



December 1, 2008

The Honourable Jim Flaherty  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear Minister:

**Re: Request for Details on RDSP Challenges and Proposed Solutions**

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We are writing to you to bring to your attention several problems with suggested improvements to registered disability savings plans (RDSPs), following up on your September 25, 2008 telephone conversation with Jamie Golombek, Chair of the Investment Funds Institute of Canada's (IFIC's) Taxation Working Group.

Our Members see RDSPs as an essential step forward in helping people with disabilities and their families to save for the financial future of the person with disabilities and in better ensuring that all Canadians share in the opportunities we have in Canada. However, we believe that far fewer firms will offer the service than want to due to the current complex structure of RDSPs. This is supported by the fact that, at time of writing, we are aware of less than a handful of firms that will offer an RDSP before year-end.

Below are the highest-priority problems identified and a possible solution to each. Please note that the proposed solutions should in no way negatively impact any firm that will be offering RDSPs in December and going forward. Rather, the proposals should benefit these firms too.

<b>Issue</b>	<b>Proposed Solution</b>
<b>Ten-year rule:</b> We recognize that the 10-year "assistance holdback" rule reflects the desire for RDSPs to encourage long-term savings by and for persons with disabilities. However, the tracking associated with the 10-year rule requires data capture on a continuous, rolling basis and this adds considerably to the systems programming, risks and costs of offering RDSPs.	We recommend that the assistance holdback just apply for grants and bonds provided within the first ten years of an RDSP's existence. By allowing firms offering RDSPs to maintain a cumulative pool, without systems programming to have a specific month drop off as time progresses, will both simplify programming demands and ease administrative requirements when transferring assets to a new issuer, while still preserving the objective of long-term savings. The change would not only make the plan more feasible for our Members to offer; it also should benefit Human Resources and Skills Development Canada (HRSDC), the Canada Revenue Agency (CRA), RDSP issuers and, most importantly, RDSP holders.
<b>Provincial Harmonization:</b> People who are eligible for provincial disability benefits should receive disbursements from an RDSP without fear they will be disqualified from receiving provincial benefits. To date, Alberta, British Columbia, Ontario, Saskatchewan and the	We have raised this issue with the provinces and are including reference to this in pre-budget submissions where appropriate. Echoing your encouragement to provinces to follow the federal government's own example, we ask you to bring this issue again to the forefront when you meet with provincial counterparts who have not yet announced their position.

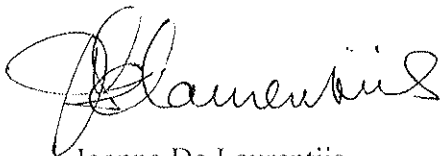
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<p>Yukon have exempted the RDSP as assets when determining a person's eligibility for provincial disability benefits. Manitoba, Newfoundland and Labrador, and Quebec have announced their intention to review or make adjustments to address some or all of the problem. Other provinces and territories have not yet announced a decision on the RDSP, which will discourage take-up by Canadians otherwise eligible for the plan.</p>	
<p><b>Operational Concerns:</b></p> <ol style="list-style-type: none"><li>1. Issuers are being asked to design their systems for a new program based on incomplete Interface Transaction Standards (ITs).</li><li>2. The current administrative rules pertaining to the RDSP are very complex from an investor and issuer perspective.</li><li>3. The program does not build closely on an existing program that would allow easier systems programming, procedural development and training.</li></ol>	<ol style="list-style-type: none"><li>1. We are pressing HRSDC to accelerate receipt of the technical specifications for the following transaction types: Contract Updates (record type 102); Beneficiary and Holder Updates (record type 201); and Financial Transactions (Disability Assistance Payments, Lifetime Disability Payments, repayments, corrections, transfers, etc.) (record type 401).</li><li>2. The industry believes that simplifying the program will both result in more families establishing an RDSP and help issuers better administer the plan. Some suggestions are: eliminating the requirement to provide a complete history of the plan when transferring assets to a new issuer (reference to record type 401 above) and harmonizing the registration/deregistration deadlines to be consistent with those for RRSPs and RESPs.</li><li>3. We believe there may be additional opportunities to improve the administration of the program based on experience with RESPs, as noted in 2. above, that would help issuers as well as HRSDC and CRA.</li></ol>

We will call shortly to arrange a brief meeting on these issues at your convenience. We believe strongly in the value of this program and would like to see it expanded by addressing the above points. We think our recommendations will significantly increase opportunities for those that the program is expected to benefit by expanding those offering the program across the country.

Yours truly,

**THE INVESTMENT FUNDS INSTITUTE OF CANADA**



Joanne De Laurentiis  
President and Chief Executive Officer