

Registered Disability Savings Plans (RDSPs) and Financial Empowerment

Policy Brief – January 2020

Increasing access to RDSPs is part of a larger financial empowerment initiative that is improving the financial resiliency of Albertans.

Introduction

The Government of Alberta's commitment to increasing RDSP uptake is appreciated and will maximize available federal funding to strengthen the financial resilience of Albertans with a disability.

As with any policy initiative, success depends on a full understanding of the barriers and the opportunities. Engaging with civil society to realize this Government of Alberta objective offers the most expedient path to success.

Alberta is home to two financial empowerment collaboratives, the Aspire Financial Empowerment Collaborative in Calgary, and the Edmonton Financial Empowerment Collaborative (EFEC),¹ both of whom provide support for Disability Tax Credit (DTC) applications and setting up RDSPs. These civil society initiatives have well established networks to share resources and expertise and to maximize the reach and effectiveness of government efforts to increase the uptake of RDSPs.

The financial empowerment collaboratives' goals align with the Government of Alberta's goal to improve financial independence for more Albertans. We invite the province to link the RDSP strategy with the financial empowerment collaboratives and champions, for greatest effectiveness and efficiency.

How do RDSPs fit with Financial Empowerment?

Financial empowerment recognizes that financial lives are complex, and that people may need a range of supports and education to increase their capacity to be financially independent. Financial empowerment strategies provide a 'supervitamin' effect that accelerates outcomes for individuals that access other social programs such as affordable housing, employment training, and mental health supports.²

RDSPs, and other benefit programs, are just one step on the financial empowerment path. Success in accessing RDSPs requires an understanding of where an individual is on that path. For one individual, tax return filing may not be up to date and for another, the cost of applying for the DTC is the barrier.

What is Financial Empowerment?

Financial Empowerment is an approach for people living on low incomes to reduce debt and build savings including:

- Financial coaching
- Tax filing and access to benefits
- Connection to asset building programs such as RDSPs and RESPs
- Access to safe and affordable financial products and services

How can the financial empowerment collaboratives help?

There are 65 organizations participating in the Edmonton and Calgary financial empowerment collaboratives, in partnership with a national coalition organized by Prosper Canada.³ These organizations are made up of thousands of employees and trained volunteers who are reaching tens of thousands of Albertans - those with disabilities, new Canadians, people with low literacy and language barriers, and those with other barriers to financial resiliency.

This network of civil society has proven successes with benefit uptake, such as Registered Education Savings Plans (RESP). In Calgary, over 4,300 RESPs were opened and uptake of the Canada Learning Bond increased from 20% to 45% in 8 years. This track record can be replicated to address similar system barriers associated with the RDSP.

Members of the collaborative have also improved access to benefits through tax filing, a prerequisite for RDSPs. In 2018, the Aspire collaborative supported over 7,700 Albertans with low incomes to file tax returns resulting in \$3.3 million in tax refunds and accessing over \$45 million in benefits. In Edmonton, the Make Tax Time Pay initiative mobilized 247 volunteers who helped file 4,800 returns for \$11.8 million in refunds to low-income Albertans.

We urge the Government of Alberta to work with financial empowerment champions (see appendix A), as efforts invested in improving RDSP access are related to and support broader financial empowerment strategies. RDSP uptake will be improved by utilizing the financial empowerment collaboratives because of the collaboratives' track record and experience, their reach among communities in Alberta, their ability to inform policy and practice from 'on the ground' experiences, and their inclination to share information and educate.

Donna's sons have a future thanks to the RDSP

Donna is a mom to three boys, two with disabilities. She works two part-time jobs and is a strong believer in supporting her family. Yet her income level meant that she could not fully cover basic needs. On weekends, the boys went without their medication in order to ensure that they would have medications available for school days – when they need it most to function effectively.

Donna sought help with budgeting, tax preparation, and benefits navigation with a Connections Financial Coach. For over a year, Donna and her Financial Coach worked together on DTC applications for her two sons. After gathering doctor reports and school records, the Financial Coach prepared the applications for her doctor to sign. Two months passed and Donna was notified that both her sons were approved for the DTC.

The Financial Coach then prepared a letter to CRA requesting that Donna receive the Child Disability Benefits for the prior years now that the boys were approved for the DTC. This back pay amounted to over \$46,000. Donna's Child Benefits increased by \$460 per month and two RDSPs were opened for her sons, totaling \$10,000 each in benefits received.

Donna can provide for her family now that she has sufficient income and assets. She can afford medication for her sons' daily needs, is debt free and looking forward to possible home ownership, something she never dreamed was available to her.

Increasing RDSP access in Alberta

In Alberta, over 18,000 individuals have an RDSP, which translates to an estimated take-up rate of 32%.⁴ The DTC, a pre-requisite for an RDSP, has one of the lowest utilization rates in Alberta compared to the rest of Canada.⁵ The DTC has significant barriers that deter uptake and limit individuals' access to claim the Canada Disability Savings Grant (up to \$70,000) and the Canada Disability Savings Bond (up to \$20,000).

There are 67,185 individuals receiving Assured Income for the Severely Handicapped (AISH)⁶ which means Alberta will eventually have more than 49,000 individuals turning 65 without an RDSP in place, severely limiting their income in older age. By accessing RDSPs, Albertans with disabilities will have better financial means to live full lives in the community into their senior years.

Members of the financial empowerment collaboratives and others with RDSP expertise, have identified several key issues and recommended solutions for increasing RDSP uptake. Summarized as lack of awareness, cost, and complexity, these are gaps that the collaboratives can help close, especially with the Government of Alberta as a partner.

	Issues	Opportunities
A	<p>Applying for the DTC is an unnecessarily complex and costly prerequisite for opening an RDSP.</p> <ul style="list-style-type: none"> A disability may not be a medical issue and so requiring medical professionals' involvement is not necessarily relevant or appropriate. Finding an approved health care provider who knows the applicant and how to correctly complete the form are challenges. Costs associated with the form are up to \$250 in Alberta, requiring the applicant to negotiate with a doctor or other practitioner over the fee.⁷ Filing one's taxes adds one more barrier that can be time-consuming, intimidating, and complicated. This is particularly true for low-income earners who may not owe taxes and have allowed filing tax returns to lapse, as a result. 	<ul style="list-style-type: none"> Increase the awareness and competency of medical professionals (doctors, nurse practitioners, occupational therapists, physical therapists, optometrists, audiologists, psychologists, etc.) to complete the DTC form. Non-doctor professionals may charge less or not at all to complete the DTC application, and can help create greater awareness of the DTC and RDSP. Initiate the DTC application through the AISH application process. Advocate for changes to the DTC application form and process with CRA.⁸ CRA should accept enrollment in AISH and the Persons with Developmental Disabilities (PDD) program as proof of a lifelong disability. This would remove the need for professional health care providers to be involved in a tax form. Collaborate with a representative from each province's disability sector to advocate for this policy change across the country. While medical practitioners continue to be required to sign the form, a nominal, maximum fee should be set, as it is in other provinces. Partner with the Government of Canada to prepare clear, simple DTC form guidance. Provide educational material to volunteer and commercial tax clinics (e.g. H&R Block)⁹ alongside training on how to ask a customer about their, or their family member's, disability status. Disability is not always visible and can be a sensitive topic.

	Issues	Opportunities
B	<p>Many health and social sector service providers lack awareness, knowledge or comfort required to promote the DTC and RDSP.</p> <p>Many Canadians and Albertans lack awareness about their eligibility and how to obtain an RDSP and the grants.¹⁰</p>	<ul style="list-style-type: none"> • Educate social and health service providers about the DTC and RDSPs so they can share accurate information with clients. Begin with AISH, PDD and Alberta Supports. • Establish partnerships with Alberta Health Services, Alberta Supports, programs such as AISH, the Office of the Public Guardian and Trustee, schools and social workers and other relevant departments to train front-line staff to provide DTC information, referrals, and support. • Establish partnerships with community organizations involved with the Community Volunteer Income Tax Program to provide RDSP training, as these groups can identify if an individual may qualify for the DTC when they complete a tax return. • Health care providers can be offered handy notices that provide referral information to free, community-based DTC and RDSP resources. Good information will save health care providers time if they do get asked to fill in DTC forms for patients.
C	<p>Few financial services sector staff understand the bonds, grants and how to complete applications.</p> <ul style="list-style-type: none"> • Many financial sector staff are unaware that no deposit needs to be made in order to open the RDSP at a bank. 	<ul style="list-style-type: none"> • Educate financial service providers and clients on the RDSP, including the fact that no deposit is required to access the Canada Disability Savings Bond.¹¹ • Launch a pilot project with local financial institutions (such as ATB and credit unions) to promote the RDSP and support clients in opening one. Work with financial institutions to create incentives or bank branch competition with targets for opening RDSPs.¹²
D	<p>Private companies, also known as DTC promoters, pose several challenges and risks to lower-income or vulnerable people, specifically in terms of the fees they charge to help individuals claim their DTC and federal RDSP grants and bond.</p>	<ul style="list-style-type: none"> • Ensure that people understand their options, including no-cost and reliable community organizations that can support them in accessing the DTC and opening a RDSP. • Regulate a reasonable, fixed price (not percentage) in Alberta for support related to opening an RDSP.

	Issues	Opportunities
E	<p>Many people require significant assistance, over many weeks or months, to open an RDSP.</p> <ul style="list-style-type: none"> • People with disabilities are often isolated and may have mobility and access challenges that make it difficult to get to appointments. • A high skill level in the areas of reading, writing, document use, and thinking is required to complete forms and all the necessary steps for opening an RDSP. Many Canadians with disabilities struggle with these essential skills. 	<ul style="list-style-type: none"> • Support one-on-one assistance for people with disabilities (including hard to reach groups such as Indigenous people with disabilities, individuals with low incomes, and individuals living in rural and remote areas), particularly through trusted organizations already excelling in this work.¹³ • Invest in a community-led marketing campaign to reach people who have had a DTC application rejected and provide specialized appeals support. Hundreds of people receive rejections that are fixable, but they do not know how to proceed. • Encourage and promote follow-up volunteer services with the existing CRA volunteer tax clinic programs as the DTC and RDSP are not accomplished in one step – the process extends over months. • Connect with organizations and clubs working with participants who have disabilities. • Ensure that accessible language is used in promotional materials. • Provide information workshops for social workers, other staff, and volunteers working with participants who have disabilities.
F	<p>The DTC and the RDSP are part of a much more complex financial wellness approach and should not be addressed in isolation.</p> <ul style="list-style-type: none"> • If a person is missing out on their DTC and the RDSP it may be because they haven't filed their taxes, and they may be missing out on numerous other benefits and opportunities.¹⁴ 	<ul style="list-style-type: none"> • Link DTC and RDSP supports to broader financial empowerment efforts and systems such as the current programs for tax filing assistance (in order to access all potential benefits), matched savings programs, debt support, financial coaching, as currently offered through regional financial empowerment networks.¹⁵

Linking RDSPs, financial empowerment and the Government of Alberta's policy

There are several ways that the financial empowerment collaboratives can support the new RDSP Action Group:

- Sharing the cumulative expertise of collaboratives to reduce the learning curve for the Action Group, accelerating its outcomes
- Offering DTC and RDSP barriers and access workshops for health and social sector service providers, improving educational materials, and extending the Action Group's reach to those who will benefit
- Inviting one or more financial empowerment leaders to join the RDSP Action Group
- Informing government policy and practice related to RDSP access and financial independence
- Being a formal partner for the Government of Alberta by receiving referrals to financial empowerment programs
- Providing the community point of view and support for advocacy on CRA policy and practice changes that will improve access

Conclusion

Increasing the number of RDSPs will contribute to increasing Albertans' financial independence and wellness. However, an RDSP is inextricably linked to many other complex financial needs. RDSP access and financial empowerment are well known to the members of the Calgary and Edmonton financial empowerment collaboratives and can be best achieved in partnership with these financial empowerment champions.

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For more information or to connect with any of the publishing partners, contact:

Adam Fair, Vice President, Strategy and Impact, Prosper Canada
afair@prospercanada.org
416-665-2828 Ext. 2240

Carlen Scheyk, Financial Empowerment Coordinator, Aspire Calgary
carlens@momentum.org
403-204-2665

Doug Jarrett, Financial Coach, Connections
dougj@connections counselling.ab.ca
403-209-1100

Jennifer Zwicker, PhD, MPP, Director, Health Policy, The School of Public Policy, University of Calgary
zwicker1@ucalgary.ca
403-210-9224

Joanne Currie, Director of Strategic Initiatives, United Way, Alberta Capital Region, and Co-Chair of the Edmonton Financial Empowerment Collaborative
jcurrie@myunitedway.ca
780-443 8326

Katie Walker, Community Development Social Worker, City of Edmonton, and Co-Chair of the Edmonton Financial Empowerment Collaborative
katie.walker@edmonton.ca
780-944-5469

Stephanie Debisschop, Executive Director, Plan Institute
sdebisschop@planinstitute.ca
604-900-8214

The Public Policy Team at Momentum
publicpolicy@momentum.org
403-204-6180

Appendix A

Who is working on financial empowerment and RDSP uptake in Alberta?

The **Aspire Financial Empowerment Collaborative** in Calgary offers over 50 financial empowerment programs across Calgary which, in 2018, supported over 8,800 participants to reduce debt, grow savings, and build assets, and included support to open an RDSP.¹⁶

Connections Counselling and Consulting Foundation, a member of Aspire, helps parents with cognitive challenges parent successfully, creating good outcomes for the children and the parents and preventing the substantially greater costs of child removal and foster care. Connections added a Financial Coach who focuses on maximizing benefits and credits, like the DTC and RDSP, because financial well-being is key to family stability and parenting success. Supporting more than 125 families each year with parenting skills education, Connections' Financial Coach has linked families, in the past two years, to 49 DTCs, 39 RDSPs and filed 393 tax returns. Cumulatively, 67 individuals have received \$593,788 in benefits.

The **Edmonton Financial Empowerment Collaborative (EFEC)** coordinates and promotes a range of opportunities for financially vulnerable people to acquire the knowledge, skills and access to resources that are needed to attain financial well-being and stability. EFEC has a lengthy history of working in collaboration and is committed to building upon existing relationships with organizations with a disability focus to increase access to the RDSP. Empower U, a matched savings program of the EFEC, in 2012-2018 had close to 2,000 participants enrolled, saving \$257,000 in total, combined with matched savings to purchase 950 assets, including RDSPs.

Prosper Canada has over 30 years experience developing and testing innovative approaches to improving the financial security of working-age Canadians living in or near poverty, including collaborative development of programs, tools and resources for and with people with disabilities. Examples include the RDSP calculator <http://www.rdspcalculator.org/> and Future Planning Tool <https://futureplanningtool.ca/> for people living with disabilities and caregivers. As Canada's leading national champion of financial empowerment, Prosper Canada works with governments, businesses, and community groups to develop and promote financial policies, programs and resources that transform lives and foster the prosperity of all Canadians.

Plan Institute is a national non-profit social enterprise that works to improve the lives of people with disabilities by collaborating on community-based projects, offering a suite of educational initiatives, and advocating for policy reform. Since the inception of the RDSP, Plan Institute has been at the forefront of education and awareness, having hosted over 650 RDSP sessions across Canada with almost 10,000 participants. Through their RDSP collaborative called Access RDSP, they provide free one-on-one support with all aspects of the RDSP and DTC through the Disability Planning Helpline, the Endowment 150 Grant, which is a \$150 grant to help jump-start savings in an RDSP, and workshops and information sessions for community organizations, financial institutions and professionals. Plan Institute's Access RDSP collaborative has supported the opening of 367 RDSPs.

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- ⁸ Connections Counselling Alberta Media Release: Barriers and confusion for people with disabilities accessing the disability tax credit <http://www.connections counselling.ab.ca/news/Barriers%20and%20confusion%20for%20people%20with%20disabilities%20accessing%20%20the%20Disability%20Tax%20Credit>
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- ¹¹ The Canada disability savings grant and Canada disability savings bond <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-disability-savings-plan-rdsp/canada-disability-savings-grant-canada-disability-savings-bond.html>
- ¹² The Equal Futures RDSP Program is provided by Ability Tax and Trust Advisors and supported by Vancity Credit Union. It provides an easy, efficient, and free service to eligible individuals to learn about, qualify for, and open a Vancity RDSP. <http://equalfutures.ca>
- ¹³ For examples of existing organizations and initiatives, see Appendix A
- ¹⁴ For a summary of additional benefits the DTC enables see page 4 of Dunn & Zwicker (2018) <https://journalhosting.ucalgary.ca/index.php/sppp/article/view/43187/30949>
- ¹⁵ The Aspire Financial Empowerment Collaborative Annual Report <https://momentum.org/wp-content/uploads/2019/05/Annual-Report-2018-Optimized.pdf>
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