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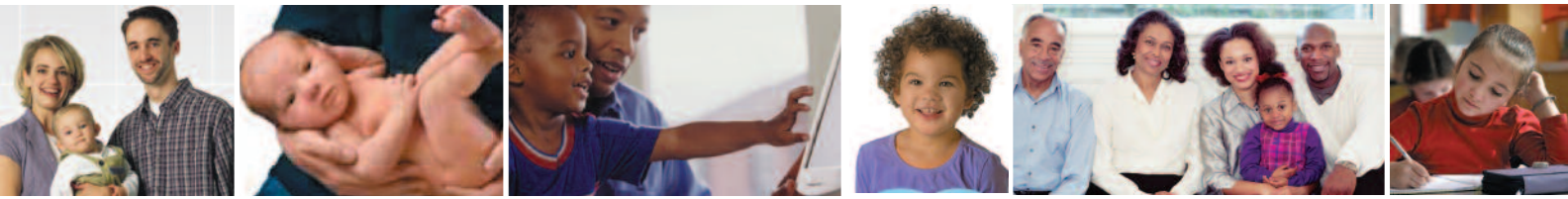

Canada Education Savings Program

RESP: Special Savings Plan for Education

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Canada

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WHAT IS A REGISTERED EDUCATION SAVINGS PLAN?

A Registered Education Savings Plan (RESP) is a special savings account that can help you, your family or friends start saving now for your child's education after high school.

RESPs are registered by the Government of Canada so savings for education can grow tax-free until the person named in the RESP enrolls in studies after high school.

OPENING AN RESP FOR YOUR CHILD'S EDUCATION AFTER HIGH SCHOOL

Why should I open an RESP?

Because, when you open an RESP account for your child, the Government of Canada will help you save by adding money to your RESP through special savings incentives. These incentives are called the Canada Education Savings Grant and the Canada Learning Bond. They are only available if you open an RESP.

As well, if you live in Alberta and have an RESP, you may be able to get additional grant money under the Alberta Centennial Education Savings Plan. For more information, call **1-866-515-2237**, or visit **ACES.alberta.ca**

Who can open an RESP?

Anyone, including parents, guardians, grandparents, other relatives or friends, can open an RESP account for your child.

Where can I open an RESP?

You can open an RESP account through a financial institution such as a bank or credit union or through a certified financial planner or group plan dealer. Institutions and organizations that offer RESP accounts are known as “RESP providers.”

For a list of RESP providers, visit **CanLearn.ca.**

See page 15 of this booklet for a list of questions to ask your RESP provider before you choose a plan.

What do I need to open an RESP?

You will need your own Social Insurance Number (SIN) from the Government of Canada and one for the child you are saving for. There is no fee for getting a SIN and even a baby can have one.

How do I apply for a Social Insurance Number?

- Visit your local Service Canada Centre to find out which documents are required.
- Call **1 800 O-Canada (1-800-622-6232)** for more information.
- Visit **servicecanada.gc.ca**

SAVING WITH AN RESP

Is there a minimum amount of money I need to put in an RESP?

The amount of money you put into an RESP depends on the type of RESP you choose. Some RESPs have no minimum deposit requirements. Before you choose an RESP, shop around among different RESP providers to find the plan that best meets your needs.

The Government of Canada will still add to your savings, no matter how little you put into your child's RESP.

Do I need a bank account to open an RESP?

No. You can open an RESP without having a bank account.

How much money can I put into an RESP?

For each child named, you can put up to $50,000 into an RESP. There is no annual contribution limit. Note that the Government will only add a grant on the first $2,500 saved annually.

How often do I have to put money into an RESP?

Every RESP is different. Some types of RESPs require specific monthly contributions. Others let you put money into your RESP whenever you want.

The sooner you start to save, the more your money will grow. Even savings of $5 a week can add up quickly, especially when government grants and earned interest are added to your savings.

Can I open an RESP for myself?

Yes. There is no age limit for opening an RESP. You can open a plan for a child, or you can name yourself or another adult as the beneficiary of your plan. An RESP allows adults to earn interest on their education savings tax-free.

CHOOSING THE RIGHT RESP FOR YOU

You can choose from three types of RESP: family, individual or group plan. Before you choose, ask the RESP provider to explain the different types of plans so you can decide on a plan that best suits your needs.

For a list of RESP providers, visit **CanLearn.ca**.

Family Plan

In a family plan, you can name one or more children as beneficiaries of the RESP. The children must be related to you. They may be your children — including adopted children — grandchildren, brothers or sisters.

Individual Plan

An individual plan is for one person. The person does not have to be related to you for you to contribute.

Since there is no age limit; you can even set up an RESP for yourself or another adult. However, the education savings incentives described in this booklet are available only to children 17 years old or younger.

Group Plan

In a group plan, your savings are combined with those of other people. The amount of money each child gets is based on how much money is in the group account and on the total number of students of the same age who are in school that year.

Group plans are offered and administered by group plan dealers. Each plan has its own rules. Be sure to read these rules carefully and shop around to get the plan that best suits your needs.

Usually, group plan dealers must put the money in low-risk investments. Generally, you have to sign a contract agreeing to make regular payments into the plan over a certain period of time.

You can name only one child in a group plan. The child does not have to be related to you. Since each group plan is different, it is important to ask your group plan dealer for details.

A group plan may be a good choice if:

- you can make regular payments into the RESP;
- you prefer to have someone else decide how to invest the money for you; and
- you are fairly sure the child you are saving for will continue education after high school.

Make sure you ask your group plan dealer what happens to your money if the child does not continue with education right after high school or if the child decides to go to school part-time.

SERVICE FEES

Some RESP providers charge service fees. Some may also limit the amount of money you can put into your plan and tell you how often you can contribute.

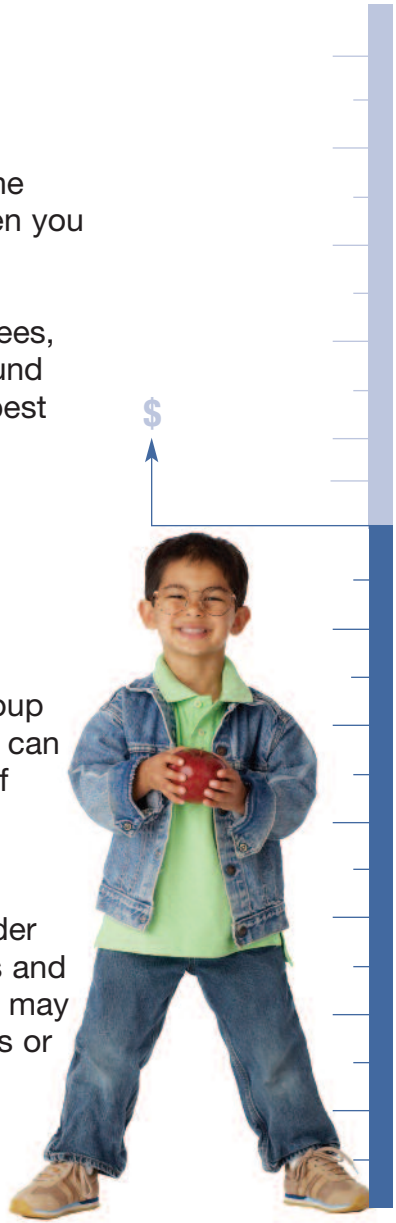
Before you open an RESP, ask the RESP provider to explain any fees, limits, penalties or promises to make regular payments. Shop around and compare the costs and types of RESPs to find the plan that best suits your needs. (For more tips, see page 15.)

MAKING YOUR MONEY GROW

What should I do with the money I put in an RESP?

Once you have decided whether to open a family, individual or group plan, ask your RESP provider about your investment choices. You can leave your money in a savings account or choose from a variety of options such as bonds, guaranteed investment certificates (GICs), mutual funds or stocks.

It is important to take your time. Feel free to ask your RESP provider questions about your investment choices — including the benefits and risks of each choice — because some of your investment choices may have more risk than others. Make sure you ask for a list of the fees or penalties that may apply.



Do I pay tax on the money in an RESP?

You will not pay taxes on the money you contributed to the RESP. The interest your investment earns while it is in your RESP will be taxed, but only after the RESP is closed or money is taken out to pay for your child's education. Since many students have little or no other income, they can usually withdraw the money tax-free.

HELP FROM THE GOVERNMENT OF CANADA

Canada Education Savings Grant

When you open an RESP for your child, the Government of Canada will add the **Canada Education Savings Grant** to your savings. Since 1998, over three million children have benefited from it.

Who can get the Canada Education Savings Grant?

Every child up to age 17 is eligible to receive the Canada Education Savings Grant as long as the child is a Canadian resident and an RESP has been opened for the child.

The Canada Education Savings Grant is designed to encourage long-term savings for education after high school. Special rules may apply if your child is between the ages 15 and 17. For more information call **1 800 O-Canada (1-800-622-6232)**.

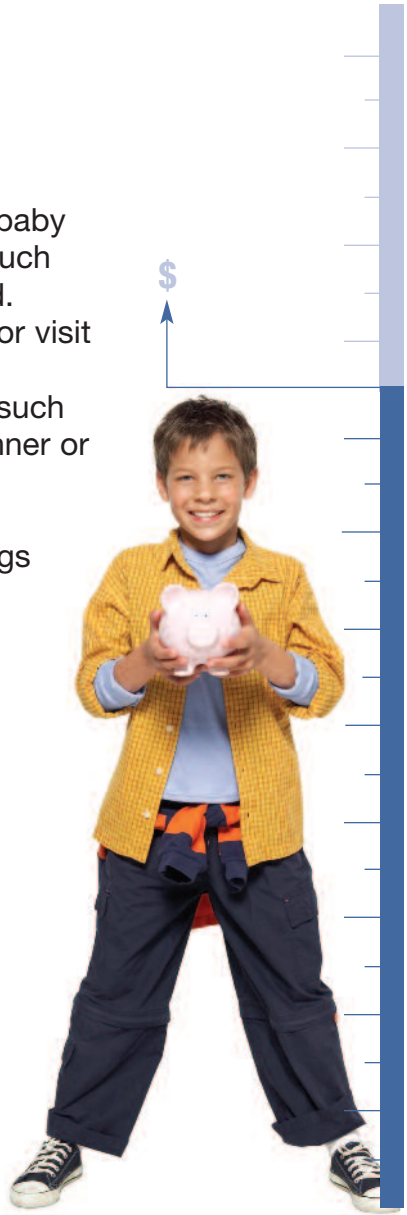
How do I get the Canada Education Savings Grant?

In 2 Easy Steps:

1) Get a Social Insurance Number (SIN) for your child — even a baby can have one! There is no fee. However, certain documents, such as a birth certificate or Permanent Resident Card, are required. Call **1 800 O-Canada (1-800-622-6232)** for more information or visit a Service Canada Centre near you.
2) Open an RESP. You can do this through a financial institution such as a bank or a credit union or through a certified financial planner or group plan dealer.

For a list of RESP providers offering the Canada Education Savings Grant, visit **CanLearn.ca**.

The Canada Education Savings Grant will be deposited directly into your child's RESP.



How much is the grant?

On the first $500 you save in your child's RESP account, the Canada Education Savings Grant will give you:

- up to $200, if your net family income is $38,832 or less
- up to $150, if your net family income is between $38,832 and $77,664
- up to $100, if your net family income is more than $77,664

The net family income amounts are updated each year. These amounts are for 2009.

When you save more than $500 annually, the Canada Education Savings Grant could add up to $400 on the next $2,000 saved.

The maximum lifetime grant the Government of Canada can give to your child through the Canada Education Savings Grant is $7,200.

The Canada Education Savings Grant has been designed to encourage long-term savings for education after high school. There are special rules that may apply if your child is between the ages 15 and 17. For more information call **1 800 O-Canada (1-800-622-6232)**.

Canada Learning Bond

The **Canada Learning Bond** is money from the Government of Canada to help modest-income families start saving early for their child's education after high school.

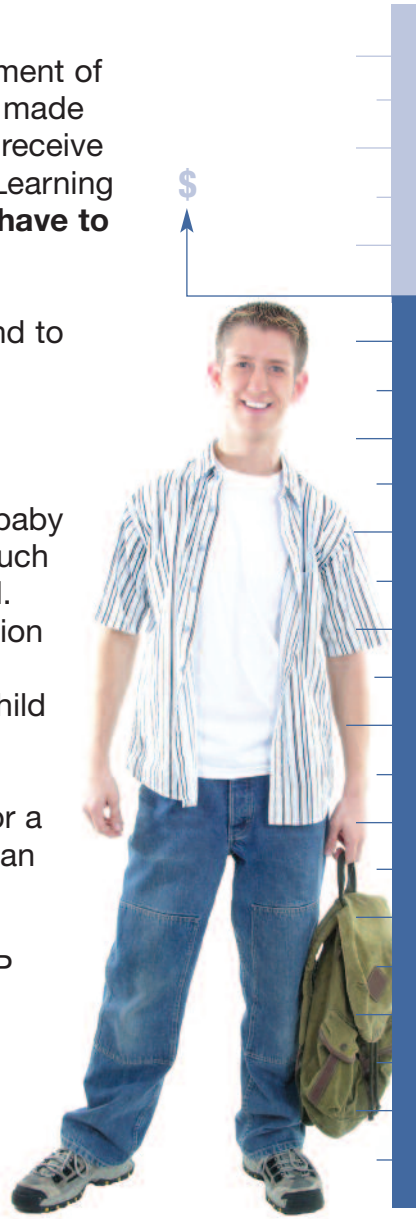
Who can get the Canada Learning Bond?

You can get the Canada Learning Bond for your child if:

- your child was born after December 31, 2003; and
- your monthly Canada Child Tax Benefit payment (commonly called "baby bonus" or "family allowance") includes the National Child Benefit Supplement.

If your family qualifies, the Government of Canada will make a payment of $500 into your child's RESP. Extra payments of $100 a year will be made automatically for children up to age 15, as long as you continue to receive the National Child Benefit Supplement annually. The total Canada Learning Bond available for your child could amount to $2,000. **You do not have to contribute any of your own money to get this bond.**

An additional $25 will be paid into the RESP with the first $500 bond to help cover the cost of opening an RESP.



How do I get the Canada Learning Bond for my child?

- Get a Social Insurance Number (SIN) for your child — even a baby can have one! There is no fee. However, certain documents, such as a birth certificate or Permanent Resident Card, are required. Contact **1 800 O-Canada (1-800-622-6232)** for more information or visit a Service Canada Centre near you.
- Apply through the Canada Revenue Agency for the Canada Child Tax Benefit Supplement. Call **1-800-387-1193** for more information.
- Open an RESP through a financial institution such as a bank or a credit union or through a certified financial planner or group plan dealer. Make sure your RESP provider offers the Canada Learning Bond.
- Once you have opened an RESP for your child, ask your RESP provider to apply for the Canada Learning Bond on behalf of your child.

The Canada Learning Bond will be deposited directly into your child's RESP.

Do I have to put money into an RESP to get the Canada Learning Bond?

No. Even if you don't put any of your own money into an RESP, the Government of Canada will deposit the Canada Learning Bond into the RESP you opened for your child.

USING YOUR RESP

How soon can the person named in the plan start using the money?

Students can start receiving money from the RESP as soon as they are enrolled in a qualified post-secondary educational program.

What is a qualified educational program?

Qualified educational programs include apprenticeships and programs offered by a trade school, CEGEP, college or university.

Usually, a qualified educational program is a course of study that lasts at least three weeks in a row, with at least 10 hours of instruction or work each week. A program at an educational institution outside of Canada must last at least 13 weeks.

To find out more about qualified educational programs, visit **CanLearn.ca** and choose "Planning for Post-Secondary Education" from the menu on the left.

Can RESP funds be used for students going to school part-time?

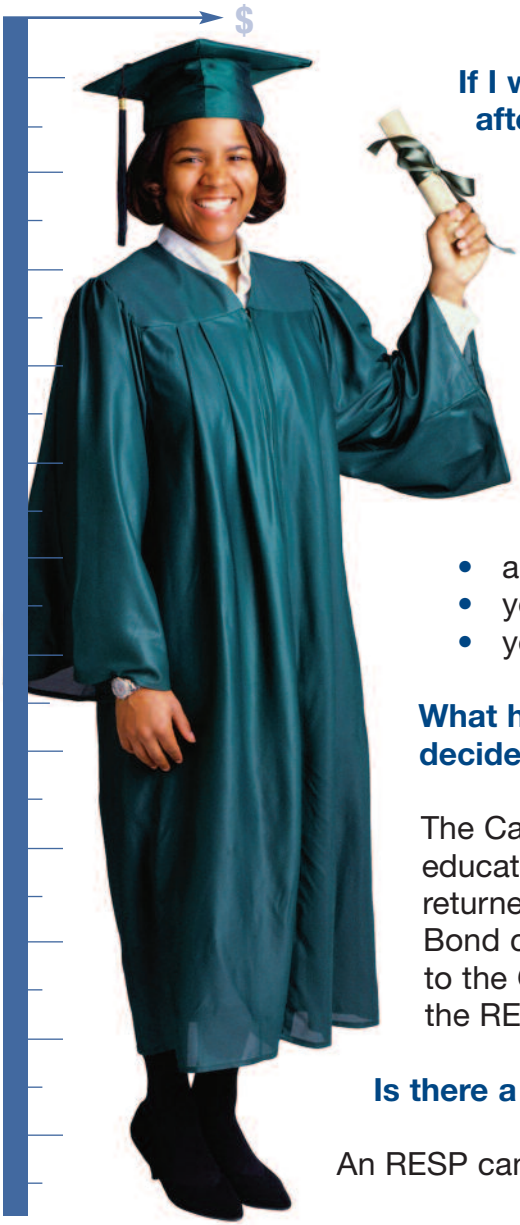
Yes. RESP funds can be used for either full-time or part-time study in a qualified program. Qualifying part-time programs include at least 12 hours per month spent on courses.

What happens to the RESP if my child does not continue education after high school?

If your child decides not to continue education after high school, you may be able to:

- wait a while — your child may decide to continue studying later. RESP accounts can remain open for up to 36 years.
- transfer the money to a brother or sister's RESP.
- transfer the money into a Registered Retirement Savings Plan (RRSP) to help you save for your retirement.
- withdraw your contribution. Ask your RESP provider for details.

Talk to your RESP provider to find out about any conditions that may apply to the plan if your child does not continue education after high school.



If I withdraw the money before my child pursues education after high school, will I have to pay taxes?

You will not be taxed on the amount you contributed to the RESP, but you will have to pay taxes on the money that you earned in your plan as interest. This money is called "accumulated income." It will be taxed at your regular income-tax level, plus an additional 20 percent.

If your child decides not to continue education after high school, you may withdraw the income earned in the RESP if:

- all the persons named in the plan are at least 21 years old;
- you are a Canadian resident; and
- you opened the RESP at least 10 years ago.

What happens to the Government of Canada grants if my child decides not to continue education after high school?

The Canada Education Savings Grant may be used for a sibling's education if that brother or sister is eligible. If not, the grant will be returned to the Government of Canada. The Canada Learning Bond cannot be transferred to another child and must be returned to the Government of Canada. The amount that you contributed to the RESP and the interest it earned goes back to you.

Is there a time limit for using the RESP?

An RESP can stay open a maximum of 36 years.

A CHECKLIST BEFORE YOU OPEN AN RESP

- Make sure you have a Social Insurance Number (SIN) for yourself and your child.
- Shop around for an RESP provider (bank, credit union, certified financial planner or group plan dealer) that best meets your needs.
- Decide if you want to open an individual, family or group plan.

Then ask your RESP provider these questions:

- ❑ Does it cost anything to open an RESP?
- ❑ Once I have opened an RESP, will I have to pay any fees? If so, what are they for and how much will I have to pay?
- ❑ Do I have to put a minimum amount of money into an RESP?
- ❑ Do I have to make regular payments?
- ❑ What happens if I cannot make regular payments?
- ❑ What are my investment choices? What are the benefits of each choice? Can the value of my investment go down?
- ❑ Can I withdraw money if I need it? Are there any fees or penalties for withdrawing money early?
- ❑ Can I transfer the RESP to another person, or to another RESP provider? What is the cost to transfer?
- ❑ What will happen to my savings in the RESP if the recipient of the RESP does not continue his or her education after high school?
- ❑ Does the RESP provider limit the types of qualified educational programs that I can use my RESP for?
- ❑ What happens if I close my RESP early?
- ❑ What if my child decides to go to school part-time?

WHERE CAN YOU GET MORE HELP?

The Financial Consumer Agency of Canada is an agency of the Government of Canada. It makes sure that banks and other financial institutions respect federal laws that protect you. For more information about RESPs and banking, contact the Financial Consumer Agency of Canada (FCAC):

Toll-free: **1-866-461-3222**

E-mail: **info@fcac.gc.ca**

Web site: **www.fcac.gc.ca**

For more information about the **Canada Education Savings Grant** or the **Canada Learning Bond**, or to order a copy of this booklet, call **1 800 O-Canada (1-800-622-6232)**. If you have a speech or hearing impairment, use the TTY number: **1-800-926-9105**.

Web site: **CanLearn.ca**

The Canada Education Savings Grant and the Canada Learning Bond are Government of Canada initiatives offered by Human Resources and Skills Development Canada.

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Learning is the key to success at every stage of life. Education is among the best investments you can make today for your child's future. Close to 70% of all new jobs now depend on some form of education after high school.

Because the Government of Canada believes strongly in the value of education, it will help you save money for your child's education after high school.

This booklet provides information on Government of Canada programs that can help you save money towards a child's education after high school, including:

- **Registered Education Savings Plan (RESP)**
- the **Canada Learning Bond** — a grant worth up to $2,000 that may be available to you, depending on your family income; and
- the **Canada Education Savings Grant** — a grant added to the money you put into an RESP on behalf of your child.

Want to know more?

As you read this guide, you may have other questions about the programs. For more information about RESPs, please call the Financial Consumer Agency of Canada (FCAC) at **1-866-461-3222**.

For information about Government of Canada grants and bonds, please call **1 800 O-Canada (1-800-622-6232)**.

If you have a speech or hearing impairment, please call the following **TTY** number: **1-800-926-9105**. You can also visit CanLearn.ca.