

April 27, 2020

The Honourable Carla Qualtrough
Minister of Employment, Workforce Development and Disability Inclusion
Co-Chair, COVID-19 Disability Advisory Group
House of Commons
Ottawa, ON K1A 0A6

SENT VIA EMAIL: Carla.Qualtrough@parl.gc.ca

Dear Minister Qualtrough:

**Re: COVID-19 Disability Advisory Group
Minimum Withdrawal Rate for Registered Disability Savings Plans**

On behalf of Advocis, The Financial Advisors Association of Canada, we are writing in regards to the COVID-19 Disability Advisory Group's work in advising the Government of Canada's pandemic response. Specifically, we would like to provide our recommendations regarding the minimum withdrawal rate for Registered Disability Savings Plans (RDSPs).

About Advocis

Advocis is the association of choice for financial advisors and planners. With more than 13,000 members across the country, Advocis is the definitive voice of the profession, advocating for professionalism and consumer protection. Professional financial advisors and planners are critical to the ongoing success of the economy, helping consumers to make sound financial decisions that ultimately lead to greater financial stability and independence both for the consumer and the country. No one spends more time with consumers than advisors and planners, educating them about financial matters and helping them to reach their financial goals. Advocis works with decision-makers and the public, stressing the value of financial advice and striving for an environment in which all Canadians have access to the advice they need.

Our Comments

We applaud the Government of Canada for establishing the COVID-19 Disability Advisory Group (the Advisory Group) and we are fully supportive of the Advisory Group's mandate to consider, respect and incorporate the interests and needs of persons with disabilities into the Government's response to the global COVID-19 pandemic. Persons with disabilities face



heightened challenges during this pandemic regarding access to health care, community and social supports and economic security.

We are writing with a suggestion to improve the economic security of persons with disabilities: we believe that the minimum withdrawal requirement for RDSPs should be suspended for tax year 2020, or at the very least, reduced in a similar way that the minimum withdrawal rate for Registered Retirement Income Funds (RRIFs) was reduced in response to the pandemic.

Suspending or reducing minimum RDSP withdrawals makes sense for the same reasons that relief for RRIF annuitants makes sense: while markets have fallen precipitously in recent months, for most Canadians these are still “paper” losses. If they remain invested in the market, the losses have not been realized and, historically, most market crashes have been characterized by sharp declines followed by relatively quick recoveries. In almost all cases, if at all possible, it makes sense for investors to stay invested and benefit from the recovery.

Minimum withdrawal requirements force investors to realize losses. Being forced to sell assets now means selling them at their nadir, regardless of whether the investor actually requires the (depressed) proceeds. Selling assets also exacerbates downward pressure on fragile markets, delaying a return to recovery. Canadians with disabilities are already amongst the most vulnerable in this pandemic and forcing them to sell assets in these unfavourable conditions would be needlessly punitive.

While we are hopeful for a quick recovery for Canadian and global markets, there is a risk that the COVID-19 pandemic could have a longer term and perhaps lasting impact on interest rates and equity returns. Should investment returns continue to be suppressed over a number of years, retaining capital in registered funds over the longer term takes on increased importance. Forcing funds out of the tax-sheltered environment of an RDSP in a low interest rate and volatile equity market could leave many Canadians with disabilities without sufficient income in their later years.

Your Government has taken decisive action in providing relief for RRIF annuitants. In our view, the case for providing relief for RDSP annuitants is even more compelling than the case for RRIF relief. Compared to RRIF annuitants, RDSP recipients face both an earlier age by which they must begin making withdrawals, and higher yearly withdrawal rates – and the gap has been exacerbated further as only RRIF annuitants have received relief thus far. All this suggests that relief for RDSP annuitants should be at least as accommodating as that provided for RRIF annuitants, if not more.

For these reasons, we recommend that amongst the recommendations for helping persons with disabilities cope with the pandemic, the Advisory Group urge that the Department of Finance suspend minimum RDSP withdrawals for this tax year. As a second best option, RDSP minimum withdrawal rates should be reduced significantly across the age schedule.



We believe that the Advisory Group has a critical role in helping Canadians with disabilities maintain their health, safety and security through this pandemic and we are fully supportive of your efforts. We would be pleased to discuss our proposals further or provide any other assistance to the Advisory Group. Should you have any questions, please do not hesitate to contact the undersigned, or James Ryu, Senior Director of Legal and Regulatory Affairs, at jryu@advocis.ca.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line that ends in a small arrowhead pointing to the right.

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO
Advocis

cc: The Honourable Bill Morneau
Minister of Finance