



Saving for Your Child's Education — Understanding RESPs

WHAT IS AN RESP?

A Registered Education Savings Plan (RESP) is a savings plan that is registered with the federal government and helps you save for a child's postsecondary education. When the child enrolls in a qualified educational program, educational assistance payments (EAPs) are made from the plan and the child will pay taxes on the money. Since many students have little or no other income, they usually don't have to pay much, if any, tax when they withdraw money from the plan.

How the Government adds to your savings

- When you contribute to an RESP, the Government of Canada's Canada Education Savings Grant (CESG) program will add to your savings.
- Depending on your family income and province of residence, your child might receive additional grants for RESP contributions — such as the enhanced Canada Education Savings Grant and the *Canada Learning Bond* (CLB).

Who offers RESPs and how can you obtain one?

Most financial institutions (including banks, trust companies and credit unions) offer RESPs. Investment dealers and scholarship plan dealers also offer RESPs.

Types of plans offered by institutions

- **Individual plan:** This is for a single beneficiary, who does not have to be a blood relative of the person who opens the plan (subscriber).
- **Family plan:** This is for multiple beneficiaries, all of whom must be connected by blood or adoption to the subscriber. A grant that has been paid into an RESP may be shared among all of the beneficiaries in the RESP. One of the advantages of a family plan is that if one beneficiary decides not to pursue further schooling the other beneficiaries can still use the money.
- **Group plan:** In this type of plan, your savings are “pooled” with those of other people. The amount of money your child gets is based on how much money is in the pool, as well as on the total number of students of the same age who are in school that year. Usually, you have to sign a contract agreeing to make regular payments into the plan over a certain period of time. **Group plans are offered and administered by scholarship or group plan dealers¹. Each plan has its own rules and is usually subject to service fees.** Group plans are more expensive than individual and family plans. Be sure to read the rules carefully, understand the fees related to the plan and shop around to get the plan that best suits your needs.

¹ **List of group plan dealers:** USC Education Savings Plans Inc./The International Scholarship Foundation; Heritage Educational Foundation; Global Educational Trust Foundation; Fondation Universit s du Canada; Children's Educational Foundation of Canada; Canadian Scholarship Trust Foundation.

Tips for shopping around for an RESP

- Some RESP promoters charge service fees, others do not. Before you open an RESP, ask the RESP promoter to explain any fees, limits, penalties or promises to make regular payments. Shop around for the cost and type of RESP that best suits your needs.
- Decide if you want to open an individual, family or group plan. **Group plans are more expensive than individual and family plans. Make sure you understand all of the terms and conditions for each type of plan, such as the fees that apply, your investment options, your options for withdrawing money and any related penalties, if any.**
- Make sure you have a Social Insurance Number (SIN) for yourself and for the child named in the RESP.
- Start contributing early to maximize the amount of your CESG.

Questions to ask your RESP provider

- 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 in a minimum amount of money to open an RESP?
- Do I have to make a regular payment?
- What happens if I cannot make a regular payment? Do I lose my investment?
- What are my investment choices? What are the pros and cons of each choice? Can the value of my investment go down?
- Can I withdraw money if I need it? Are there 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 my child 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 savings for?
- What happens if I close my RESP early?

Where to go for more information

The Financial Consumer Agency of Canada (FCAC) provides timely, objective information to help consumers choose the best banking products and services for their needs. FCAC also informs Canadians about their rights and responsibilities when dealing with financial institutions and makes sure that banks and federally regulated trust, loan and insurance companies respect the laws and agreements that protect consumers.

You can reach us by calling our Consumer Contact Centre toll-free at 1-866-461-3222 (our TTY number is 613-947-7771 or, toll-free, 1-866-914-6097), or by visiting our Web site at: www.fcac.gc.ca.

For more information about the Canada Education Savings Grant (CESG) or the Canada Learning Bond (CLB), contact the Canada Education Savings Program of Human Resources and Social Development Canada (HRSDC) toll-free at: 1-800-0-CANADA (1-800-622-6232), or visit their Web site at: www.canlearn.ca.

For more information about taxes and RESPs, call the Canada Revenue Agency (CRA) toll-free at: 1-800-959-8281.