

RDSP & HOMEOWNERSHIP SOLUTIONS LAB

# OPTIONS TO SUPPORT HOMEOWNERSHIP THROUGH THE CANADA DISABILITY SAVINGS PROGRAM

JANUARY 2020



myHome  
myCommunity

**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.

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**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.

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**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.

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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 coupled with additional needs for disability supports, people with disabilities can be pushed into vulnerable housing situations, may have housing costs absorb a significant portion of their budget, or be prevented from living independently in homes of their own.

Homeownership can provide secure housing and affordable monthly costs for people with disabilities. Data from the Canada Mortgage and Housing Corporation (CMHC) shows that people with disabilities living in owner households are only about one-fifth as likely to be in core housing need than those who rent.<sup>2</sup> Given the high rates of poverty among people with developmental disabilities, with the median gross personal income for individuals with developmental disabilities is \$10,800, based on 2012 data, homeownership is commonly out of reach for Canadians with intellectual disabilities.<sup>3 4</sup>

One of the most effective ways to support the economic security, health, and well-being of adults with developmental disabilities is through long-term housing security. Homeownership or other long-term housing tenure arrangements can significantly reduce the largest ongoing expense in a household budget. Homeownership is generally a significant source of long-term financial security for the two-thirds of Canadian households who own their homes.

Despite a range of policies that promote homeownership for Canadians as a source of financial security, the Canada Disability Savings Program (which includes the Registered Disability Savings Plan) as currently designed is an obstacle rather than a boost for people with developmental disability who want to own their homes. In support of the Registered Disability Savings Plan (RDSP) & Homeownership Solutions Lab process, this options paper identifies potential pathways for reforms to the Canada Disability Savings Program (CDSP)

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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> "Persons with Disabilities: 15% Live in Core Housing Need," accessed August 14, 2019, <https://www.cmhc-schl.gc.ca/en/housing-observer-online/2018-housing-observer/persons-with-disabilities-15-percent-live-core-housing-need>. <https://www.cmhc-schl.gc.ca/en/housing-observer-online/2018-housing-observer/persons-with-disabilities-15-percent-live-core-housing-need>

<sup>3</sup> "Good News for People with Disabilities in the Federal Budget - Maytree," accessed September 17, 2019, <https://maytree.com/publications/good-news-for-people-with-disabilities-in-the-federal-budget/>. Beals, Lalonde & Associates.

"Housing for Adults with Developmental Disabilities." January 18, 2006. [http://publications.gc.ca/collections/collection\\_2011/schl-cmhc/nh18-1/NH18-1-330-2006-eng.pdf](http://publications.gc.ca/collections/collection_2011/schl-cmhc/nh18-1/NH18-1-330-2006-eng.pdf)

<sup>4</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>.

that would make it possible for beneficiaries to use the program to support homeownership or other long-term stable housing arrangements.

The CDSP is available to people with a range of disabilities. While the focus of this paper is people with developmental disabilities, many of the same needs and challenges are experienced by other Canadians with disabilities.

Access to homeownership for people with developmental disabilities depends on a supportive policy environment across a range of areas including legal capacity frameworks, housing investments, and economic and social inclusion more broadly. Given the specific focus of the Solutions Lab, this options paper is also focused strictly on changes to the RDSP/CDSP.

### Alternative tenure arrangements

While the focus of this options paper is on homeownership, these barriers and potential solutions would also apply to different forms of long-term tenure options that can provide independent living, housing stability, and financial security for people with developmental disabilities, including life lease housing and co-op arrangements.

## CONTEXT

From the time it was introduced in 2008, the core objective of the RDSP has been long-term financial security of people with disabilities, alongside other policies aimed at ongoing income support.<sup>5</sup> As a tax-protected savings vehicle, the RDSP was introduced alongside the Canada Disability Savings Grant (CDSG) and the Canada Disability Savings Bond (CDSB), which each include government contributions to individuals' plans.

Through an initial three-year review of the program,<sup>6</sup> and a more recent summative evaluation,<sup>7</sup> the federal government has reinforced the objective of long-term financial security, with a particular focus on reaching people with disabilities from low- and modest-income households. Since 2008 the federal government has made modest changes to program design to improve flexibility in eligibility, contributions, and withdrawals, but has not modified the core structure of the program.<sup>8</sup>

## COVERAGE AND TRENDS

As of the end of 2017 (the most recent data available), there were nearly 170,000 RDSPs in place to benefit Canadians with disabilities. As it stands today, the RDSP does not offer

<sup>5</sup> Employment and Social Development Canada. "Evaluation of the Canada Disability Savings Grant and Bond 2008-2009 to 2011-2012." October 27, 2014. [http://publications.gc.ca/collections/collection\\_2015/edsc-esdc/Em20-25-2015-eng.pdf](http://publications.gc.ca/collections/collection_2015/edsc-esdc/Em20-25-2015-eng.pdf)

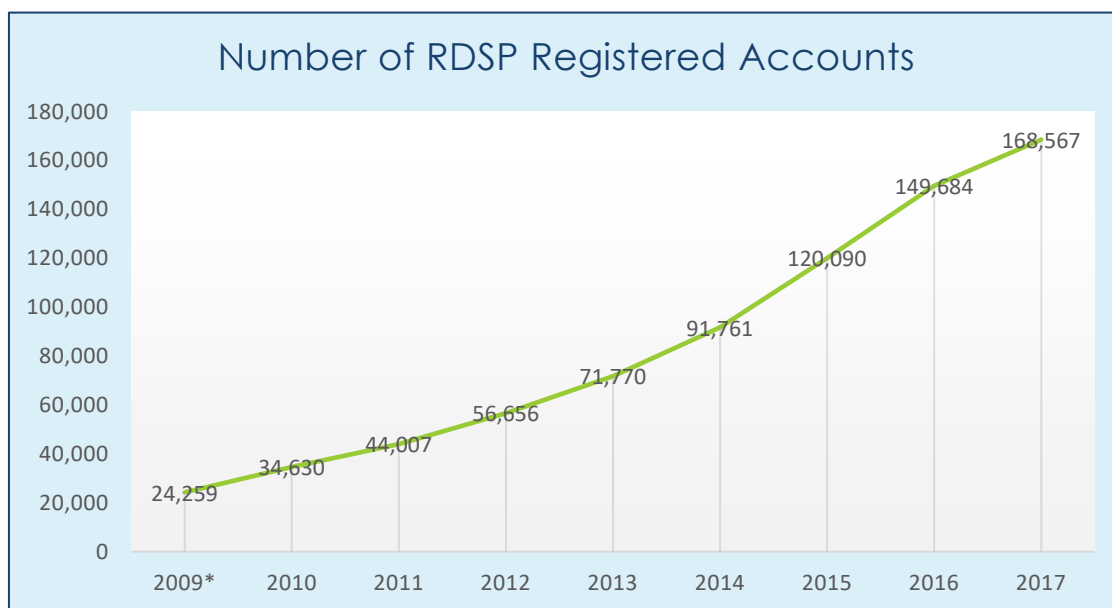
<sup>6</sup> "Good News for People with Disabilities in the Federal Budget - Maytree," accessed September 17, 2019, <https://maytree.com/publications/good-news-for-people-with-disabilities-in-the-federal-budget/>.

<sup>7</sup> Employment and Social Development Canada, "Evaluation of the Canada Disability Savings Program: Phase 2," program results, aem, April 9, 2019, <https://www.canada.ca/en/employment-social-development/corporate/reports/evaluations/canada-disability-savings-program-phase-2.html>.

<sup>8</sup> "Good News for People with Disabilities in the Federal Budget - Maytree."

significant potential for access to homeownership. The average value of assets in these plans is \$25,400. By contrast, the average home sales price is approximately \$500,000 nationally, though it is significantly higher in Greater Toronto and Greater Vancouver/ Lower Mainland, and approximately \$400,000 nationally excluding these markets.<sup>9</sup> Given the high rates of poverty for people with developmental disabilities, access to homeownership cannot depend on large mortgages that require significant incomes to qualify for and maintain.

Withdrawals to date are also modest, given that most plans have not been in effect long enough to accumulate significant assets or to no longer be subject to withdrawal penalties under the 10-year rule. However, current trends suggest that in the longer-term there is potential for significant growth and expanded reach for RDSPs.

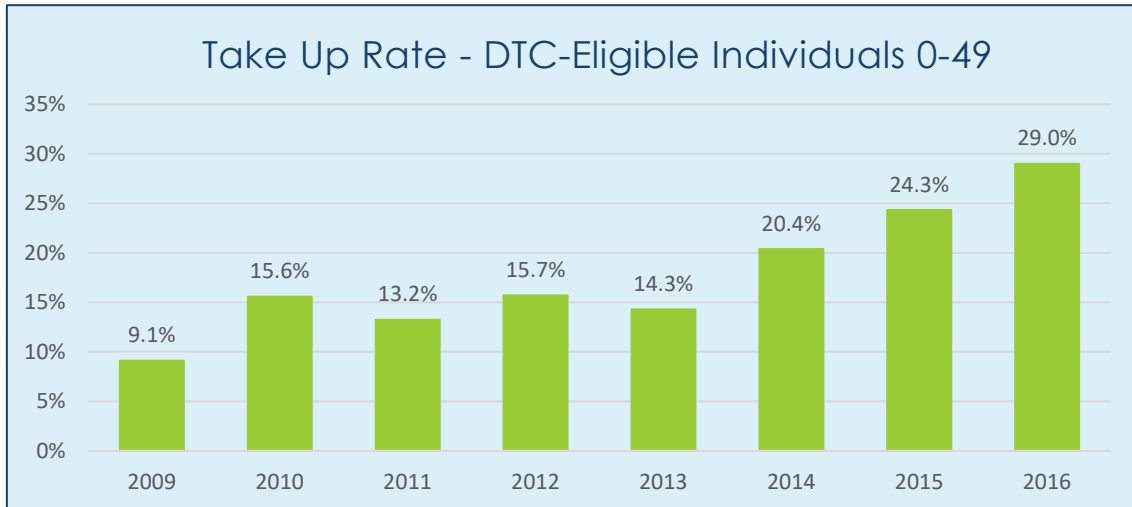


Source: ESDC, Evaluation of the Canada Disability Savings Program: Phase 2

As the RDSP has become established as a tool for people with disabilities and their families, an increasing share of eligible people with disabilities are opening accounts. As of December 2017, 31% of eligible individuals under the age of 50 (those who qualify for the Disability Tax Credit) had done so. This tracks a similar rate to the Registered Education Savings Plan (RESP). At a similar point in the history of the RESP (ten years after the introduction of Canada Education Savings Grants), 36% of eligible children had an RESP that was receiving the Canada Education Savings Grant.<sup>10</sup> As with the RESP, RDSP coverage can be expected to continue to grow as more people become aware of the program and as the design is improved.

<sup>9</sup> Canadian Real Estate Association. "National Statistics" Accessed September 16, 2019. <https://creastats.crea.ca/natl/index.html>

<sup>10</sup> "Canada Education Savings Program: 2017 Annual Statistical Review - Canada.Ca," accessed September 9, 2019, <https://www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings/reports/statistical-review.html>.



Source: ESDC, Evaluation of the Canada Disability Savings Program: Phase 2

Increased size of RDSP accounts can also be expected, as beneficiaries have accounts opened for them earlier in life and benefit from compounding growth in their investments. A beneficiary who was 4 years old at the time the RDSP was launched will turn 16 in the next year. Over half of the RDSP beneficiaries today are under the age of 35.<sup>11</sup> As we see a generation of children who were beneficiaries of RDSPs from a young age, we are likely to see many more adults with developmental disabilities with substantial assets in their plans, benefiting from decades of growth.

Taken together, these trends could make RDSPs a strong vehicle for supporting homeownership and housing stability for Canadians with developmental disabilities, if a supportive policy and program design were in place.

## BROADER POLICY CONTEXT

Canadians have a strong preference for homeownership. More than two-thirds of Canadian households own their homes – a rate that has significantly increased over the last five decades.<sup>12</sup> Public policy at all levels of government supports and encourages homeownership as a source of financial and household stability.<sup>13</sup> Provincial disability support programs also generally support the value and stability of homeownership, even among provinces with very low limits on assets to be eligible for assistance.<sup>14</sup> Federal financial and tax policy includes a number of measures to facilitate homeownership, including the RRSP Home Buyers' Plan, which allows Canadians to withdraw early from their RRSPs without penalty to purchase a home, and exemptions on capital gains taxes for

<sup>11</sup> Technical and Market Analysis report, based on ESDC data up to December 31, 2017.

<sup>12</sup> Statistics Canada Government of Canada, "The Daily — Housing in Canada: Key Results from the 2016 Census," October 25, 2017, <https://www150.statcan.gc.ca/n1/daily-quotidien/171025/dq171025c-eng.htm>.

<sup>13</sup> Sean Speer and Jane Londerville. "A Home to Call our Own: A Federal Strategy for Affordable and Reponsible Home Ownership," November 15, 2017, [https://macdonaldlaurier.ca/files/pdf/MLI\\_FederalHousing\\_webF.pdf](https://macdonaldlaurier.ca/files/pdf/MLI_FederalHousing_webF.pdf)

<sup>14</sup> "Welfare in Canada - Maytree," <https://maytree.com/>, accessed September 14, 2019, <https://maytree.com/welfare-in-canada>

principal residences. While the RDSP has many advantages as a savings vehicle for Canadians with disabilities, the federal government has not extended the same approach of supporting homeownership to people with disabilities.

Any policy approach to support homeownership for people with developmental disabilities must account for the high rate of poverty experienced by people with disabilities. More than 1 in 4 adults with an intellectual disability live in poverty, compared to 1 in 4 for adults with disabilities more generally, and 1 in 10 for Canadians in general.<sup>15</sup> The rate rises to more than 1 in 3 for adults with both an intellectual disability and physical-sensory disability.<sup>16</sup>

## BARRIERS

There are a number of barriers to leveraging the RDSP to achieve financial security for people with developmental disabilities through homeownership. These barriers exist throughout the “pipeline” of the RDSP experience, from barriers to the creation of RDSPs, limits on investments, and withdrawals from the plans.

### Eligibility and access

The Government of Canada uses eligibility for the Disability Tax Credit (DTC) as the screening tool to assess eligibility for the RDSP and other disability supports. The assessment considers whether people face “severe and prolonged impairment” in their basic activities of daily living. The Disability Tax Credit produces a high rate of rejection for people with intellectual disabilities.<sup>17</sup> The requirement to periodically recertify eligibility also serves as a barrier. Changes in 2019 mean that RDSP accounts no longer need to be closed immediately when the beneficiary loses DTC-eligibility, but contributions, grants and bonds are still put on hold.<sup>18</sup>

A recent assessment by the researchers at the University of Calgary School of Public Policy found that only 40 percent of likely eligible working-age adults are currently eligible for the DTC.<sup>19</sup> In addition to high rejection rates, other barriers include the non-refundable nature of the DTC (which makes it of very low value for people with low-incomes) along with the complexity and cost of the application process.<sup>20</sup>

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<sup>15</sup> Statistics Canada Government of Canada, “Low Income among Persons with a Disability in Canada,” August 11, 2017, <https://www150.statcan.gc.ca/n1/pub/75-006-x/2017001/article/54854-eng.htm>.

<sup>16</sup> Government of Canada.

<sup>17</sup> Sherri Torjman, “Disability Policy: From Remedies to Rights,” December, 2018, <https://maytree.com/wp-content/uploads/Disability-policy-from-remedies-to-rights.pdf>

<sup>18</sup> Employment and Social Development Canada, “Notice # 347 - Changes Proposed in Budget 2019 to the Registered Disability Savings Plan,” guidance; policies, aem, June 26, 2019, <https://www.canada.ca/en/employment-social-development/programs/disability/savings/issuers/bulletins/notice-2019-347.html>.

<sup>19</sup> Stephanie Dunn and Jennifer Zwicker, “Policy Brief: Why is Uptake of the Disability Tax Credit Low in Canada? Exploring Possible Barriers to Access,” January, 2018, <https://www.policyschool.ca/wp-content/uploads/2018/01/Disability-Tax-Credit-Dunn-Zwicker.pdf>

<sup>20</sup> Dunn and Zwicker

### Maximum limit on contributions

Unlike the RRSP, or Tax Free Savings Account (TFSA), there is no annual maximum on contributions to the RDSP, but there is a lifetime maximum of \$200,000 in personal contributions. Even accounting for investment growth, this maximum falls short of the cost of buying a home without a mortgage.

### Eligible investments

RDSP accounts can hold a wide range of securities, similar to RRSPs or RESPs – stocks, bonds, mutual funds, ETFs, cash, etc. However, they do not allow RDSP plan holders to invest in housing *within* an RDSP, whether directly purchasing and holding the asset within the RDSP or through an alternative financial instrument.

### Government Grant and Bond size

Government matching grants have a maximum of \$3,500 annually and \$70,000 over a lifetime, and bonds for lower-income individuals have an annual maximum of \$1,000 and a lifetime maximum of \$20,000. Unused grants and bonds can be carried forward if the beneficiary qualified for those years, to an annual maximum of \$10,500 for grants and \$11,500 for bonds.

Only those with family income consistently under \$30,500 would qualify for this full \$90,000 in lifetime contributions. These lower-income Canadians with disabilities are far more likely to rely on RDSPs as their main savings vehicle than middle- and upper-income Canadians with disabilities.<sup>21</sup> Given limited other sources of funds, limited grant and bond amounts limit the potential of the RDSP for homeownership.

### The 10-year rule

RDSPs are designed to encourage people with disabilities and their families to save for the long-term, without making withdrawals. In most cases, if a beneficiary makes a withdrawal, they would have 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). For plan holders under the age of 50, government contributions outnumber private contributions to the accounts by more than a 2:1 ratio.<sup>22</sup>

Withdrawal penalties not only make it nearly impossible to withdraw capital to purchase a home, they also make it very difficult to withdraw more modest amounts from an RDSP on an annual basis for a mortgage or home maintenance costs. 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.

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<sup>21</sup>Canada, “Evaluation of the Canada Disability Savings Program.”

<sup>22</sup> Draft Technical and Market Analysis paper

## Withdrawal maximums

There are two types of withdrawals that can be made from RDSPs: lump-sum “Disability Assistance Payments (DAPs) and ongoing Lifetime Disability Assistance Payments which must start by the time a beneficiary turns 60. Both have maximums that can be withdrawn in each year (beyond withdrawal penalties/holdbacks). For lump-sum DAP withdrawals, the maximum for someone under the age of 70 is generally 10 percent of the fair market value of the plan. 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).

## POTENTIAL RESPONSES

### IMPROVEMENTS TO ELIGIBILITY AND ACCESS

The first hurdle to clear in ensuring that Canadians with developmental disabilities can leverage the RDSP as a tool to access home ownership is to ensure more individuals have access to RDSPs in the first place. Using the Disability Tax Credit to determine eligibility for the RDSP means that the majority of people who report qualifying disabilities will not be eligible. The DTC is skewed towards physical disabilities, with disproportionate rejection rates for people with neuro-developmental disabilities.<sup>23</sup>

#### Options:

- **Decouple the RDSP from the Disability Tax Credit.** A new eligibility test could be created with broader criteria and fewer ongoing requirements, more suited to the goals of the RDSP and the population it is intended to serve. However, a new test could bring its own unintended consequences and runs counter to government preference for simplification.
- **Broaden eligibility to include qualification for other federal and provincial disability programs.** Alongside the Disability Tax Credit, eligibility for other federal or provincial disability support programs could be treated as equivalent ways of qualifying for the RDSP.<sup>24</sup> Provincial-territorial assessments are generally more inclusive of the needs of people with developmental disabilities.
- **Remove or reduce the requirement for people with developmental disabilities to reapply for certification.** For disabilities that are lifelong in nature, this only serves to create administrative burden and risk to people with lifelong disabilities. The federal Disability Advisory Committee to the Minister of National Revenue has recommended retaining eligibility for other federal programs where DTC is the gateway, even when DTC eligibility has been revoked.<sup>25</sup>

<sup>23</sup> Standing Senate Committee on Social Affairs, Science and Technology, “Breaking down barriers: A critical analysis of the Disability Tax Credit and the Registered Disability Savings Plan,” June, 2018, [https://sencanada.ca/content/sen/committee/421/SOCI/Reports/2018-06-18\\_SS5\\_RDSP-DTC\\_FINAL\\_WEB\\_e.pdf](https://sencanada.ca/content/sen/committee/421/SOCI/Reports/2018-06-18_SS5_RDSP-DTC_FINAL_WEB_e.pdf)

<sup>24</sup> Dunn and Zwicker; Standing Senate Committee on Social Affairs, Science and Technology; Disability Advisory Committee to the Minister of National Revenue, “Enabling Access to Disability Tax Measures,” 2019, <https://www.canada.ca/content/dam/cra-arc/corp-info/aboutcra/dac/dac-report-en.pdf>

<sup>25</sup> Disability Advisory Committee to the Minister of National Revenue

- **Automatic creation of RDSP accounts<sup>26</sup>**: There are different approaches the government could use to actively create RDSPs on behalf of eligible beneficiaries.
  - For the Child Trust Fund in the UK, the government created an auto-enrollment system where all children received a voucher to open an eligible account with a financial institution, and if they did not do so within 12 months, the government opened an account on the child's behalf, which could ultimately be handed over to the parents.<sup>27</sup> Of the 6.6 million accounts opened over the course of the program, 1 in 4 were opened by the government.<sup>28</sup> The process could be initiated with qualification for the Disability Tax Credit or the Canada Child Disability Benefit, or through other triggers if eligibility were broadened.
  - **The government could create its own RDSP accounts outside of traditional financial institutions on behalf of individuals with disabilities.** Building on the carry-forward provisions of the Bonds and Grants, the Government of Canada could actively set aside eligible bonds and grant entitlements in its own accounts, without going through a financial institution. Jennifer Robson of Carleton University proposed a similar model for RESP alternatives to improve take-up of the Canada Learning Bond. The new Canada Training Benefit includes elements of this approach, creating “notional accounts” of training benefit dollars that can be monitored by individuals.
  - At a minimum these government-created accounts could contain the Bond amounts and would benefit from long-term investment growth if begun at an early age. Through an endowment and awareness effect they could also encourage greater private investment.

## INITIATIVES TO GROW THE RDSP ASSETS AVAILABLE FOR HOMEOWNERSHIP

Ten years into the life of the program, the average RDSP does not hold assets anywhere near what would be needed to purchase or make a substantial down-payment on a home. Through changes to contribution limits and the structure of the Canada Disability Savings Program, the government could make the RDSP a more viable policy tool to support homeownership and housing stability.

### Options:

- **Increase contribution limits.** The \$200,000 lifetime limit of personal contributions does not match the financial needs of people with disabilities. Unlike RRSPs, contributions come from after-tax dollars so increasing contribution limits does not lead to a significant increase in program costs. The \$50,000 lifetime limit for RESPs is closer to alignment with the costs of education. A doubling of the lifetime personal contribution limit would make it possible to save enough for the average price of a home within the RDSP.

<sup>26</sup> This option would have to be considered with full consideration of legal capacity implications in line with Article 12 of the UN Convention on the Rights of Persons with Disabilities, which Canada has ratified. CACL does not promote the legal removal of a person's deemed competency for any reason.

<sup>27</sup> Jennifer Robson, “Enhancing Access to the Canada Learning Bond,” December 2, 2016,

[https://carleton.ca/politicalmanagement/wp-content/uploads/FINAL\\_clean-1.pdf](https://carleton.ca/politicalmanagement/wp-content/uploads/FINAL_clean-1.pdf)

<sup>28</sup> Robson

- **Enhance the Canada Disability Grants and Bonds.** Increasing the annual and lifetime maximums for Grants and/or Bonds would increase the ability of Canadians with developmental disabilities, who face very low average incomes, to accumulate enough assets for homeownership. Increasing the maximum income levels for Grant and Bond eligibility would also increase assets for a number of beneficiaries. Government matching contributions to personal savings for homeownership has also been recommended by researchers to support homeownership by lower- and middle-income Canadians more broadly in the context of rising housing prices.<sup>29</sup> While increasing Grant and Bond values overall would be a significant investment (with significant impact), more targeted measures related to housing could also be considered, including:
  - **Allowing beneficiaries to “borrow forward” future years’ entitlements.** Beneficiaries could be allowed to apply for some or all of future year bonds and grants for which they would be entitled, up to the lifetime maximum. This could include treating investment in a home as a matching investment to attract grants. This would recognize the significant up-front capital needs to buy a home. This provision could be limited to those who purchase a home within the next 12-18 months, similar to the RRSP Home Buyers’ Plan.
  - **Increasing the amount of past entitlements to Grants covered by the carry-forward provision.** If a new RDSP holder wants to “catch up” on past matching grants, they can only do so to an annual maximum of \$10,500. While that is a significant opportunity for most people, a person looking to purchase a home in the coming years may wish to move more quickly. This limit could be raised, and/or an exception created for those in the process of purchasing a home.

## IMPROVEMENTS TO ALLOW ACCESS TO RDSP FUNDS FOR HOME OWNERSHIP

Even if RDSP take-up were to grow significantly and the average account were to increase in size substantially to match the cost of homeownership, people with developmental disabilities would not be in a position to use the RDSP for homeownership without significant changes to allow them to use those funds without heavy penalties.

### Options:

- **Reduce the 10-year waiting period and/or reduce the Assistance Holdback Amount.** By reducing the 10-year waiting period or reducing the size of the penalty repayment, beneficiaries could more easily access funds. The Senate Standing Committee on Social Affairs, Science and Technology recommended reducing the waiting period from 10 years to 5.<sup>30</sup> However, even a reduced penalty or waiting period likely represents a significant hurdle for beneficiaries of middle age or younger.
- **Create an RDSP Home Buyers’ Plan.** The existing RRSP Home Buyers’ Plan allows Canadians to withdraw up to \$35,000 each from their RRSP without penalty as long it put towards the purchase of a home. Income tax on the withdrawal is also deferred, as long as the withdrawal is repaid to the plan over a 15-year period. A similar exemption could be created for the RDSP, with a different structure

<sup>29</sup> Speer and Londerville

<sup>30</sup> Standing Senate Committee on Social Affairs, Science and Technology

recognizing the different needs and context for RDSP beneficiaries to achieve financial security (e.g. a higher withdrawal amount). An RDSP Home Buyers' Plan could feature a waiver of the 10-year waiting period and other withdrawal restrictions/penalties when put towards a principal residence. Because the home itself would be a source of financial security, there would be less need to require a repayment to the plan, though it could be combined with an adjusted requirement to maintain ongoing contributions to the RDSP.

- **Create a Disability Homeownership Assistance Payment stream of RDSP withdrawals.** Rather than withdrawing capital to purchase a home outright, an alternative to Lifetime Disability Assistance Payments could be created to provide regular withdrawals to cover a mortgage. For example, this type of plan could be designed to provide payments over a typical 25-year mortgage amortization. This would depend on a similar waiver to the 10-year rule.
- **Expand the eligible investments for an RDSP to include investments in a home.** RDSP rules could be changed so that the purchase of a home could be considered an investment *within* the RDSP, so that the purchase would not be considered a withdrawal. There are multiple models for this:
  - Title to the home could be held within the investment account. This would require fairly substantial changes to the operation of the program which relies on traditional investment accounts at financial institutions.
  - Alternative financial instruments (where the RDSP could invest in an asset that owns the home indirectly, or in a pooled investment in an affordable housing project with tenure rights). Many of these types of investments would typically be limited to “accredited investors” under securities regulations aimed at protecting investors when investing in complicated financial instruments that don't issue a standard prospectus.
- **Align the RDSP with the First-time Home Buyer Incentive.** The new First-time Home Buyer Incentive provides significant capital contributions from the federal government to assist with the purchase of a home, repayable on sale or after 25 years. A new withdrawal exemption could be created within the RDSP to allow for a withdrawal after 25 years for a person with disabilities who has benefited from the First-time Home Buyers' Incentive and has not sold their home. Adjustments would also be needed to the First-time Home Buyer Incentive program to make it an effective avenue for people with developmental disabilities, particularly around the rules that tie the size of the incentive to household income. (see Appendix for a brief summary).

## ANALYSIS

While this paper has proposed a range of potential options that could allow Canadians with developmental disabilities to leverage the RDSP program for homeownership, some have a greater likelihood of adoption than others. Successive federal governments have reinforced a policy objective of long-term savings for the RDSP. Options that provide a more targeted exemption for homeownership (such as a potential RDSP Home Buyers' Plan) would likely be more appealing to the federal government than those that shift the

emphasis of the program more broadly, such as an across-the-board reduction of the waiting period or Assistance Holdback Amount.

Many of these potential options can be effectively framed as changes to treat people with disabilities equitably with other Canadians. The RRSP Home Buyers' Plan allows a very favourable option to withdraw cash from RRSP to purchase homes, and the limit was raised from \$25,000 to \$35,000 in 2019. More broadly, federal housing policy is heavily tilted towards homeownership, but without program designs that facilitate people with developmental disabilities from sharing in the economic and social benefits that come with homeownership.

While leveraging funds within the RDSP to purchase homes or other investments in housing stability would avoid the need to change withdrawal rules, this would run against well-established boundaries in regulation in our financial system. Across different federal initiatives to promote savings (RRSPs, TFSAs, RESPs), accounts are generally limited to standard financial institutions and standard savings products and securities. Opening the RDSP to hold other types of assets (e.g. real estate, non-public securities) would create a precedent that the federal government is unlikely to support for other savings accounts, and exemptions to accredited investor requirements are unlikely for the RDSP in particular.

There is some international precedent for withdrawals without penalty from disability savings accounts to pay for housing. ABLE accounts, an RDSP-like vehicle created in the US in 2014, allows beneficiaries to withdraw without penalty for housing along with education, assistive technologies, and a wide range of "qualified disability expenses."<sup>31</sup> In Australia, Special Disability Trusts can pay for all reasonable accommodation expenses, including purchasing and maintaining a home.

While withdrawal rules are the most immediate obstacle to leveraging the RDSP for home ownership, program design to support homeownership for people with developmental disabilities should look at the full "life cycle" of the program starting with eligibility and intake. Changes to improve access to withdrawals in the absence of policies that help people with disabilities access the program and to grow the assets in their plans are unlikely to help more than a small number of people with developmental disabilities achieve homeownership, given modest plan sizes.

## APPENDIX: FIRST-TIME HOME BUYER INCENTIVE

To support access to homeownership among first time buyers with more modest incomes, the federal government introduced in Budget 2019 a new program run by Canada Mortgage and Housing Corporation called the First-Time Home Buyer Incentive. The incentive is a "shared equity" program where the government makes a contribution alongside the purchaser to the home, repayable either on the sale of the home or after 25 years. CMHC shares in the appreciation of the home – getting a proportional percentage of the ultimate sales price.

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<sup>31</sup> ABLE National Resource Center. "Understanding how ABLE funds can be used," Accessed September 13, 2019, <https://www.ablencr.org/get-started/what-can-funds-be-used-for/>

The incentive is available for either 5% or 10% of the value of a new construction home, and up to 5% of a resale home. It is available to Canadians with family income up to \$120,000, and total borrowing is limited to 4 times qualifying income. The program is set to be available as of November 1, 2019. The government has allocated \$1.25 billion over 3 years to the program.