

MEMBER EDUCATION SAVINGS

Planning For The Future



Registered Education Savings Plan

A Smart Way to Save for Your Family's Future

A Registered Education Savings Plan (RESP) is a government approved plan for the purpose of providing post-secondary education funding for a beneficiary. Income earned within the plan is not taxed until it is withdrawn. Investing in an RESP will give you and your family members more financial freedom when making the choices that will affect their future. By starting now, you can grow your education funds by making affordable, convenient monthly deposits. Planning today for tomorrow is the smart way to realize your family's education goals.

Contribution Limits for RESPs

- Lifetime: \$50,000 per beneficiary

Contribution Period

An RESP may receive contributions for 31 years, following the year the RESP was opened. An RESP for a DTC-eligible beneficiary (beneficiary eligible for the Disability Tax Credit) may receive contributions for 35 years. Contributions for a beneficiary under a Family Plan must cease upon the beneficiary attaining age 31.

The Subscriber

The subscriber is the registered owner of the plan and can be an individual, or an individual and his/her spouse/common-law partner, or a Public Primary Caregiver. The subscriber makes contributions to an RESP and these contributions are not tax deductible.

The Named Beneficiary

The named beneficiary is eligible to receive the Educational Assistance Payments from the plan. There is a limit of one beneficiary per plan, except under a Family Plan, which provides for multiple beneficiaries. The beneficiaries of a Family Plan must be a sibling of every other beneficiary and must be 'related' to the subscriber(s). A beneficiary designated under an RESP must have a SIN and be a resident of Canada.

Canada Education Savings Grant (CESG)

The CESG is available to eligible RESP beneficiaries and is based on the annual contribution paid into the plan. The Federal government will contribute 20% annually on the first \$2,500 deposited into an RESP to the end of the year in which the beneficiary attains age 17*.

All children under the age of 18* who are resident in Canada automatically accumulate CESG contribution room.

- Annual CESG maximum: \$500 per beneficiary (\$1,000 where beneficiary has unused CESG contribution room)
- Lifetime CESG maximum: \$7,200 per beneficiary
- Eligible beneficiaries receive up to 20% additional CESG on the first \$500 RESP contributions
- Eligibility for additional CESG is determined by the child's family net income
- Eligible beneficiaries could receive additional CESG of \$100 annually for a total combined basic and additional CESG of \$600 annually
- Lifetime CESG maximum remains at \$7,200 per beneficiary

**Some restrictions apply for RESP beneficiaries aged 16 and 17.*

Canada Learning Bond (CLB)

The CLB is available to children born on or after January 1, 2004. Eligible beneficiaries will receive an initial grant of \$500 and subsequent grants of \$100 per year of eligibility.

The CLB eligibility is determined by the child's family's net income and entitlement to the National Child Benefit (NCB) supplement. The lifetime CLB maximum is \$2,000 per beneficiary.

Provincial Grants

The Government of Canada has made provision to permit provincial grants to be held in an RESP.

Alberta Centennial Education Savings Plan (ACES Plan)

The government of Alberta is phasing out the ACES Grant program on December 31, 2015. All ACES Grant amounts held in an RESP will be converted into accumulated income on or after January 1, 2016, and will no longer be subject to the ACES Grant rules.

British Columbia Training and Education Savings Grant (BCTESG)

On August 15, 2015 the government of British Columbia implemented the \$1,200 BCTESG to assist with post-secondary educational expenses of children residing in British Columbia. The BCTESG is a one-time grant paid directly to an RESP where the eligible child is a beneficiary. There is no requirement to make contributions to the RESP to receive the grant. To receive the grant, the following conditions must be met:

- The child and a parent/guardian of the child is a resident of British Columbia at the time the application is completed.
- The child is born on or after January 1, 2007 and the application is completed between the day the child turns 6 and the day before the child turns 9.
- As some eligible children will be approaching 9 in 2015, the eligibility deadline has been extended for children born in 2007 and 2008 to August 14, 2018. For children born in 2009, the deadline has been extended to the later of August 14, 2018 or the day before the child's 9th birthday.

Quebec Education Savings Incentive (QESI)

Introduced in 2008:

- RESP specimen plan must be approved to accept QESI
- Trustee and beneficiary must reside in Quebec on December 31 of the year of the RESP contribution
- 10% QESI payable on the first \$2,500 contribution
- Up to 10% additional QESI available on first \$500 contributions; eligibility determined by net family income
- Must apply for the QESI within 3 years of RESP contribution
- Lifetime QESI maximum; \$3,600 per beneficiary

Saskatchewan Advantage Grant for Education Savings (SAGES Grant)

In 2013, the Saskatchewan government passed legislation to help families save for their children's post-secondary education. Commencing in 2013, all children under the age of 18 automatically accumulate SAGES grant room. A child does not have to reside in Saskatchewan to accumulate grant room. However, to receive SAGES payments, contributions must be made to an RESP and the beneficiary must be a resident of Saskatchewan at the time the contributions are made. The Saskatchewan government will contribute up to 10% annually, on the first \$2,500, deposited into an RESP, to the end of the year in which the beneficiary attains age 17*.

- Annual SAGES Grant maximum: \$250 per beneficiary (\$500 where beneficiary has unused SAGES Grant room)
- Lifetime SAGES Grant maximum: \$4,500

**Some restrictions apply for RESP beneficiaries age 16 and 17.*

Educational Assistance Payments (EAPs)

EAPs (comprised of earnings, CESG, CLB, BCTESG, QESI and SAGES Grant) may be withdrawn from the RESP to cover expenses associated with the pursuit of post-secondary education in a qualified educational program – tuition fees, textbooks, room and board, etc. These payments are taxable to the beneficiary.

Mandatory Termination Date

An RESP must be terminated by the end of the 35th year following the year the RESP was opened. The mandatory termination date for an RESP with a DTC-eligible beneficiary is the 40th year following the year the RESP was opened.

Your Options, if a Named Beneficiary Does Not Enroll in Post-Secondary Education

If a named beneficiary does not enroll in post-secondary education you have several options for the plan.

Note: Where an RESP has reached the mandatory termination date, #3 becomes the only option available.

1. Change the plan beneficiary*
2. Transfer funds to another RESP*
3. Collapse the plan*

If you choose #3 you will have to return the unused CESG, CLB, BCTESG, SAGES Grant and QESI monies to the government. The RESP contributions are considered a refund of contributions and can be withdrawn without penalty. The following options are available for disbursement of income earned within the plan:

- Transfer funds to the subscriber's RRSP or to a spousal RRSP*
- Withdraw the funds*
- Transfer funds to the Designated Educational Institution

**Some restrictions and/or penalties may apply.*

Rollover of RESP Investment Income into an RDSP

To provide greater flexibility for parents who save in an RESP for a child with a severe disability, investment income earned in an RESP can be transferred on a tax-deferred basis to an RDSP if the plans share a common beneficiary.*

**In order to qualify, the beneficiary must meet the existing age and residency requirements in relation to RDSP contributions.*

Qualified Post-Secondary Institutions

Most Canadian post-secondary institutions and programs, including correspondence courses, qualify for the purpose of receiving RESP Educational Assistance Payments. Certain foreign post-secondary institutions may qualify.

Advantages of an RESP

- The CESG, CLB, BCTESG, QESI and SAGES Grant provide additional education funding
- Income earned within the plan is tax-sheltered until withdrawn. If withdrawn by the beneficiary, he or she will usually have a lower marginal tax rate
- An RESP provides long-term planning for a beneficiary to attend a post-secondary institution
- Contributions belong to the subscriber and can be withdrawn without consequence when the beneficiary is EAP eligible

Your credit union offers a variety of smart investment options that can assist you in maximizing your RESP contributions.

The information in this publication is summary in nature and does not constitute legal or financial advice. This brochure is provided by your local credit union and is designed to inform you about RESPs. For more information about this or any other financial product, please contact our knowledgeable staff.

