Registered Education Savings Plan (RESP)

A Registered Education Savings Plan helps you save for a child's post-secondary education. When you put money in an RESP, the government matches part of your contribution with a grant. A bond is also available for lower income families without having to contribute their own money. An RESP is a tax-sheltered plan, which means the income you make on investments in an RESP is tax-free while it stays in the plan.

Here's how it works

An RESP has a subscriber and a beneficiary. The subscriber opens the plan and makes contributions while the beneficiaries are the future students. You choose when and how much to withdraw from the plan for education costs like tuition, books or living expenses. When money is withdrawn, the beneficiary is taxed and may pay little to no taxes because of the student's generally low tax rate.

There are two types of plans:

The Family RESP

- One subscriber (or joint) and one or more children can be beneficiaries
- Beneficiaries must be blood related or adopted by the subscriber
- If one child decides not to attend post-secondary school, the other children in the plan can use the funds up to the allowable limits
- Grant monies are paid until the year the beneficiary turns 17 and contributions must cease after 31 years after the plan was opened. This is not dependant on beneficiary age.

The Individual RESP

- Only one beneficiary is allowed
- The beneficiary can be anyone, including the subscriber
- Contributions can be made for 31 years after the plan is opened, however grant monies are only paid until the year the beneficiary turns 17

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You could qualify for grants and bonds

BC Training and Education Savings Grant (BCTESG) - a one-time $1,200 RESP grant intended to help families pay for their child's post-secondary education. Eligible children must be between the ages of 6 -9 years old and meet the following criteria:

- Beneficiary must be born on or after January 1, 2007
- The child must be a beneficiary of an RESP
- Beneficiary and subscriber must be residents of BC

Basic Canada Education Savings Grant (CESG) – all families are entitled to receive 20% of every dollar on the first $2,500 contributed annually until the beneficiary turns 17. Lower income families can receive a higher grant percentage.

- Maximum annual grant amount $500-$600 per beneficiary
- Lifetime grant limit of $7,200 per beneficiary

Family net income	CESG on first $500 contribution	CESG on $501 to $2,500	Maximum annual CESG
Up to or equal to $49,020	40% = $200	20% = $400	$600
Between $49,021 and $98,040	30% = $150	20% = $400	$550
Over $89,401	20% = $100	20% = $400	$500

Canada Learning Bond (CLB) – families qualify based on net family income and can receive the bond without having to contribute their own money. Lower income families with a beneficiary born after Dec 31, 2003 can apply to receive:

- an initial $500 deposit
- an additional $100 deposited each year until the beneficiary turns 15

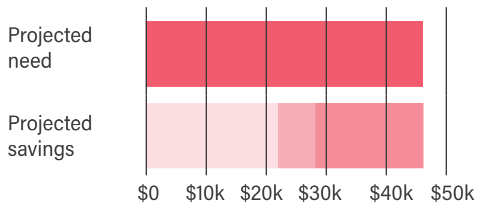
Start early for the biggest rewards

The sooner you start an RESP, the longer you have to take advantage of compounding interest. You can hold any variety of investments in an RESP, from term deposits to mutual funds, giving you the flexibility to build a plan most appropriate to your needs. Your money grows tax-free while in the plan.

The current estimated education cost for one child is **$46,279** (Projected Need for 4 year Bachelor's Degree program)

If you start a plan when child is age 1

- Monthly contributions of $110
- Contributions made until child reaches 18



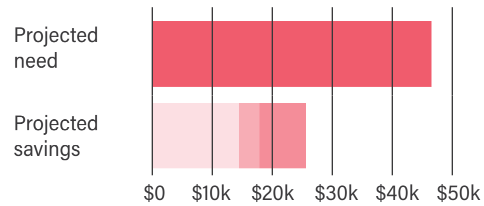
Individual contributions = $22,440
Government grants = $5,338
Projected earnings = $18,773*

*assumes annual interest rate of return 5% and net household income $49,021 to $98,040

Total of funds when child goes to school = $46,551

If you start a plan when child is age 7

- Monthly contributions of $110
- Contributions made until child reaches 18



Individual contributions = $14,520
Government grants = $3,454
Projected earnings = $7,619*

*assumes annual interest rate of return 5% and net household income $49,021 to $98,040

Total of funds when child goes to school = $25,593

This is $20,958 less than if you had started the plan 6 years earlier. To reach the Projected Need amount, the monthly contribution amount would have to almost double.

The basic rules

- Contributions are not tax-deductible
- Earnings on contributions grow tax-free while in the plan
- Unused CESG entitlement carries over but only one previous years worth of contribution room qualifies for retroactive grant money up to the maximum annual grant amount of $1,000 per year
- There is no annual contribution limit but there is a lifetime limit of $50,000 per beneficiary
- Withdrawal of funds requires proof of enrollment at a post-secondary institution
- If the beneficiary does not attend post-secondary school:
  - You get your contribution money back but must pay taxes on the money earned in the plan as interest if you close the RESP. To avoid the tax penalty, if you have room in your RRSP you could transfer the contributions you made to the RESP into your RRSP
  - Money received from the government must be returned
    - Grant money from the CESG can be transferred to another beneficiary within the same family RESP if they have grant room available
    - Money from the CLB cannot be transferred to another beneficiary