

# Registered Education Savings Plans (RESPs)

RESPs are registered accounts that enable you to make contributions now towards the cost of a child's future education. Unlike an RRSP, your contributions are not tax deductible but the funds grow tax-sheltered until paid out to the beneficiary. The federal government will also help you save towards education costs with the Canada Education Savings Grant.

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## Contributions:

- \$4,000 per beneficiary, per year maximum
- You can contribute up to 21 years to a lifetime maximum of \$42,000 per beneficiary
- No contribution carry forwards
- No tax deduction for contributor

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## Canada Education Savings Grant (CESG)

- The government will contribute up to 20% of the first \$2,000 of annual RESP contributions to a maximum of \$400 per year, per beneficiary aged 17 and under
- Lifetime maximum CESG contribution will be \$7,200 per beneficiary
- Contributions for beneficiaries aged 16 and 17 will only receive a CESG subject to certain stipulations
- CESG room may be carried forward until the beneficiary turns 18
- The beneficiary must have a SIN to receive the CESG

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## Education Assistance Payments (EAP)

- Any income/growth earned on the contributions may be paid out to the beneficiary once they are attending a recognized post-secondary institution
- CESG can be included in the payment
- EAPs are taxed in the hands of the beneficiary, who reports it as "other income" on their tax return

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## Withdrawals

- Contributions can be withdrawn at any time by the contributor tax-free, but restrictions may apply on future CESG payments

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## Maturity

- RESPs mature after 25 years
- All contributions will be returned tax-free to the contributor
- Any income that has not been paid out to the beneficiary can be returned to the contributor by either
  - a) transferring up to \$50,000 into an RRSP\* or
  - b) having it taxed at marginal rate plus a surtax

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## If a Beneficiary does not pursue higher education

- In a family plan, you can designate another beneficiary
- Any unused CESG must be repaid to government

\* This transfer can be made to the contributor's RRSP or a spousal RRSP. Contributor must have sufficient RRSP contribution room available.



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