

## Bank of Montreal to offer Registered Disability Savings Plan

**Bank encourages contributions by Dec. 31**

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By Laura Bobak

Disabled Canadians will be able to establish a registered disability savings plan as of Dec. 22, says the Bank of Montreal, the first bank to offer the RDSP.

The plan is similar to a registered education savings plan in that personal contributions generate government grants that vary according to income and size of contribution. But what's most significant is that the most impoverished disabled Canadians -- those with net incomes under \$21,288 -- will be eligible for bonds without having to make their own contributions. If the disabled person is under 18, the family's net income is used for calculations, but if the person is 18 or over, personal income is used to determine the grants and bonds.

Since many severely disabled Canadians have little to no income, the RDSP will provide a significant annual cash boost, especially if their families are also able to make a contribution.

The grants and bonds will make a difference for Stouffville, Ont. insurance broker Graeme Treeby, co-founder of the Special Needs Planning Group, who has a daughter with cerebral palsy. Treeby's daughter Jenny is 21, and has no income other ODSP, a \$1,500 contribution generates \$3,500 of grant and a \$1,000 bond.

"I'm happy that it's coming out," Treeby says of the RDSP.

But Treeby is disappointed that so far only one bank is offering the program. He also feels rushed since the plan can only be opened Dec. 22, but must be made by Dec. 31, 2008 in order to be eligible for the 2008 grant.

"That doesn't give us a whole lot of time to get things together," Treeby says, adding as an insurance broker, he feels somewhat odd about giving his money to the Bank of Montreal to invest.

"It's unfortunate we only have one player (offering the RDSP) but I'm going to sign up my daughter right away," Treeby says.

Anyone who is eligible for the disability tax credit can establish an RDSP for him- or herself. A parent, guardian or other legal representative can also create an RDSP for an eligible person.

The RDSP is aimed at a small market: families with a disabled family member. And while that represents thousands of people in Canada, the simultaneously launch of the Tax Free Savings Account on Jan. 2 has overshadowed the RDSP.

But David Sharone, product manager of registered plans at BMO Mutual Funds says the bank is thrilled to be the first to offer the program.

"We saw the importance in offering this new registered plan," Sharone says. "We made it happen."

Sharone says there was some talk amongst the banks of pooling their resources to contract an outside vendor to handle the RDSPs, but BMO decided against participating since they would lose control of the customer experience. So BMO decided to keep it internal, and hired an outside vendor to handle the computer operations side.

The plan is also restricted in that, unlike a self-directed RRSP, only BMO products, including mutual funds and GICs, can be purchased for a BMO RDSP. Of course, contributors don't have to buy a product right away, and could simply put in cash before the deadline in order to be eligible for the grants.

According to the federal government, families can contribute up to \$200,000 on behalf of the beneficiary,

until he or she turns 59, and payments to the beneficiary must begin by the end of the year in which the beneficiary turns 60.

Depending on income, over time beneficiaries could receive a total of up to \$90,000 in government money based on only \$30,000 of personal contributions, but the government grants and bonds end when the beneficiary turns 49.

The federal Conservatives have promised they will allow a deceased parent's RRSP or RRIF to be transferred tax-free into the RDSP of a disabled and financially dependent child or grandchild -- as long as it falls within the \$200,000 limit.

Unlike RRSPs, contributions to an RDSP will not be tax-deductible. But the upside is that payments from family RDSP contributions are not considered taxable income, either. However, grants, bonds and investment income earned on a tax-free basis in the plan will be taxable when paid out.

Many Canadian provinces, including Ontario, have publicly stated that they will not claw back Ontario Disability Support Program benefits from RDSP recipients; this issued had been weighing heavily on families who were torn about whether to set aside funds for adult childre only to see them cut off from ODSP.

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