DESIGNING A RDSP HOMEOWNERSHIP PLAN

FINAL REPORT: EXPLORING THE CANADA DISABILITY SAVINGS PROGRAM FOR HOMEOWNERSHIP

JUNE 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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EXECUTIVE SUMMARY

All people in Canada deserve a safe, affordable place to call home. But for too many people with developmental disabilities, homeownership is out of reach. Canadians with disabilities are more likely to be in Core Housing Need, at 15% versus 9% for people without disabilities.[1]

For the many people with developmental disabilities who want the quality of life and housing stability offered by homeownership, the financial barriers are significant. With an average income less than half that of Canadians without a disability, homeownership can be out of reach.[2]

But even for Canadians with developmental disabilities who have resources, public policy works to create barriers rather than on-ramps. The federal government's cornerstone policy to support the long-term financial stability of Canadians with disabilities is the Canada Disability Savings Program (which includes Registered Disability Savings Plans or RDSPs). With over $4 billion in assets invested to benefit Canadians with disabilities, RDSPs could be a significant tool to help Canadians with disabilities own their homes. But the current policy design makes it nearly impossible to use these savings for homeownership.

> **What is Core Housing Need?**
>
> Core Housing Need is a measure used by CMHC to help identify individuals in need of housing assistance. The concept looks at whether individuals live in housing that is overcrowded or in poor repair, and whether the household has the financial means to access acceptable housing in their community.

Homeownership can be a significant source of housing stability and long-term financial security. Data from the Canada Mortgage and Housing Corporation (CMHC) shows that people with disabilities living in homes they own are one-fifth as likely to be in Core Housing Need than those who rent.[3] People who own their homes over the long-term can have more predictable and lower monthly shelter costs as well as an asset for their long-term financial security.

1 Canada Mortgage and Housing Corporation (2018), "Persons with Disabilities: 15% Live in 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
2 My Home My Community, "The Facts on Housing and Persons with Intellectual Disabilities,"- https://cacl.ca/wp-content/uploads/2018/05/National-CACL-Fact-sheet-on-Housing-and-Persons-with-Intellectual-Disabilities-Apr-17.pdf
3 Canada Mortgage and Housing Corporation (2018), "Persons with Disabilities: 15% Live in 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

For many Canadians, federal policy recognizes the links between homeownership, housing stability, and long-term financial security. Policies to support homeownership include the RRSP Home Buyers' Plan, the First-Time Home Buyer Incentive, and the Home Buyers' Amount. The RRSP incentive allows people to make significant withdrawals from their Registered Retirement Savings Plans toward s a home purchase without penalty. For people with disabilities, the design of the Registered Disability Savings Plan does not allow for similar withdrawals without significant penalties.

People with developmental disabilities deserve access to the same range of housing options as other Canadians. While homeownership may not be a goal for all people with developmental disabilities – just as it is not a goal for every Canadian - public policy should not work against those who want to pursue it.

This report is the outcome of a collaborative Solutions Lab process that focused on unlocking the potential of the Canada Disability Savings Program to support homeownership for people with developmental disabilities. Through the Lab, experts in the fields of policy, finance, law, and disability have worked together to design and test an RDSP Homeownership Plan that would make modest policy changes with significant impact to allow Canadians with disabilities to leverage their RDSP accounts for homeownership.

The plan has three key features:

- **A new withdrawal option** that would allow people to use funds from their accounts without penalty towards the purchase of a home. Current rules make it nearly impossible to use savings in one's RDSP plan to purchase a home, at least before they reach their 50s or 60s.
- **Increased flexibility in when people can match 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 being restricted to accessing only a portion of available grants within a given year, or waiting until much later in life and never being able to use their savings toward a home purchase.
- **Broadening the eligibility for government contributions.** Eligibility for government Grant and Bond contributions to Canadians' RDSP savings is tied to 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.

Taken together, these changes could make homeownership much more accessible for Canadians with developmental disabilities. Financial modeling to test the impact of this solution found that giving RDSP beneficiaries greater access to their own assets substantially changes the housing options available to them, even for individuals with relatively low incomes.

The potential of these changes would be further amplified by complementary policy changes and investments. These include increased investments and access to affordable housing, as well as greater investments in disability-related supports for people with disabilities living in their own home.

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OVERVIEW

In 2008, the Government of Canada created the Canada Disability Savings Program (CDSP), a new program to support Canadians with disabilities build long-term financial security. The CDSP has three pillars – the **Registered Disability Savings Plan (RDSP)**, which provides a tax-free way for savings to grow, matching **Grants** to encourage and boost savings, and **Bonds** to help those with low incomes to build assets for their future.

This new program was based on similar initiatives designed to help Canadians without disabilities save for their retirement and for their children's educations. The program fills a gap where Canadians with disabilities have not had access to the same level of support to build their financial stability as Canadians without disabilities. As of 2017, nearly 170,000 of these accounts have been opened, which hold collectively more than $4 billion in assets.

The potential of the CDSP to contribute to the financial security of Canadians with disabilities is limited however by a narrow design. It can be very difficult for a beneficiary to access their savings before they reach their 60s, despite needs common to other Canadians earlier in life. And unlike Registered Retirement Savings Plans (RRSPs), there is no provision to use the savings to build financial security through homeownership.

In 2019, the Canadian Association for Community Living and People First of Canada convened a Solutions Lab to explore options to leverage the Canada Disability Support Program to allow more Canadians with developmental disabilities to achieve homeownership and housing stability. This collaborative process drew on input from people with lived experience, community organizations, and experts in disability, law, finance, and housing to understand needs and challenges and develop solutions.

The Solutions Lab used this input to shape a new approach: the **RDSP Homeownership Plan**. The plan includes a package of proposed provisions within the Canada Disability Support Program that would make the program a powerful tool for homeownership. This would bring fair treatment to Canadians with disabilities and their families who save through RDSP accounts and would enhance the contribution of the program to the long-term financial security of Canadians with disabilities. Developed and refined through a collaborative process by the Lab, the plan includes:

1. **A new withdrawal option** so that people can access funds without penalty for homeownership
2. **Broader eligibility** for Bonds and Grants to match a goal of supporting homeownership
3. **Flexibility** on when people can claim matching Grants

Taken together, these changes would allow people with disabilities to use their RDSP savings towards homeownership in a way that is similar to the popular RRSP Home Buyers' Plan program, while tailored to the needs and realities of Canadians with developmental disabilities.

This report outlines the need and context for and the design of this solution. It includes some key outcomes of technical analysis, consultations and financial modeling that formed part of the Solutions Lab process. Separate reports on these components are also available.

About this project

This report is the outcome of a "Solutions Lab" process funded by the Canada Mortgage and Housing Corporation as part of the innovation and research component of the National Housing Strategy. A Solutions Lab is a collaborative way of solving complex problems, bringing together stakeholders and policy experts to design innovative solutions. This Solutions Lab was led by the Canadian Association for Community Living and People First of Canada, with advice from: the Institute for Research and Development on Inclusion and Society (IRIS); BGM Strategy Group; PooranLaw; Ability Tax and Trust Advisors (Ability); the New Brunswick Association for Community Living; Inclusion Alberta; and Springboard Policy.

The project began by **gathering information** to understand the needs and the barriers in the current RDSP program, including a technical and market analysis of the program and account holders, as well as current program rules on withdrawals. The project also heard from families, people with developmental disabilities, and provincial-territorial members of the Community Living Federation, who shared their insights and experiences with the RDSP.

The project team used this input to **develop ideas** on ways to improve the RDSP, including increasing flexibility for recipients to access funds at a younger age without penalty. The lab **tested and refined the ideas** by modelling if the proposed changes, such as increasing eligibility to bonds and grants, could make homeownership more attainable in different Canadian markets. Outcomes from the modelling, and proposed policy changes to the RDSP were tested through a series of consultations that included housing, policy, finance, legal, and disability experts. The final policy recommendations are **communicated** in this report.

HOUSING NEEDS FOR PEOPLE WITH DEVELOPMENTAL DISABILITIES

People with developmental disabilities can and do own homes. A variety of ownership approaches have allowed Canadians with developmental disabilities to successfully achieve homeownership and maintain any disability-related support needs. These approaches can include sole ownership of a home with supports for decision-making, joint-ownership shared with a friend or family member, as well as formal trusts.[4] A survey by CACL in 2018 also found that 31.9% of families had assets they were willing to leverage to support a new housing solution for a family member with a disability, and think often of finding a new housing option for their family member.[5]

However, financial barriers to accessing homeownership options are often prohibitive. Many people with developmental disabilities have limited incomes, as well as elevated rates of unemployment, underemployment, and a reliance on income supports (such as social assistance) that makes accessing credit difficult.[6] Data from CMHC shows that Canadians with disabilities are 60% more likely to be in Core Housing Need than people without disabilities. Among people with disabilities, the rate of Core Housing Need is highest between ages 35 and 44.[7] CACL estimates that the need is even higher among people with developmental disabilities, with between 100,000 and 120,000 Canadians with developmental disabilities facing housing needs.[8]

These affordability challenges are one reason nearly 30,000 Canadians with developmental disabilities live in congregate residential facilities (e.g. "group homes"), and over 13,000 live with ageing parents.[9] Group homes and congregate living do not equate to a true home as ordinarily understood and experienced by Canadians

[4] My Home My Community, *Asset Inventory: Understanding the Development Potential for Housing Solutions for People with a Developmental Disability*. March 2019. https://static1.squarespace.com/static/57f27c992994ca20330b28ff/t/5e84ba86f8dfde44a00823e2/1585756808018/MHMC+-+Asset+Inventory+-+FINAL.pdf

[5] My Home My Community, *Asset Inventory: Understanding the Development Potential for Housing Solutions for People with a Developmental Disability*. March 2019. https://static1.squarespace.com/static/57f27c992994ca20330b28ff/t/5e84ba86f8dfde44a00823e2/1585756808018/MHMC+-+Asset+Inventory+-+FINAL.pdf

[6] 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.

[7] Canada Mortgage and Housing Corporation (2018), *Research Insight: Housing Conditions of Persons with Disabilities,* https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/research-insight-housing-conditions-persons-disabilities

[8] Canadian Association for Community Living (2018*), A Right to Housing for All: Ensuring a Human Rights Approach Inclusive of All Persons with Developmental Disabilities*, https://cacl.ca/wp-content/uploads/2018/07/CACLNHSsubmissionJN8-FINAL.pdf

[9] Canadian Association for Community Living (2018), *A Right to Housing for All: Ensuring a Human Rights Approach Inclusive of All Persons with Developmental Disabilities.* https://cacl.ca/wp-content/uploads/2018/07/CACLNHSsubmissionJN8-FINAL.pdf

without developmental disabilities. When living under the auspices of a service provider, individuals do not typically control who they live with, who provides needed support, which facility they will live in, or when they might be moved. These impositions on choice and control of one's environment contribute to the continuing marginalization of people with developmental disabilities. An inability to secure housing also means that nearly 10,000 adults with disabilities under the age of 65 live in hospitals, nursing homes, or other long-term care facilities – even if that level of care is not required.[10]

For many people with developmental disabilities, living in their own home is a primary goal, comparable to the aspirations of many Canadians without disabilities. Participants in consultations held through the Solutions Lab emphasized the personal autonomy, choice, and control over support services made possible by homeownership as particular benefits.[11]

Homeownership can also support long-term financial security and well-being by reducing monthly expenses and reducing exposure to a volatile rent market. People with disabilities living in owned households are about one-fifth as likely to be in Core Housing Need than those who rent.[12] Homeownership is also generally a significant source of long-term financial security for the two-thirds of Canadian households who own their homes.

OVERVIEW OF THE CANADA DISABILITY SAVINGS PROGRAM

The Canada Disability Savings Program was introduced in 2008 to provide a tool for long-term savings for people with disabilities. The program provides a way for people to save for the future through contributions made by the beneficiary or others through tax-advantaged RDSP accounts and government contributions. While there have been some modifications to the rules of the program since 2008, the program remains largely the same as when it was first introduced.

As of 2017, there were nearly 170,000 active RDSP accounts, with total assets of $4.1 billion. The average value of an RDSP account today is modest, at roughly $25,400. These numbers are expected to grow over time, given the program remains quite new, and people have not had the opportunity to build assets for very long.

10 Canadian Association for Community Living (2018), *A Right to Housing for All: Ensuring a Human Rights Approach Inclusive of All Persons with Developmental Disabilities*. https://cacl.ca/wp-content/uploads/2018/07/CACLNHSsubmissionJN8-FINAL.pdf
11 Feedback shared during the RDSP Solutions Lab consultations.
12 Canada Mortgage and Housing Corporation (2018), *Research Insight: Housing Conditions of Persons with Disabilities*, https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/research-insight-housing-conditions-persons-disabilities

The modest amounts also reflect some of the limitations of the program. The narrow rules discourage many people with disabilities from using the RDSP to save. To date 31% of eligible Canadians with disabilities have opened RDSPs.[13] By providing flexibility to use savings for a key financial goal, the proposed RDSP Homeownership Plan developed by the Solutions Lab could strengthen take-up of the CDSP overall.

To open an RDSP, the beneficiary of the account must qualify for the Disability Tax Credit (DTC). The Disability Tax Credit is also used as a "screen" for eligibility for other programs that benefit people with disabilities, such as the Canada Child Disability Benefit. Plans can be opened directly by the beneficiary, or by someone else, such as a parent or guardian.

Personal contributions to RDSPs can be made by the account holder or anyone that the account holder provides permission to. Contributions to an RDSP can occur until the end of the year the beneficiary turns 59. For each account, there is a $200,000 lifetime maximum in personal contributions. Unlike contributions to RRSPs, these contributions are not tax-deductible.

To encourage long-term saving and making personal contributions, the federal government makes financial contributions to RDSPs through Canada Disability Savings Bonds and Grants.

Bonds are designed to support individuals and families with low incomes and are made by the government regardless of whether any personal contributions are made. A beneficiary with family income up to $31,120 will receive the maximum Bond amount of $1,000 annually. An account holder with family income up to $47,630 is eligible for a partial Bond amount, while beneficiaries with family incomes above $47,630 do not receive any Bonds. The overall lifetime maximum for Bonds is $20,000.[14]

Matching **Grants** to encourage saving are available to all RDSP beneficiaries, with greater contributions available to those with less incomes. The Government of Canada will provide $3,500 a year for individuals with income up to $95,259 to match $1,500 in personal contributions. For beneficiaries with incomes above that amount, a $1,000 Grant is available at a 1:1 rate. There is a lifetime maximum of $70,000 in matching Grants and they are available until the end of the year the beneficiary turns 49.

In its reviews of the program, the federal government has emphasized the objective of long-term financial security, with a particular focus on reaching people with disabilities

13 Employment and Social Development Canada, *Canada Disability Savings Program – Annual Statistical Review 2017*. https://www.canada.ca/en/employment-social-development/programs/disability-savings/reports/statistical-review-2017.html#2

14 Employment and Social Development Canada, *RDSP Provider User Guide*. https://www.canada.ca/en/employment-social-development/programs/disability/savings/issuers/user-guide/section3.html#h2.2-h3.2

from low- and modest-income households.[15] This has been defined narrowly, focused on saving throughout adulthood and only withdrawing as a senior.

Under current program rules, withdrawals to recipients typically begin by age 60 through annual Lifetime Disability Assistance Payments (LDAPs). One-time Disability Assistance Payments (DAPs) can be made at any time, however there are significant financial penalties from taking a DAP if the government has made contributions in either Bonds or Grants within the last 10 years.

By providing flexibility to use savings for a key financial goal, the RDSP Homeownership Plan developed by the Solutions Lab could strengthen take-up of the CDSP overall.

SOLUTIONS LAB CONSULTATIONS: WHAT WE HEARD

The RDSP Solutions Lab included consultations with persons with lived experience (including people with developmental disabilities and family members) and disability organizations. Participants were asked what would be helpful to make homeownership easier, and their views on the RDSP.

Participants emphasized that many people with developmental disabilities are capable of owning their own home, and several indicated they owned their own home, or knew someone who did. Owning a home encourages personal autonomy and can provide greater housing stability. However, not everyone wants to be a homeowner. For those with mixed feelings about owning a home, key areas of concern were access to disability-related supports and the ongoing costs of maintaining a home.

When speaking about experiences having an RDSP, many felt the RDSP was a helpful tool for financial stability. However, there are many challenges with the RDSP. Many participants explained that banks and financial institutions lacked knowledge on the process for opening an RDSP and program rules, which limited their ability to support clients. Confusion about program rules also limits uptake. For example, some families may not know government contributions are available through Grants and Bonds, or they may believe they are required to make a sizeable personal contribution to open an RDSP.

Current program rules are a significant problem, and participants emphasized that they limit personal agency. The 10-year assistance holdback amount takes a very narrow view of how people should plan their lives and build for their futures. Participants noted

15 Employment and Social Development Canada, *Evaluation of the Canada Disability Savings Grant and Bond 2008-2009 to 2011-2012: Phase I*. October 27, 2014. http://publications.gc.ca/collections/collection_2015/edsc-esdc/Em20-25-2015-eng.pdf

that tying eligibility to the DTC is also problematic, as many people have been forced to close or pause their RDSP if they lose eligibility for the DTC.

When asked about how to improve the RDSP, particularly to assist with homeownership, participants advocated for better access to their funds without adding program complexity. There was also a strong interest in the option to use RDSP investments to build equity through homeownership, and a preference to not have to repay funds withdrawn from the RDSP for this purpose. Also important to participants was that new mechanisms to withdraw funds not impact social assistance eligibility or other income-tested government programs that support people with disabilities.

BARRIERS TO RDSP SUPPORT FOR HOMEOWNERSHIP

There are three main barriers to people with developmental disabilities leveraging the RDSP for homeownership: eligibility, contribution limits, and withdrawal penalties.

ELIGIBILITY

Tying access to the CDSP to eligibility for the DTC is a significant barrier. Eligibility for the DTC requires that people experience a "severe and prolonged" impairment to their basic activities of daily living. Applying for the DTC is time-consuming, expensive, and can require periodic recertification, even if an individual has a lifelong disability. The requirement that a medical professional fill out parts of the DTC application adds additional barriers for people who do not have a regular healthcare provider. The current DTC eligibility criteria have also created a disproportionately high rate of rejection for people with intellectual, cognitive, psychosocial, or mental health disabilities.[16]

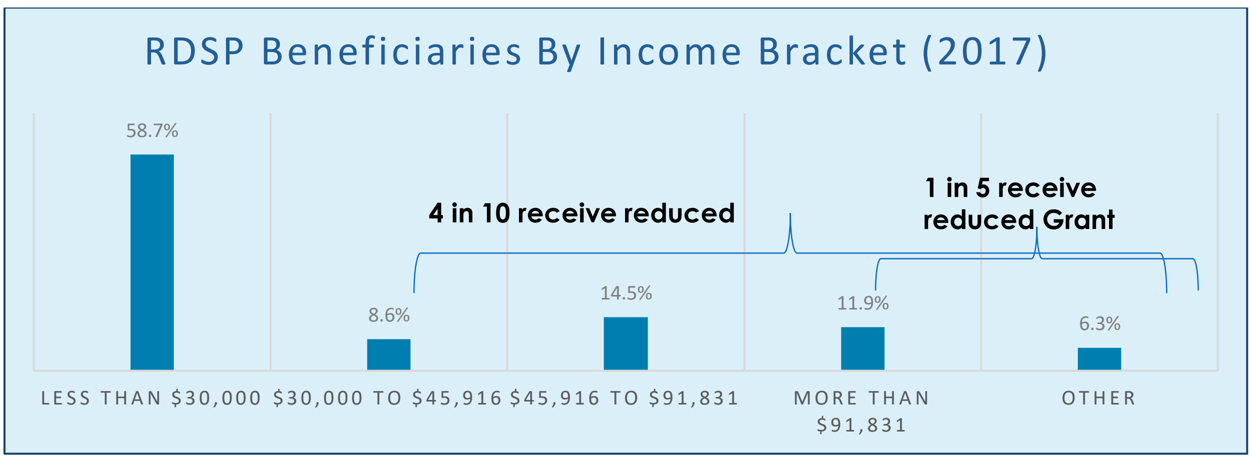
As a result of these combined barriers, uptake of the DTC is low. Researchers at the University of Calgary estimated that only about 40% of working age adults with qualifying disabilities actually receive it.[17] While recent rule changes mean that RDSPs no longer need to be closed immediately if a beneficiary is deemed no longer eligible for the DTC, this still pauses most use of the program until eligibility is reinstated.

[16] Sherri Torjman, "Disability Policy: From Remedies to Rights," December, 2018, https://maytree.com/wp-content/uploads/Disability-policy-from-remedies-to-rights.pdf
[17] 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

CONTRIBUTION LIMITS

Personal and government contribution limits on RDSPs mean that account sizes are not often large enough for a down payment for a home. RDSPs have a firm lifetime maximum of $200,000 in personal contributions which limits how much people can save. However, the RDSP is more flexible within this lifetime ceiling than the RRSP or TFSA, as there are no annual restrictions on the amount a beneficiary can contribute, so long as contributions remain within the $200,000 lifetime limit. In contrast, both RRSPs and TFSAs have contribution room build over time.

Government RDSP contributions, worth up to $90,000 over a lifetime, also have limitations. Income-testing on Bonds and Grants means that more than 40% of all RDSP holders receive only partial government financial support. Only those with family incomes regularly below approximately $30,000 qualify for the total amount. 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 and may not have access to other sources of funding.[18]



Source: Employment and Social Development Canada[19]

18 Employment and Social Development Canada, *Evaluation of the Canada Disability Savings Program*: Phase 2; https://www.canada.ca/en/employment-social-development/corporate/reports/evaluations/canada-disability-savings-program-phase-2.html

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

WITHDRAWAL PENALTIES

Most significant for access to homeownership, the RDSP heavily penalizes withdrawals for most applicants younger than 59 (ten years after eligibility for government contributions end). To date, annual withdrawals from RDSPs have been minimal — in 2017 withdrawals amounted to 0.7% of assets.[20] Because of the penalties, beneficiaries repaid 80 cents of government Bonds and Grants in 2017 for every dollar withdrawn.

Under current rules, lump sum withdrawals are subject to a complex set of rules that limit the size of withdrawals and penalize "early" withdrawals heavily. The assistance holdback requires that beneficiaries repay $3 in government Bonds and Grants in the last 10 years for every $1 withdrawn.

This a significant barrier to the 62% of plan holders between ages 19 and 49 where government contributions generally occur, and the years where a first-time home purchase would generally be most desirable. In the example outlined below, a 29-year-old RDSP beneficiary can only withdraw $5,534 from the $55,338 they have built up in their RDSP — and they would have stiff repayment costs to do so.

Even if there have been no government contributions within the last 10 years, beneficiaries still face withdrawal rules if the RDSP balance has *more* government than personal contributions. In this situation, which is true for most plan holders under the age of 50, people are limited to withdrawing 10% of the RDSP balance in most situations.

RDSP withdrawal penalties in practice

Susan is a 29-year-old resident of Regina, Saskatchewan with an intellectual disability. After being deemed eligible for the DTC at age 3, her parents opened an RDSP on her behalf. They have made regular contributions of $240 each year and received $720 annually in matching grants. Since turning 19, Susan has continued making annual contributions of $240, and has qualified for $1,000 annually in bonds with her modest income.

She currently has a balance of **$55,338** in her RDSP, made up of government bonds and grants, and personal contributions. She is interested in using that balance as a down-payment for her first home.

However, as a result of withdrawal penalties, the maximum she is able to withdraw is **$5,534**. At this amount, homeownership is far out of reach.

20 Employment and Social Development Canada, *Evaluation of the Canada Disability Savings Program: Phase 2*; https://www.canada.ca/en/employment-social-development/corporate/reports/evaluations/canada-disability-savings-program-phase-2.html

Restrictions on withdrawals are at odds with broader federal policies to support homeownership, such as the Home Buyers' Plan which allows tax-free withdrawals up to $35,000 from RRSPs to purchase a home, or the First-Time Home Buyers Incentive, where the government provides 5% or 10% of the home's purchase price towards a down payment.[21] The Home Buyers Incentive, in particular, could be leveraged by RDSP recipients if it were easier to withdraw funds from their RDSP.

RDSP HOMEOWNERSHIP PLAN

To make the RDSP a more effective vehicle to support homeownership, the Solutions Lab is proposing a **RDSP Homeownership Plan**. The plan responds to some of the core barriers to leveraging the RDSP for homeownership and housing stability and gives Canadians with disabilities a comparable and equitable option to the RRSP Home Buyers' Plan, tailored to the different context. While changes to the overall design of the Canada Disability Savings Program (eligibility, Grant and Bond sizes, total contribution limits) were out of scope for this project focused on homeownership, complementary changes in those areas would also enhance the potential impact of this initiative.

The RDSP Homeownership Plan includes three main components:

1. A new withdrawal option so people can access funds without penalty for homeownership
2. Broader eligibility for Bonds and Grants
3. Flexibility on when people can claim matching Grants

A NEW RDSP WITHDRAWAL OPTION – THE DISABILITY HOUSING ASSISTANCE PAYMENT

To remove penalties on withdrawing funds to purchase a home, the plan introduces a **new disability housing payment**. The disability housing payment could be accessed by a recipient at any time for the purpose of purchasing a primary home or other long-term tenure option. There would be no penalties to withdraw the funds, and beneficiaries could withdraw the full balance of their RDSP if they wish.

This payment would be a new withdrawal stream, separate from the one-time Disability Assistance Payments (DAP) or the Lifetime Disability Assistance Payments (LDAP) that begin later in life.

21 Government of Canada, First-Time Home Buyer Incentive. https://www.placetocallhome.ca/fthbi/first-time-homebuyer-incentive

To secure homeownership, many RDSP beneficiaries will need to withdraw the full balance of their RDSP. This is in recognition of high housing costs, limited incomes, and that beneficiaries have had at maximum 12 years to date to contribute to and grow their RDSPs. Funds withdrawn through the Disability Housing Assistance Payment would not need to be repaid, unlike funds accessed through the RRSP Home Buyers' Plan. The modest incomes of most Canadians with developmental disabilities would make repayment difficult, nor does repayment meaningfully support long-term financial security following investment in a home. In effect, an investment in a home and the resultant equity that grows over time can be viewed as another form of RDSP investment, in contrast to mutual funds for example.

In order to support program integrity, if the home is sold within 10 years any proceeds that are not rolled into the purchase of another home should be returned to the plan within a designated period of time. When making repayments, the $200,000 lifetime maximum in personal contributions would continue to apply, with repayments counting against money previously withdrawn from to the plan (i.e., contributions would not be double counted when returned to the plan). Repayments would also not be eligible for matching Grants.

Should a beneficiary who purchased a home pass away within the time period that the assistance holdback amount would normally apply (typically ten years), Grants and Bonds paid by the government would need to be returned by the estate when the home is sold.

BROADER ELIGIBILITY FOR BONDS AND GRANTS

Under current rules, the government's contributions to Canadians' RDSP savings are tied to the beneficiary's family income. However, for many, the income limits mean benefits are phased out at levels where people with disabilities face significant affordability challenges. With an average national home price of $658,300 as of March 2020, the current family income threshold for maximum support for Canada Disability Savings Bonds, at $31,120, is too low.[22] In fact, it is several thousand dollars below the low-income cut off-line in most Canadian jurisdictions, when measured by the federal Market Basket Measure.[23]

To help close the gap in support for low- and moderate-income households, the plan would **double family income limits for eligibility for the full amount of Canada Disability Savings Bonds to $63,000, from the current cut-off of $31,120.** This increase would help

22 Data based on the MLS National Composite Home Price Index. See Canadian Real Estate Association, National Statistics; https://creastats.crea.ca/en-CA/

23 Statistics Canada. Table 11-10-0066-01 Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110006601

recognize the scope of financial assistance needed to achieve homeownership for people with developmental disabilities, while maintaining the policy focus of Bonds on supporting people with modest incomes. Like current rules, Bonds would be income tested above $63,000, with recipients able to earn partial Bond amounts up to incomes of $79,510.

Since parents often open RDSPs for their children with developmental disabilities after they qualify for the Disability Tax Credit, the Solutions Lab recommends changes to how parental income impacts Bond eligibility for beneficiaries. Specifically, **for RDSP beneficiaries under the age of 19, the plan would provide half the Bond amount, or $500, to all beneficiaries regardless of family income.**

This means all recipients under 19 would receive at least $500 annually in Bonds if their household income is above $63,000. Of the $1,000 in total annual Bond amounts, $500 would be exempt from income-testing, while the remaining $500 would be income-tested for incomes above $63,000. Income testing parental income at current rates is not well-targeted to the long-term savings goals of the program, or in recognition that average future incomes for beneficiaries in adulthood are modest.[24]

Lastly, the plan creates **a new income bracket for Canada Disability Savings Grants to provide additional support for families with incomes above $95,259.** Under current rules, the government provides matching Grants up to $3,500 on the first $1,500 invested for households with incomes up to $95,259. A Grant worth $1,000 is available for incomes above that income threshold. However, recognizing the significant expense associated with housing, particularly in large urban areas, the Solutions Lab proposes a new income threshold between $95,259 and $150,000 where the government would provide a 2:1 match — $3,000 in Grants on the first $1,500 invested.

[24] 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.

Broadening eligibility for Bonds and Grants (2019 income levels)[25]		
Component	**Current program**	**RDSP Homeownership Plan**
Canada Disability Savings Bonds	$1,000 annually with household incomes up to $31,120. Income-tested Bond amounts available up to incomes of $47,630.	$1,000 annually with household incomes up to $63,000. For income above $63,000, income-tested Bonds available to $79,510.
Canada Disability Savings Bonds – Beneficiaries under 19	Access to Bonds tied to family income. Maximum Bond amounts of $1,000 restricted to family incomes of $31,120 or less.	$1,000 in annual Bonds up to $63,000. For households with incomes above $63,000, half the amount ($500) is not income-tested, with the remainder income-tested up to $71,255.
Canada Disability Savings Grants	Matching of Grants of $3,500 available on $1,500 of contributions for family incomes up to $95,259. $1,000 in matching Grants above that threshold.	Matching of Grants of $3,500 available on $1,500 of contributions for family incomes up to $95,295. Matching Grants of $3,000 available on first $1,500 of personal contributions for incomes between $95,259 and $150,000; and $1,000 on the first $1,000 of contributions for incomes over $150,000.

FLEXIBILITY ON WHEN PEOPLE CAN CLAIM MATCHING GRANTS

Both Canada Disability Savings Bonds and Grants are subject to lifetime maximums — $20,000 for Bonds and $70,000 for Grants. Under current program rules, there is some flexibility in how beneficiaries can access these resources. These are called "carry forward provisions." For Grants, eligible amounts from up to the past 10 years can be claimed, up to $35,000, so long as the beneficiary was eligible for those years (even if

25 Employment and Skills Development Canada, RDSP Provider User Guide. https://www.canada.ca/en/employment-social-development/programs/disability/savings/issuers/user-guide/section3.html#h2.1-h3.2

they did not have an account open). Similarly, unused Bonds can also be carried forward 10 years. These provisions allow beneficiaries to "catch up" for years that they either did not open an RDSP or were not in a position to contribute.

However, under current rules, only $10,500 worth of matching Grants from past years can be accessed annually, even if a beneficiary has larger past amounts. In contrast, all eligible Bond amounts from the past 10 years can be claimed in one year (up to $10,000 from past years, plus up to $1,000 for the current year).

	Annual maximum amount	Maximum annual carry-forward from past years	Lifetime maximum
Canada Disability Savings Bonds	$1,000	$11,000	$20,000
Canada Disability Savings Grants	$3,500	$10,500	$70,000

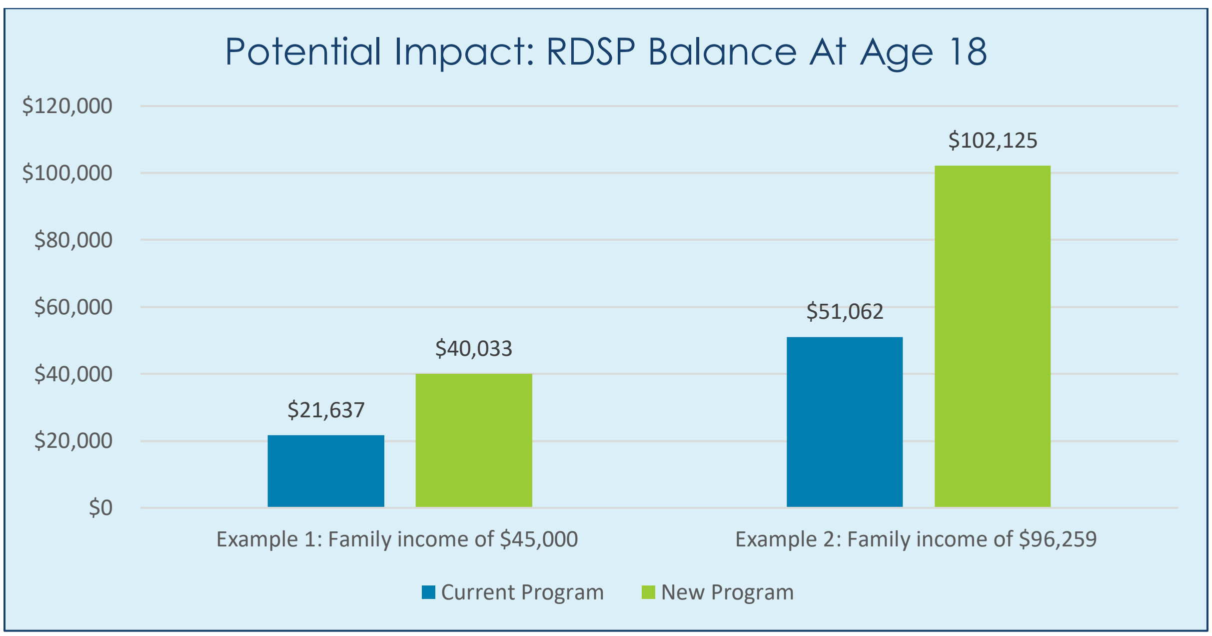
The annual maximum on past Grant amounts is arbitrary and inhibits an RDSP beneficiary from accessing the full amount of available government support. This makes it much harder to accumulate assets quickly in an RDSP for a home purchase. To reduce the barriers to leveraging the RDSP for homeownership, the RDSP Homeownership Plan would **remove the annual maximum** on past Grant amounts.

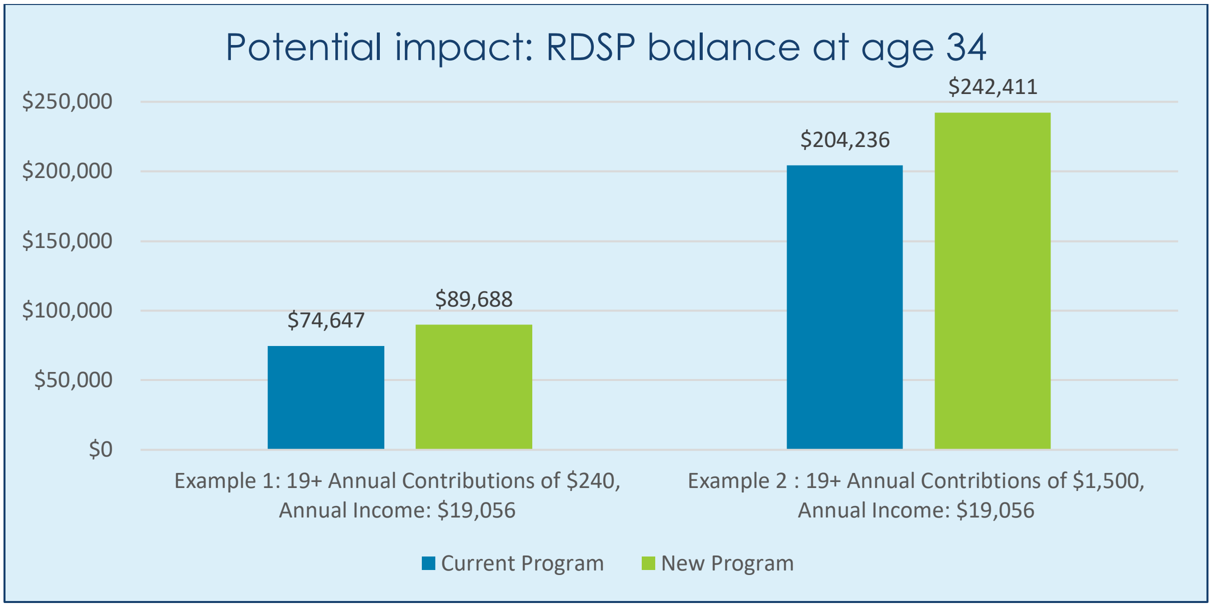
	Maximum annual carry-forward (current program)	Maximum annual carry-forward (new program)	Lifetime Maximum
Canada Disability Savings Grants	$10,500	$35,000	$70,000

POTENTIAL IMPACT OF RDSP HOMEOWNERSHIP PLAN

The Solutions Lab modelled the impact of the RDSP Homeownership Plan through a variety of scenarios (a full report on the financial modelling is available). The modelling makes clear that the changes proposed in the RDSP Homeownership Plan would have a significant impact on access to homeownership for Canadians with disabilities.

Over time, changes to Bonds and Grant eligibility can leave young adults with significantly more money for a home. Chart 1, below, outlines two examples based on a resident living in Alberta. In the first example, a beneficiary with an account open from age 3 and with parental income of $45,000 will accumulate over $14,000 in additional Bonds compared to the current program. This additional asset building earlier in life allows them to benefit from long-term compounding investment growth. Under current program rules, parental income of $45,000 means they would only qualify for $99 a year in Bonds. In the second example, a beneficiary with parental income of $96,259 is able to double their RDSP balance as a result of a new annual matching Grant threshold for incomes between $95,259 and $150,000.



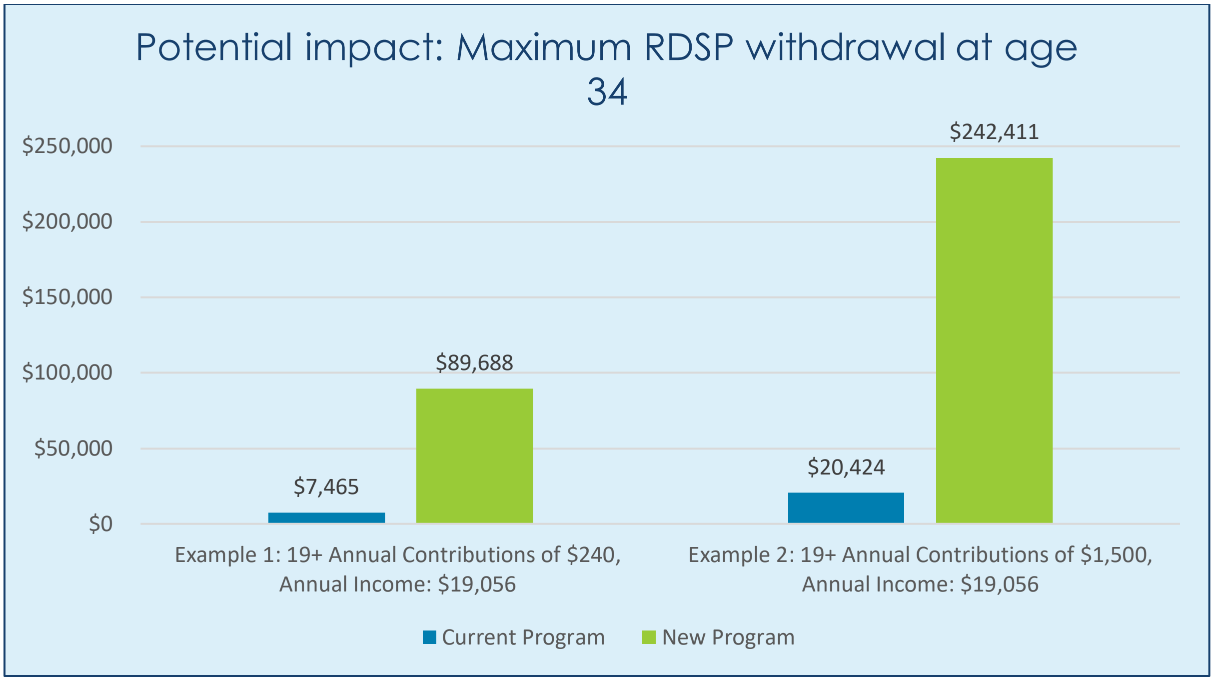


After turning 19, beneficiaries in both examples rely on disability-related financial benefits as their main source of income.[26] In example 1, the beneficiary makes annual contributions of $240 to their RDSP, while in example 2, the beneficiary makes annual contributions of $1,500. While many Canadians with developmental disabilities have employment income, this provides a baseline amount for projections.

By age 34, these beneficiaries will have accumulated moderately more assets than under the existing program. The proposed design also means that they are able to accumulate assets much more quickly if they open accounts from a young age, with the main growth in assets coming from access to more Bonds and Grants when they were younger than 19.

The most significant impact of the changes comes from the flexibility in withdrawals. With the Disability Housing Assistance Payment, recipients are able to withdraw up to the full balance of their RDSP to support purchasing a home.

[26] Annual income amounts are calculated based on the Alberta Assured Income for Severely Handicapped Program in this example.



The ability to withdraw the full balance of the RDSP opens up housing options not possible under the current RDSP program. Although $89,688 (Example 1) may be insufficient to purchase a home without a mortgage, it could be used to purchase a long-term leasehold arrangement in a co-op, while the $242,411 (Example 2) may be sufficient in some markets to purchase a modest home.

Should the beneficiary in Example 2 be able to qualify for a mortgage, a $242,411 down payment could mean they could afford a single-family home in many markets, and townhouses or condominiums in others.

Example: Aaron, age 34

Aaron has an intellectual disability. At age 3, his mother opened an RDSP on his behalf after qualifying for the DTC and has made annual contributions of $240. Her income of $45,000 means that Aaron qualifies for a partial Bond amount. At age 19, Aaron continues to live with his mother, and qualifies for the Ontario Disability Support Program (ODSP).

By age 34, Aaron has accumulated an RDSP balance of $74,647. Current withdrawal restrictions mean he can only withdraw $7,465, which when combined with his social assistance income is insufficient for the purchase of a home.

Under the revised program, Aaron's balance by the end of the year he turns 34 is higher, at $89,688. The higher balance is aided by Aaron qualifying for the full Bond amount from ages 3-18 based on his mother's income, and higher amounts of

Example: Katie, age 44

Katie was diagnosed with a developmental disability at age 3. Her parents opened an RDSP for her that year and made annual contributions of $1,500 until she turned 19. Their family income of $96,259 means they only qualified for a $1,000 matching Grant.

After Katie turned 19, she continued to make $1,500 in annual contributions. By age 44, she has an RDSP balance of $296,442. However, under current withdrawal rules, she can only take out $29,644, which is insufficient to purchase a home.

Under the RDSP Homeownership Plan, her balance by age 44 is slightly higher, at $342,584. The increased balance is a result of qualifying for Bonds and more Grants as a child, which over time with interest, helped increase her total balance. With the

BROADER POLICY CONTEXT

Prioritizing investments in housing for people with disabilities is one of the principles of Canada's National Housing Strategy. The Strategy also makes clear that housing policy should be based on inclusion, participation, and non-discrimination. [27] The changes proposed by the RDSP Homeownership Plan align with these principles by correcting an inequality that penalizes people with disabilities from accessing savings to purchase a home – as so many Canadians without disabilities already do without penalty through their RRSPs.

The impact of the changes proposed by the RDSP Homeownership Plan would be amplified by other measures to encourage greater RDSP asset building. This includes increasing the maximum lifetime Bond and matching Grant allocations from $20,000 and $70,000, respectively. Removing the $200,000 maximum in personal contributions would also support the growth of RDSP assets.

Making it easier to apply for the RDSP and making program rules easier to understand would also help encourage uptake in the program. For example, revisiting the requirement that RDSP beneficiaries must be eligible for the Disability Tax Credit could help, as well as building in greater flexibility to program rules if a beneficiary temporarily or permanently is found to be ineligible for the DTC. Making program rules easier to navigate applies to Canadians with disabilities and their families as well as to financial institutions responsible for stewarding accounts.

The RDSP Homeownership Plan should also be complimented by additional policies to encourage a greater supply of affordable housing options. With high home prices in many Canadian markets, RDSP beneficiaries, like many other Canadians with low and moderate incomes, may have significant affordability challenges purchasing and maintaining homes. For those who need disability-related supports, better access to funding and choice for these supports would also increase affordability and flexibility.

[27] Government of Canada, *A Place to Call Home: Canada's National Housing Strategy*, pg.4 https://www.placetocallhome.ca/-/media/sf/project/placetocallhome/pdfs/canada-national-housing-strategy.pdf

NEXT STEPS

The RDSP Solutions Lab explored making the RDSP a more effective tool to support homeownership for people with developmental disabilities. The RDSP, as currently structured does not support homeownership given current restrictions on withdrawal amounts and the sizeable withdrawal penalties beneficiaries face if they try to take out money to buy a home. Unlike the RRSP, the RDSP has no mechanism to help beneficiaries use their savings to address immediate housing needs, and to invest in housing for the future.

The proposed changes to the RDSP are modest, as they do not change the lifetime maximum contributions of either Bonds or Grants made by the government. Rather, they allow recipients to accumulate Grants and Bonds more quickly, and to access savings sooner in life without penalty to invest in real estate, as so many Canadians already do.

Unlocking the approximately $4 billion in RDSP assets to help beneficiaries purchase a primary residence would enhance the ability of the RDSP to deliver long-term financial security for beneficiaries. Doing so will also allow many Canadians with developmental disabilities more equitable access to having a home of their own.

Informed by people with lived experience, and experts in the areas of finance, law, housing and disability, the RDSP Homeownership Plan addresses barriers in the current RDSP program and makes homeownership more attainable by improving eligibility for Canada Disability Savings Bonds and Grants, removing the withdrawal penalties when accessing funds to buy a home.

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APPENDIX

Supplementary documents to this report are available by contacting the Canadian Association for Community Living via the myhomemycommunity.ca website. These include:

Canadian Association for Community Living (2020). *My Home My Community: Financial Impact of the Registered Disability Savings Plan Program Changes on Beneficiaries' Ability to Pursue Homeownership.*

Canadian Association for Community Living (2019). *My Home My Community: RDSP & Homeownership Solutions Lab Market and Technical Analysis.*

Canadian Association for Community Living (2019). *My Home My Community: RDSP & Homeownership Solutions Lab Options to Support Homeownership through the Canada Disability Savings Program.*