

Financial Planning for Those with Disabilities

Bill just wrote his last high school exam ever. He's a straight-A student and has been accepted at one of the country's top universities to begin a degree this Fall which will open many doors that will in turn lead to a world of opportunities for him. His future looks golden.

There's just one thing that's bothering him: Bill's younger brother has a disability that will be with him for life, and Bill knows that the two brothers' lives are destined to take very different paths. Bill worries about his brother's future – he loves him and wants him to live the best life possible. Bill knows his parents won't be there forever to take care of his brother, and that eventually it will be Bill's responsibility to ensure his younger brother's life is lived with dignity. Bill begins to worry about what should happen, if he himself were to become disabled and unable to care for himself and his brother – heavy thoughts for a young man with such a bright future ahead.

Bill's right to be concerned, as the disabled are a sizable and growing demographic in Canada. Currently over 27% of Canadians over 18 have a disability; only 62% of Canadians aged 25-64 have jobs, compared with 78% of Canadians without disabilities; and only 36% of those who qualify for a Registered Disability Savings Account have opened oneⁱ.

Why so few Canadians with disabilities are taking full advantage of the help that's already available to them is unclear, but I suspect it owes to cultural factors which make facing uncomfortable issues like disabilities – especially children's disabilities – difficult. What's more, many are likely of the belief that existing government programs will be there to help.

It's true that there are existing government initiatives which help those with disabilities and their families cope with the added costs. For example, if a child is under 18 and qualifies for the Disability Tax Credit, they may be eligible for the Child Disability Benefit, a supplement to the Canada Child Benefit and Children's Special Allowances payments, which helps low- and modest-income families who care for a child under age 18 with a severe and prolonged mental or physical impairment. Other potential tax benefits include childcare expense deduction, transfer of the Disability Tax Credit from a spouse, common-law partner or dependent, Canada Caregiver credit, tuition credit and medical expense credit. Plus, there's a new initiative about to begin: the Canada Disability Benefit is a program set to start in July 2025 which will pay a maximum \$200 per month to eligible applicants. The burning question, of course, is whether government benefits programs will be enough.

The aforementioned government assistance programs have one thing in common: they all must be applied for in order for anyone to receive benefit. What's more and also worrisome is that they could all see benefits reduced or eliminated if future governments decide they need to go. A proactive step to mitigating this risk is to open a Registered Disability Savings Plan (RDSP): once the Disability Tax Credit is applied for and approved, satisfying the "severe and prolonged" disability criteria, the door is opened to individually funded plans for the benefit of the disabled

The RDSP is a long-term savings plan that offered the person with a disability assisted savings via individual contributions, government grants and bonds as well as tax-deferred growth. Payments from the RDSP which begin when the beneficiary turns 60 will not interfere with existing government support payments. Applicants must be residents of Canada with a valid Social Insurance Number,

and under the age of 49 in order to receive government grants or bonds. Where family income is under \$114,750ⁱⁱ, a \$1,500 annual contribution by the creator of the RDSP will receive maximum grant of \$3,500 that year, to a maximum of \$70,000 in grant money over the life of the RDSP.

Let's look at how this works: a \$1,500 personal contribution plus \$3,500 government grant per year to the maximum available over 20 years will be worth \$1.16 million in 60 years, versus \$530,375 without the grant, assuming an annual return of 5% (subject to market forces, not guaranteed).

For families without the means to make a contribution, the Canada Disability Savings Bond can contribute to the RDSP on behalf of the disabled a maximum of \$1,000ⁱⁱⁱ per year to a lifetime maximum of \$20,000. A \$1,000 government bond contribution per year to the maximum available over 20 years will be worth \$232,784 in 60 years, versus \$0 without the bond, assuming an annual return of 5% (again, not guaranteed).

Just like the other government-sponsored assistance programs currently available, people need to apply for the RDSP in order to get the benefit. So few have taken advantage of this opportunity to dramatically increase the amount of money available to a person with a disability, and that needs to change if we want those with disabilities to live with the dignity we want them to have.

As it turns out, Bill's parents were lucky to learn about the benefits of the RDSP and set one up for Bill's little brother the year in which he was born. Here's another valuable step they took, one which will benefit both their children long after the parents are gone: they consulted a lawyer and had provisions for the creation of a Henson Trust written into their Wills.

A Henson Trust provides choices that can help set your mind at ease, knowing that once you've passed away, your loved ones with a disability will still be cared for financially. The assets in the Trust created by your Will are completely separate from those belonging to the disabled individual. As such, they aren't counted as belonging to the disabled and therefore have no impact on his or her disability credits. You choose the trustee, a trusted person who will manage the property that is inside the Trust, and when payments are made. In this case, Bill could be named trustee over his brother's financial affairs. As a key objective is to maintain social assistance benefits, this fully discretionary trust is the best choice. As per the terms and conditions of the Trust, the trustee Bil will be granted the discretionary authority to use the income and assets that were transferred to the trust for the disabled brother's benefit, without having the disabled brother's other benefits clawed back.

The Henson Trust, combined with a RDSP, will give Bill peace of mind, knowing that he can pursue his own dreams and also care for his brother using the assets their parents left for him.

If you are someone you care about are in a similar situation as Bill's family, please give me a call. I'd love to help plan for all family members' benefit.

Sincerely,

Sean May CFP, CIM, FCSI

ⁱ [Statistics Canada, Canadian Survey on Disability, 2017 to 2022 & World Health Organization](#)

ⁱⁱ 2025 threshold

ⁱⁱⁱ For 2025, income of less than \$37,487