Personal Tax Planning

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Planning with Registered Disability Savings Plans

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The introduction of the registered disability savings plan (RDSP) represents a significant development in facilitating the financial security of persons with disabilities. Commencing in 2008, Canadians with severe and prolonged disabilities who are eligible for the disability tax credit, or those who support them, can contribute up to $200,000 to an RDSP. Tax on the accumulated income and gains is deferred as long as the funds are held in the plan, and contributions can be supplemented through potentially generous government assistance, in the form of the new Canada disability savings grants and Canada disability savings bonds. Withdrawals are partially taxable in the hands of the beneficiary and, in most cases, should not affect eligibility for provincial disability benefits (depending on the province or territory of residence). RDSPs will play an important role, in conjunction with standard disability trust planning, in securing the financial future of disabled individuals in Canada.

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