November 2019

The Strategist

The Most Underutilized Tax Credit and How to Benefit

We have heard many times over the years that the Disability Tax Credit (DTC) is the most underutilized tax credit that exists. For those of you who are unaware, the DTC is a non-refundable tax credit that can lower or eliminate the tax bill for Canadians living with disabilities, as well as their caregivers, who often struggle with both higher living expenses and lower income.

Only 40 per cent of the more than 1.8 million people who live with severe disability in Canada use this federal tax credit. How do you know if you or someone you know is eligible to claim it? Only a medical practitioner can make that determination and must certify on a Form T2201 that an individual has a severe and prolonged impairment which affects their daily living, such as:

- Requiring life-sustaining therapy
- Blindness
- Being restricted in at least one the basic activities of daily living such as speaking, hearing, walking, feeding, etc.

Once approved by CRA, the maximum credit available to be received for 2019 is $8,416. And depending on the onset of the condition, it is possible to apply for retroactive credits for up to 10 years if not previously claimed.

To take it a step further, a Canadian resident who is eligible for the DTC and under the age of 60 can also benefit from a Registered Disability Savings Plan (RDSP) to help save for long term financial costs and needs. Similar to how an education savings plan works, the government offers a grant that matches 100%, 200% or 300% of the amount contributed annually, based on family net income. For example, when family net income exceeds $93,208, the government will match dollar for dollar the amount contributed up to $1,000 per year. For low income families, there is also a Canada Disability Savings Bond that can be received in addition to grant, that is irrespective of the amount of contributions made to the plan. And in cases where an individual was eligible to receive grant, but didn't have an RDSP in place or contributions weren't made, a carry forward provision exists that allows up to 10 years of unused grant and bond entitlements to be used.

Investments within an RDSP can grow tax-deferred until withdrawal. It is important to note that beneficiaries can receive disability assistance payments from the plan at any time, but at age 60 annual payments become mandatory and the amount determined by a formula.

At Raymond James, we can facilitate the opening and management of these plans through a partnership with an approved RDSP issuer. Please do not hesitate to contact us if you have any questions and/or are interested in exploring this valuable savings tool for you or someone you know.

Quarterly Reminders

RESP Contribution Deadline for 2019

- December 31st

Last Day to Sell Securities to Realize Gain/Loss in 2019

- December 27th

Upcoming Holiday Closures

- December 25th & 26th, January 1st

Update on the Team

In May, Chris Raper & Associates had our annual team trip on beautiful Salt Spring Island where the activities were plentiful: hiking, cycling, golf, bocce and billiards were all part of the mix. We also enjoyed a "foodie" tour around the island and are happy to pass along recommendations for anyone planning to visit!

Also in May, we bid farewell to our Client Service Representative, Natalie, as she made the move back to her hometown of Prince George. We are pleased to announce that Caitlin Murphy has since joined our team in this role and in true CR&A fashion, she's so proactive she already completed Level 1 of the Canadian Securities Course—congrats (and welcome) Caitlin!

In baby news, Erika and her husband Luke welcomed their second daughter, Annika, on March 15th, while Allison and her husband, Cody, also welcomed baby boy, Charlie, on July 12th. We are thrilled to announce that everyone is healthy and happy – especially the older siblings!