

Registered Education Savings Plan

We understand that your children’s future is your priority and helping them achieve their goals without incurring debt is a gift you’d like to provide. A Registered Education Savings Plan (RESP) can help you make that a reality.

The cost of post-secondary education keeps rising. In 2018/2019, the average annual undergraduate university tuition in Canada is expected to be \$6,838.00, compared to \$4,025 in 2003/2004. Tuition can represent only one-third of the expenses that students face each year. This means that expenses for accommodation, food, transportation, books, technology, leisure, as well as the cost of a four year postsecondary education could add up to more than \$80,000.

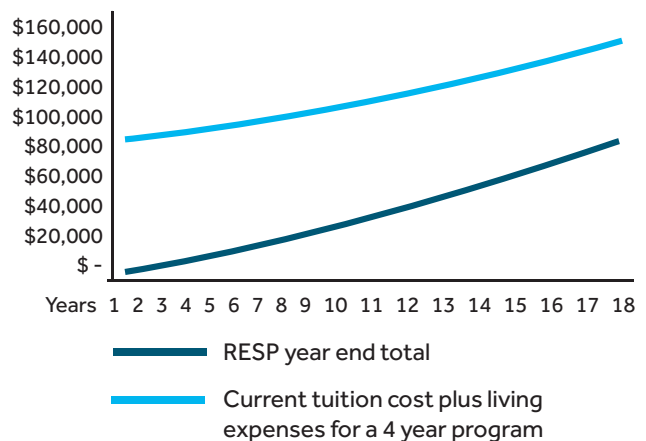
What is an RESP?

An RESP is a tax-sheltered investment plan. Unlike a Registered Retirement Savings Plan (RRSP), the contributions are not tax deductible, however, the investment growth compounds tax-free until withdrawn. In addition, the contributions can be returned to you as the subscriber without tax consequences.

The remainder goes to the beneficiary (e.g. a child or grandchild) and is taxable income when it’s withdrawn for a post-secondary educational program. This means that only the growth and any government grants received would be taxable in the hands of the beneficiary.

The lifetime contribution limit on all RESPs is \$50,000 per beneficiary, which is in addition to the Canada Education Savings Grant (CESG) limit of \$7,200. Based on the sample scenario provided below, you could save over 70% of your child’s full post-secondary education costs through an RESP.

RESP Growth Compared to the Cost of Tuition



Assuming 5% return and \$2,500 per year contributions (receiving the \$500 grant each year.)

Current average tuition for university is \$22,297 (including tuition, books, food, accommodations, etc.) growing at average of 3.3% per year, StatsCan 2018.

RESP Key Facts

- The lifetime contribution limit on all RESPs is \$50,000 per beneficiary
- In addition, the Canada Education Savings Grant (CESG) limit is \$7,200, which is paid into an RESP at a rate of 20 per cent of your contributions, up to an eligible annual maximum contribution limit of \$2,500, of CESG or up to \$500 per year in CESG funding.

* Certain provinces also provide provincial incentives and/or grants in addition to the federal CESG.

* The maximum annual CESG grant is \$1,000 on a \$5,000 contribution if the beneficiary has adequate carry-forward of grant room available. Depending on your net family income, you could receive an extra 10 per cent or 20 per cent on the first \$500 per beneficiary contributed for a child's RESP each year.

Benefits of an RESP

- Government funding supplements your contributions to an RESP and helps your investment grow.
- Investment income accumulates in the RESP and is tax-sheltered as long as it remains in the plan.
- You can decide how much money should be withdrawn and when it should be withdrawn, giving you flexibility. The withdrawals can be used for a variety of education costs, including books, tuition and living expenses.
- The student/beneficiary could pay minimal to no taxes when money is withdrawn and used to pay for post-secondary education, since the plan's earnings and government contributions are taxed at the child's tax rate.
- Savings can be added into RRSP if unused.

Choose the right RESP for you

- **Family RESPs:** You can allocate your savings for one or more children related to you by blood or adoption, all using one family RESP.
- **Individual RESPs:** You can save for one child, whether they are related to you or not, by opening an individual RESP.

Canada Education Savings Grant (CESG)

As an added incentive to help you save for your children's education, the federal government offers the Canada Education Savings Grant (CESG) – currently, a grant of 20% on the first \$2,500 contributed to an RESP each year, for a total of \$500. If you invest a minimum of \$2,500 per year, you would receive the lifetime maximum grant of \$7,200 over 15 years.

When it's time to take money out

When your child is ready to attend post-secondary school, it's time to start withdrawing from the RESP. Proof of enrolment and a completed redemption form will need to be provided. There are two types of withdrawals that you can make: one is the Educational Assistance Payment (EAP) and the other is the Post-Secondary Education Capital withdrawal (PSE).

Contact your Canaccord Genuity Wealth Management Investment Advisor to learn more about how an RESP can help you build for your children's future.