

# RDSP & HOMEOWNERSHIP SOLUTIONS LAB DESIGN BRIEF

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**This report was produced as part of My Home My Community, a national initiative of the Canadian Association of Community Living and People First of Canada.**

**The Canadian Association for Community Living** is a national federation of 13 provincial-territorial associations and over 300 local associations working to advance the full inclusion and human rights of people with an intellectual disability and their families. CACL is dedicated to attaining full participation in community life, ending exclusion and discrimination on the basis of intellectual disability, promoting respect for diversity, and advancing human rights to ensure equality for all Canadians. CACL leads the way in building a more inclusive Canada for people with an intellectual disability by strengthening families, defending rights, and transforming communities into places where everyone belongs.

[www.cacl.ca](http://www.cacl.ca)

**People First of Canada** is the national voice for people who have been labeled with an intellectual disability. We believe in the right to freedom, choice, and equality for all. We support each other to reclaim our right to be recognized as full citizens through peer support, sharing our stories, developing leadership skills, advocating for our right to choose where and with whom we live, and by ensuring that our voices are heard and respected. We work together to educate and influence communities and government to ensure that all persons with intellectual disabilities are fully included and supported to live as equal citizens in Canada.

[www.peoplefirstofcanada.ca](http://www.peoplefirstofcanada.ca)

**My Home My Community** is a national partnership initiative that is opening doors to inclusive affordable housing for people with developmental disabilities. My Home My Community is driving innovation in housing development and community supports to ensure all persons with developmental disabilities have a home that offers choice and affordability, recognizes rights, addresses support needs, and fosters social inclusion in the community.

[www.myhomemycommunity.ca](http://www.myhomemycommunity.ca)

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## OVERVIEW

Canadians with developmental disabilities experience housing need at twice the rate of the Canadian average,<sup>1</sup> one of the highest rates of any group of Canadians. People with disabilities often have distinct needs for housing that is not only affordable but also accessible. For those with a mobility disability, physical accessibility of their home is an important consideration. However, accessibility extends far beyond ramps and lifts. For individuals with a disability, accessibility may also include the proximity of their home to specific community services or disability supports they may require. Facing high costs, Canadians with developmental disabilities can be pushed into unstable housing situations, into housing poverty, or face barriers to living independently in homes of their own.

The Canada Disability Savings Program was introduced in 2008 to provide a new set of tools to support Canadians with disabilities to achieve financial security. The key instrument of the program is the Registered Disability Savings Plan, a registered savings account. Contributions to the account are made by the beneficiary and/or their families and supporters, and by the Federal government through matching grants and bonds.

The program as currently designed makes it nearly-impossible to use the program to address the largest cost in most households – the cost of housing. Homeownership and other long-term tenure options can provide stability and financial security for Canadians with developmental disabilities. But Canadians with developmental disabilities typically have low incomes and assets, meaning this route is often out of reach.<sup>2</sup>

My Home My Community's RDSP & Homeownership Solutions Lab is intended to develop a potential pathway to leveraging Registered Disability Savings Plans (RDSPs) to achieve homeownership as well as other forms of long-term/secure tenure arrangements (including life lease housing and co-op). Based on initial research and analysis and consultations, a prototype of an approach was developed that would respond to this need. Throughout the RDSP & Homeownership Solutions Lab, the lab will acquire input from the disability and finance community, and other experts to test and refine this potential solution.

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<sup>1</sup> "The Facts on Housing and Persons with Disabilities." May 2018. Canadian Association for Community Living. <https://cacl.ca/wp-content/uploads/2018/05/National-CACL-Fact-sheet-on-Housing-and-Persons-with-Intellectual-Disabilities-Apr-17.pdf>

<sup>2</sup> Jennifer Zwicker, Arezou Zaresani, and J. C. Herb Emery, "Describing Heterogeneity of Unmet Needs among Adults with a Developmental Disability: An Examination of the 2012 Canadian Survey on Disability," *Research in Developmental Disabilities* 65 (June 2017): 1–11, <https://doi.org/10.1016/j.ridd.2017.04.003>.

The **RDSP Homeownership Plan** presents a set of initiatives to offer greater flexibility within the existing Canada Disability Savings Program to encourage greater growth of RDSPs and to make it easier to access those funds for homeownership or alternative long-term tenure options (e.g. life lease housing). The Home Ownership Plan would consist of:

- **Broadening the eligibility for Bonds and Grants.** The government's contributions to Canadians' RDSP savings are tied to the beneficiary's family incomes. However, the income limits mean that support is phased out at levels that exclude many people with disabilities who face housing affordability challenges.
- **Increased flexibility in when people can claim Bonds and Grants.** Purchasing a home requires capital up front. The RDSP Homeownership Plan would provide opportunity to access more of their lifetime allotment when they need it, rather than waiting for a number of years.
- **A new RDSP withdrawal option** that would allow people to withdraw from their accounts without penalty if funds are used for the purchase of a principal residence. Current rules make it very difficult to use savings in one's RDSP plan to purchase a home, at least before they reach their 50s or 60s.

### The Canada Disability Savings Program

The RDSP is part of the broader Canada Disability Savings Program. The Program consists of three parts:

- **Registered Disability Savings Plans** are special financial accounts where people with disabilities and their family members can save in a way that allows for tax-free investment growth, and eligible for government contributions from other parts of the program.
- **Canada Disability Savings Grants** are matching payments from the government to encourage and enhance private contributions. They can be worth up to 3 times the private contribution (depending on family income) and have maximums of \$3,500 in a year and \$70,000 in a lifetime.
- **Canada Disability Savings Bonds** are contributions that the government will make to the RDSP account of an eligible Canadian with low/very modest income, regardless of private contributions. They have an annual maximum of \$1,000 and a lifetime maximum of \$20,000.

This solution does not address the full range of limitations with the design of the Canada Disability Savings Program, especially as they relate to issues other than housing. Nor does the solution address the full range of barriers faced by Canadians with disabilities in accessing homeownership. For example, while higher value grants and bonds or broader eligibility for RDSPs more generally would also be helpful, in this case the focus is on changing the program design to make it more suited to homeownership as a goal, rather than broader improvements to the RDSP. Addressing those issues is essential but falls outside of the scope of this project.

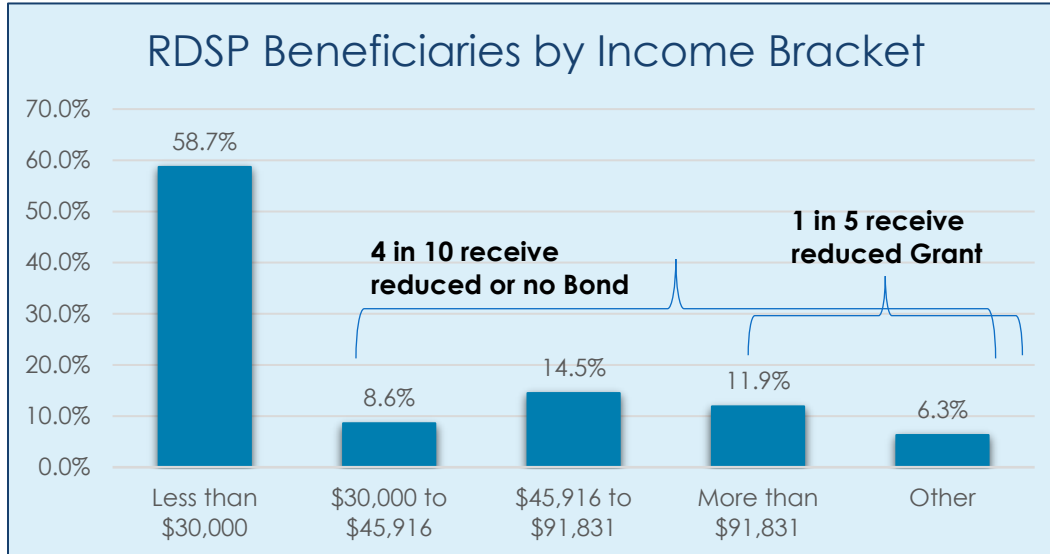
## AN INCREASE TO INCOME LIMITS

To access federal government financial contributions in the form of Canada Disability Savings Grants and Canada Disability Savings Bonds, people with disabilities must fall below certain family income limits.

Bonds are targeted to individuals and families with very low incomes. Only those with less than \$30,000 in family income are eligible for the \$1,000 annual Bond. Those with incomes between \$31,120 and \$47,630 receive a partial grant and those above that level receive no support from the grant. These family income limits are not adjusted for family size, so a family of 4 is subject to the same income limit as a single person, despite different needs.

Matching Grants are available to beneficiaries with higher family income. The maximum matching Grant of \$3,500 per year is available to people with family income up to \$95,259, with a \$1,000 Grant available to those with higher incomes.

This means that many Canadians with disabilities are ineligible to receive the program's full level of support. In 2017, 4 in 10 RDSP beneficiaries had family income above \$30,000, which meant they did not qualify for some or all of the Bond amount. Nearly 1 in 5 did not qualify for the full matching Grant amount.



Source: Employment and Social Development Canada<sup>3</sup>

<sup>3</sup> Canada Disability Savings Program - Annual Statistical Review 2017  
<https://www.canada.ca/en/employment-social-development/programs/disability-savings/reports/statistical-review-2017.html>

These limits exclude many people who would need financial support to achieve housing stability. With the average home price at \$633,000 nationally as of September 2019<sup>4</sup>, beneficiaries with family income above \$95,000 are often still in need of financial support to achieve financial stability through homeownership. And people with developmental disabilities generally have low incomes and would not be in a position to qualify for or support a high-ratio mortgage.

The inclusion of parents' income for beneficiaries under the age of 19 to determine eligibility also runs counter to the goal of the program. Approximately one-quarter of RDSP beneficiaries are under the age of 19. While using family income to consider eligibility is common practice for tax policy and social programs, in this case it makes for poor targeting. Unlike many other programs, family income eligibility in the program is not adjusted for family size. The Canada Disability Savings Program is designed for the long-term financial security of the beneficiary, not for their parents, so it should not be tied exclusively to parental income. Rules in the program effectively prevent access to Bond and Grant funds while beneficiaries are young. Given that the program is designed to support the beneficiary's long-term financial security, it is not clear that parental income should be taken into account.

Access to Bonds is particularly important given that many Canadians have minimal capital to contribute to RDSPs. In 2017, only 59% of plans for people under the age of 49 had private contributions (down from 72% in 2009).<sup>5</sup> Bonds alone are unlikely to provide enough capital for housing, but contributions early in life can benefit from long-term growth and compounding interest, and have an "endowment" effect where providing a base of financial resources encourages further saving.<sup>6</sup>

The income limits for Bonds and Grants are also out-of-keeping with other federal support designed to support homeownership. The new First-Time Home Buyer Incentive introduced by the Government of Canada includes support for home buyers with incomes up to \$120,000,<sup>7</sup> and the Liberal Party committed during the 2019 election campaign to extend that to \$150,000 in household income for people in high cost markets.<sup>8</sup> These are both higher thresholds that exclude Canadians from the majority of support through Grants and Bonds under the RDSP. Other support for home buyers from the Government of Canada

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<sup>4</sup> Canadian Real Estate Association, September 2019 <https://creastats.crea.ca/en-CA/>

<sup>5</sup> CDSP Annual Statistical Review

<sup>6</sup> Dr Jennifer Robson, "Enhancing Access to the Canada Learning Bond," [https://carleton.ca/politicalmanagement/wp-content/uploads/FINAL\\_clean-1.pdf](https://carleton.ca/politicalmanagement/wp-content/uploads/FINAL_clean-1.pdf)

<sup>7</sup> Canada Mortgage and Housing Corporation, "First-time Home Buyer Incentive," <https://www.placetocalhome.ca/fthbi/first-time-homebuyer-incentive>

<sup>8</sup> Liberal Party of Canada, 2019, "More help for first time home buyers and more affordable homes for families," <https://2019.liberal.ca/wp-content/uploads/sites/292/2019/09/2019-backgrounder-homebuyers-EN.pdf>

(e.g. the RRSP Home Buyers' Plan, First-Time Home Buyers' Tax Credit, and GST/HST New Housing Rebate) do not have income limits on eligibility.

## PROPOSED DESIGN ELEMENTS FOR THE RDSP HOME OWNERSHIP PLAN:

- **Double the income limits for eligibility for the full amount of Canada Disability Savings Bonds to \$63,000.** This would better recognize the scope of need for financial assistance to achieve homeownership for people with developmental disabilities, while recognizing that the policy focus of the Bonds is to support people with modest incomes.
- **For beneficiaries under the age of 19, provide half of the bond amount to all beneficiaries regardless of income.** Exempting half of the bond from income testing would recognize that parental income is not well-targeted to the goals of the program and would provide a greater incentive to create RDSPs on behalf of young Canadians with developmental disabilities. This approach would balance some continued targeting of support to families with modest income with a recognition that parental income does not necessarily predict financial need of people with disabilities when they reach adulthood.
- **Create a new income bracket for Canada Disability Savings Grants to expand access.** Current rules provide a single threshold for matching Grants: for family income below \$95,259 the program provides matching Grants worth \$3,500 on \$1,500 of contributions, and above the income threshold the program provides matching Grants worth \$1,000 on \$1,000 of contributions. The government could expand eligibility by creating a new threshold between \$95,259 and \$150,000 of family income (the maximum qualifying income for the First-Time Home Buyers' Incentive. At this threshold, the program could provide 2:1 matching on the first \$1,500 (up to \$3,000 annually). Above this threshold, the current 1:1 matching rate could apply.

## FLEXIBILITY ON WHEN PEOPLE CAN CLAIM GRANTS AND BONDS

Both Bonds and Grants are subject to annual and lifetime limits. This design approach is consistent with other tax-protected savings vehicles for Canadians, such as Tax-Free Savings Accounts, Registered Retirement Savings Plans, and the Grants and Bonds associated with Registered Education Savings Plans.

For the Canada Disability Savings Program, Employment and Social Development Canada offers some flexibility to these limits in the form of “carry-forward” provisions.

Grants can be “carried forward” for up to ten years. Past year entitlements can be claimed even if an account was not open at the time, as long as the beneficiary was eligible based on income and qualification for the Disability Tax Credit. For example, someone who opened an account in 2017 could use the carry-forward for 2008-2016 if they would have been otherwise eligible through that time. Because the carry-forward is structured to apply the oldest and highest matching rate first, it can be a very beneficial way to grow an RDSP quickly.

Unused Bonds can also be carried forward for up to 10 years. As with Grants, eligibility is assessed for past years based on family income in that year and eligibility for the Disability Tax Credit. Because Bonds do not require any matching amounts, this provides a strong boost to new accounts, and an incentive to the many eligible individuals who have not set up accounts (as of 2017, only 31% of DTC-eligible individuals under the age of 50 had RDSP accounts).

	Annual Maximum entitlement	Maximum annual carry-forward	Lifetime Maximum
Canada Disability Savings Bonds	\$1,000	\$11,000	\$20,000
Canada Disability Savings Grants	\$3,500	\$10,500	\$70,000

To access homeownership, Canadians with developmental disabilities need significant access to capital up-front, instead of waiting to accrue that income over their lifetime. Expanding the carry-forward provisions could increase people's flexibility within current lifetime maximums. An additional approach would be to allow beneficiaries to claim future years' entitlements based on current eligibility.

**PROPOSED DESIGN ELEMENTS FOR THE RDSP HOMEOWNERSHIP PLAN:**

- Remove the annual maximum on Canada Disability Savings Grants.** Currently, a 10-year carry forward provision allows participants to claim past entitlements worth up to \$35,000 when they then open a new account. However, they can only claim \$10,500 of those matching Grants within a single year and going forward can only build eligibility at \$3,500 per year for a given year. These limits are arbitrary and don't improve outcomes for beneficiaries. Removing the maximum annual amount would let people build up their accounts as quickly as they are able to or need rather than staging it over a number of years to maximize government contributions.

- **Allow beneficiaries to claim up to 10 future years' Bond amounts towards the purchase of a home.** In addition to the carry-forward provisions on past Bond amounts, a new initiative could allow people to claim an additional 10 years' worth of Bonds (based on what they would be eligible for today). This claim on future benefits could be conditional on purchase of a principal residence within a set time period (similar to RRSP rules under the Home Buyers' Plan). While there would not be value in continuing to income test for those future years (people should not be penalized if the support helps them to achieve greater financial stability), the Bond amounts could be repayable for any years when the beneficiary becomes ineligible for the DTC during that period.

## A NEW RDSP WITHDRAWAL OPTION – THE DISABILITY HOUSING ASSISTANCE PAYMENT

There are currently two types of withdrawals that can be made from RDSPs: lump-sum Disability Assistance Payments (DAPs) and ongoing Lifetime Disability Assistance Payments (LDAP) which must start by the time a beneficiary turns 60. To leverage the RDSP for home ownership, Canadians with developmental disabilities need access to lump sum amounts. However, the existing withdrawal options make this very difficult to achieve. A person under the age of 70 is generally limited to withdrawing 10 percent of the fair market value of the plan as a lump sum. For annual Lifetime Disability Assistance Payments (LDAPs) the maximum depends on the age of the beneficiary at the time of withdrawal (with a lower limit for younger beneficiaries).

Another significant barrier on existing withdrawal options are the penalties in the “Assistance Holdback Amount.” To prevent people from withdrawing Grants and Bonds shortly after they are received, this rule requires beneficiaries to repay \$3 of government Grants and Bonds received in the last 10 years for every \$1 withdrawn. Because government Grants and Bonds are available until age 49, this means a very strong disincentive on any withdrawals before a person has reached their 60s (though those with a plan from a young age may reach their lifetime maximum earlier and be in a position to withdraw money earlier, especially with increased flexibility proposed here).

These limitations are designed to reinforce a program focus on long-term financial security, but in effect are quite restrictive and do not recognize the contribution of homeownership to long-term financial security. Given these limitations, annual withdrawals as a whole from RDSPs remain minimal — in 2017 withdrawals were equal to 0.7% of assets. Because of the penalties, beneficiaries repaid 80 cents of government Bonds and Grants in 2017 for every dollar withdrawn.

## PROPOSED DESIGN ELEMENTS FOR THE RDSP HOME OWNERSHIP PLAN:

- **Introduce a new withdrawal option: The Disability Housing Assistance Payment.** This new withdrawal stream would be available specifically for the purpose of purchasing a principal residence or similar long-term tenure arrangement. It would be designed with the recognition that the purchase of a home provides long-term financial stability and a secure asset. A Disability Housing Assistance Payment would have no maximum withdrawal and would be exempt from the Assistance Holdback Amount, meaning that beneficiaries could access the full value of private and government contributions towards their home purchase.
  - To tie withdrawals to homeownership, the DHAP could mirror rules from the RRSP Home Buyers' Plan (withdrawals would need to be used to build or buy a home by October 1<sup>st</sup> of the year after the year of the withdrawal, and cannot apply to a home you have owned for more than 30 days).
  - Unlike the RRSP Home Buyers' Plan, it would not be appropriate to require annual repayments to the plan – something that the incomes of people with developmental disabilities are unlikely to support. However, to ensure appropriate use the program could include a requirement that if the home is sold within 10 years, any proceeds that are not rolled into the purchase of another home must be returned to the plan. Any repayments would not count towards contribution maximums and would not be eligible for matching Grants.