
## SUPPORTING CHILDREN AND GRANDCHILDREN

Are you helping your children and grandchildren financially? Is disability a factor?

Sheila Jones (72) had been paying for her granddaughter Ella's dental care. As a single parent returning to school to upgrade her work credentials, Sheila's daughter was financially unable to afford the considerable dental and orthodontic treatment costs. Sheila believed it was the least she could do to help out. Each time Ella needed to see the dentist or orthodontist; Sheila would write her daughter a cheque for the cost of the treatment. This had been going on for several years.

Upon meeting with a financial planner with a tax-based practice, she was surprised to discover that she could have been claiming these expenses on her tax return. While tax savings were not her motivation, she was happy to learn that there was some relief in the tax system. To make these costs deductible, she simply needed to pay the dentist's invoice directly. This way she would have sufficient evidence that she had paid these costs. Properly accounted for, these costs could possibly be eligible for the medical expense tax credit and be claimed on Sheila's return.

The **Medical Expense Tax Credit (METC)** can normally be claimed on line 330 of the tax return for medical expenses paid by the taxpayer or the taxpayer's spouse or common-law partner. Most reasonable medical expenses are permissible. Section 118.2(2) of the Income Tax Act provides an exhaustive list of qualified expenses. Under a separate calculation (line 331 of the return), these might also be claimed by a parent, a grandparent like Sheila, but also by a supporting brother, sister, uncle, aunt, niece or nephew of the taxpayer.

### HELP FOR THE COSTS OF DISABILITY

Another aging parent, Claudia (68), supports her mentally-disabled adult son Arthur (36) in a care facility. She visits him regularly, contributes to his expenses and takes an active role in advocating for him. This takes a great deal of her time and money. She has heard that there is some form of financial support but is unclear about how to access it. Once again there is relief in the tax system and through government agencies as long as Claudia keeps proper records and is able to access the correct sources.

In the case of disabled children like Arthur, or even grandchildren, the first place to start is with an application for the federal **Disability Tax Credit (DTC).** This is a non-refundable tax credit used to reduce the income tax you pay. It's meant to help even out the tax burden by allowing some relief for disability costs, since these are unavoidable additional expenses that other taxpayers don't have to face. While restricted to individuals with significant physical or mental impairments, one should not be intimidated by the application process.

There is a lengthy application form (T2201), most of which is completed by a physician or

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other qualified medical practitioner. Based on the circumstances of each case, the CRA may approve the DTC certificate indefinitely or for a shorter, specified period. As Arthur is severely and permanently disabled, he has a permanent certificate. And, since Arthur has limited income Claudia may be able to transfer any unused portion of his DTC to her tax return if she has appropriate receipts on hand.

Joan (42), who is helping to support a nephew who is high functioning on the autism spectrum encouraged her sister to apply for the DTC on his behalf. He was granted a 10-year DTC that was backdated 5 years to when the diagnosis was received. As the actual onset date of the disability was five years ago, and Joan's daughter and nephew do not have taxable income, Joan may be able to transfer the DTC both this year and retroactively five years, to her return, resulting in a sizeable tax refund. To do this however, you must be the supporting person paying for necessities of life such as food, clothing, drugs, medical expenses and housing. The nephew or his caregivers will have to reapply for his DTC and have a medical practitioner complete a new T2201 to re-diagnose him in roughly four years before the approved time frame runs out to determine if he still qualifies for his DTC.

Importantly, an approval for the DTC provides a gateway to other valuable federal, provincial or territorial financial assistance programs beyond the tax credit itself. This includes the Child Disability Benefit, a tax-free monthly payment made to families who care for a child under age 18 with a severe and prolonged impairment in physical or mental functions. Currently you could get up to $2,771 ($230.91 per month) for each child who is eligible for the disability tax credit.

### CREDITS AND SAVINGS PLANS

The **Canada Caregiver Credit (CCC)** can be helpful if you support you or your spouse's or common-law partner's physically and/or mentally disabled child or grandchild. To successfully qualify they must rely on you to regularly and consistently provide them with some or all the basic necessities of life, such as food, shelter and clothing. Amounts vary depending on the age and relationship of the individual. For example, you currently can claim up to $6,986 for each physically and/or mentally disabled grandchild under 18.

The DTC also opens the door to savings in a **Registered Disability Savings Plan (RDSP)**, a tax-sheltered investment savings plan established for the long-term care of the disabled beneficiary. Claudia has set up one of these up for Arthur. She has already invested $18,000 to the plan over the last 6 years and received matching Canada Disability Savings Grants and Bonds to bring the plan up to $47,879 today. There is a confusing array of rules to this program so Claudia relies on her financial planner to ensure that she and the plan stay on track. (See the RDSP sidebar on next page)

A disabled person such as Arthur may also have a special discretionary trust referred to as a “Henson Trust”. The ability of such trusts to protect the disabled beneficiary’s assets while preserving their access to provincial government support has frequently been in question. There is good news. On January 25, 2019, the Supreme Court of Canada considered, for the first time, these trusts and the nature of a disabled beneficiary’s interest in them for the purposes of determining eligibility for social benefits programs. The Court’s decision in *S.A. v. Metro Vancouver Housing Corp.* confirms Henson trusts are a valid estate-planning tool as long as they are structured properly.

From simply knowing to claim dental expenses for a grandchild to accessing the Disability Tax Credit and navigating the various programs that may ensue, there are a wide range of supports available. Getting experienced financial advice is the key to ensuring that nothing is missed.

More detailed information on all of these topics is available online. The BCRTA has posted a resource list on their website that has the official links for all the programs mentioned in this article.

Visit **www.bcrta.ca/caring-finance-resources**

## ABOUT THE RDSP

**The Registered Disability Savings Plan (RDSP)** is a Canada-wide registered, matched savings plan specifically created for people with disabilities. It is designed as a long-term savings plan to help the holder be better financially prepared for their future.

### BASICS

- If your family income is below $95,259 the federal government matches $3 for every dollar for the first $500 contributed to the RDSP and matches $2 for every dollar on the next $1,000 contributed. The matching continues for 20 years or until December 31st of the year the beneficiary turns 49. This is the Canada Disability Savings Grant.
- For people living on a low-income (less than $31,120), the federal government will put in $1,000 each year for 20 years! This is the Canada Disability Savings Bond.
- People living on an income between $31,120 – $47,630 can still receive a partial bond.
- Anyone can contribute to an RDSP; family, friends, even neighbours.
- The money can be invested to grow tax free. Considering the leverage provided by the government grants and bonds, the RDSP may provide one of the best returns on investment available.
- The RDSP is exempt from most provincial disability and income assistance benefits. It does not get clawed back and it does not reduce disability benefits payments.
- People with disabilities can choose what to do with the money when it comes out - there are no restrictions on how the money can be spent.

For more information, please see this website:

https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-disability-savings-plan-rdsp.html