regulations. They are terms that PLAN has coined to assist people in understanding the rules governing the RDSP.

Note 1 The formula:

$$A/(B + 3 - C) + D,$$

Where

- A = the Fair Market Value of the RDSP assets on January 1 of that year, other than the value of locked-in annuities held in the plan;
- B = the greater of 80 and the beneficiary’s age(in whole years) on January 1 of that year;
- C = the beneficiary’s age (in whole years) on January 1 of that year; and
- D = the total amount of periodic payments received by the RDSP in the year under a locked-in annuity held by the RSDP on January 1 of that year.