

Canadian Association of Family Resource Programs

# FACTS & RESOURCES FOR FAMILIES ON EDUCATION SAVINGS

Mobilizing the Community, Investing in the Future



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## Do you want your daughter or son to continue learning after high school but feel unsure about how to help cover the costs of college, trade school or university?

There are so many possibilities for our children to follow their hopes and dreams. This guide will show you how saving for post-secondary education (PSE) can start now and add up with some help from the government of Canada. Post-secondary education includes college, trade school, apprenticeships, university and other registered education programs.

Learn how families on modest income can get \$500 now to support their child's education in the future with a Canada Learning Bond.

Start saving early when your child is a baby and you could receive as much as \$9,200 from the government before your child is 17 years old to support their future education. Many families with low and modest incomes are already receiving this money from the government each year.

### Here's how you can start to save now for your child's education after high school:

- Open a Registered Education Savings Plan (RESP) as early as possible.
- Apply for the Canadian Education Savings Plan (CESG) — up to \$7,200 free money.
- Apply for the Canadian Learning Bond (CLB) — up to \$2000 free money.
- Together as a family, think about ways to start to save a little bit beginning when your child is young and see how quickly it all adds up.

To download or view this guide online go to [www.frp.ca](http://www.frp.ca) and click on the Mobilizing the Community, Investing in the Future icon.

# Registered Education Savings Plan (RESP)

## What is it?

An RESP is a special savings plan that can help families save for post-secondary education (PSE). RESPs are registered by the Government of Canada to allow savings for education to grow tax-free until the person who is the beneficiary (child) named in the RESP enrolls in education/training after high school. It can be used for college, apprenticeships, university, foreign studies and many other registered education training programs.

## Why open an RESP?

Education beyond high school is a major expense for many families. When you (a subscriber) open an RESP, the Government of Canada will help you save money by adding money to an RESP account through the Canada Education Savings Grant and if you are eligible, for the Canada Learning Bond. These savings incentives are only available for the child if you open an RESP. Post-secondary education (university, college, apprenticeship programs, overseas education/training) is important for every child's future. It opens up opportunities for increased earning power and career opportunities.

## Who can open an RESP?

Anyone — parents, guardians, grandparents, other relatives or friends — can open an individual RESP for a child/student. The person who opens an account is the *subscriber*. There are three types of RESPs. One type, the Family Plan, must be opened by blood relations or relatives through adoption.

## When should families open an RESP?

Start early; newborn babies qualify. You should start to save early so that you can take full advantage of the federal government grant, bond and savings options each year. Regular savings can grow surprisingly quickly.

## Where can you open an RESP?

You can open an RESP at most financial institutions (such as banks and credit unions) or with a group plan dealer or certified financial planner. These are called *providers or promoters*.

## What do you need to do to open an RESP?

You and the child must have a Canadian Social Insurance Number and birth certificates/registration. Then you need to choose an RESP provider that offers a plan that works for you.

- There is no fee to apply for a social insurance number. There may be a fee to apply for a birth certificate.

## Do you need to deposit a minimum amount of money into an RESP?

It depends on the registered education savings plan that you choose. Some types of RESPs have no minimum deposit requirements, while others do. If you qualify for the Canada Learning Bond, the Government of Canada will still add to your savings plan no matter how much you put into the RESP. You do not need to have a bank account to have an RESP. You can shop around and find an RESP that is best for your family. RESP saving accounts are available at some banks and credit unions and they should not require a minimum deposit.

### How much can you put into an RESP?

Up to \$50,000 for each child named in one or more RESPs.

### How long can an RESP account stay open and contributions be made?

The plan can stay open up to 36 years. Contributions can be made up to the 31st year following the year that it was opened. For example, if a subscriber opened a plan when their child was 2, contributions can be made until the year they turn 34 and the plan can stay open until they are 38 years old. This means that if the student decides not to go on to PSE after high school, the account can stay open, and continue to earn interest, in case he/she decides to do so in the future. Extensions are available for those beneficiaries with disabilities.

### How often do subscribers have to put money into an RESP?

Every RESP is different. Some types require specific monthly contributions, others let subscribers put money into the RESP whenever they want. Ask for a plan that works best for your family.

### Can more than one RESP be opened for a child?

Yes. A child can be named as the beneficiary of more than one RESP; however, be aware of two important points:

- For each child there is a lifetime limit of \$50,000 that can be contributed in total. That means if there are two accounts open for one child, the total amount of the accounts combined cannot go over \$50,000.
- Subscribers should keep track of the total amount of money going into each child's RESP because there are penalties for over-contributions.

### Can an adult open an RESP for themselves?

Yes. An RESP can be opened at any age although people over 17 year of age are not eligible for the Canada Education Savings Grant (CESG) and those over 15 years for the Canada Learning Bond (CLB).

### How is an RESP taxed?

- If the child continues education after high school, the money and investment earnings grow tax-free while it is in the RESP.
- Parents/guardians don't get a tax deduction for the money they put into an RESP.
- The money (interest) that the investment earns while it is in the RESP will not be taxed until money is taken out to pay for the child's education.
- Money paid out of the RESP as an Educational Assistance Payment is taxed in the hands of the student. Since many students have little or no other income, they can usually withdraw the money tax-free. Remember that it is only the interest earned that will be taxed, not the money that you contributed.

### How is an RESP taxed if a child decides not to continue education after high school?

- The money that the investment earns while it is in the RESP will not be taxed until the subscriber closes the RESP because the child has decided not to pursue education after high school. Remember, you can still leave the account open for up to 36 years just in case your child decides to go to PSE later.
- The money that the subscriber has put into the RESP is returned to them, tax-free.
- The Canada Education Savings Grant can be shared with a brother or sister if they have grant room available. Otherwise, the grant will be returned to the government (although you keep the interest earned). The Canada Learning Bond is not transferable between children and will go back to the government.
- When the subscriber closes the RESP, the funds will be withdrawn as an Accumulated Income Payment (AIP) and they will have to pay tax on the earnings in the RESP. The tax will be at the rate applied to the subscriber's regular income tax plus an additional 20% tax (12% for residents of Quebec). The subscriber may be able to reduce or avoid the taxes they have to pay by transferring the earnings being withdrawn to a Registered Retirement Savings Plan.

### Does having an RESP account affect social assistance programs from the provinces and territories?

An RESP account is considered to be savings for a child's education and not a family asset in all of the provinces and territories except the Northwest Territories and the province of Quebec. While the Northwest Territories and Quebec exempt any government contributions, personal contributions may or may not be exempt. You may have to prove that the money was used directly for the child's education.

### How does the student get the money out to use for post-secondary education?

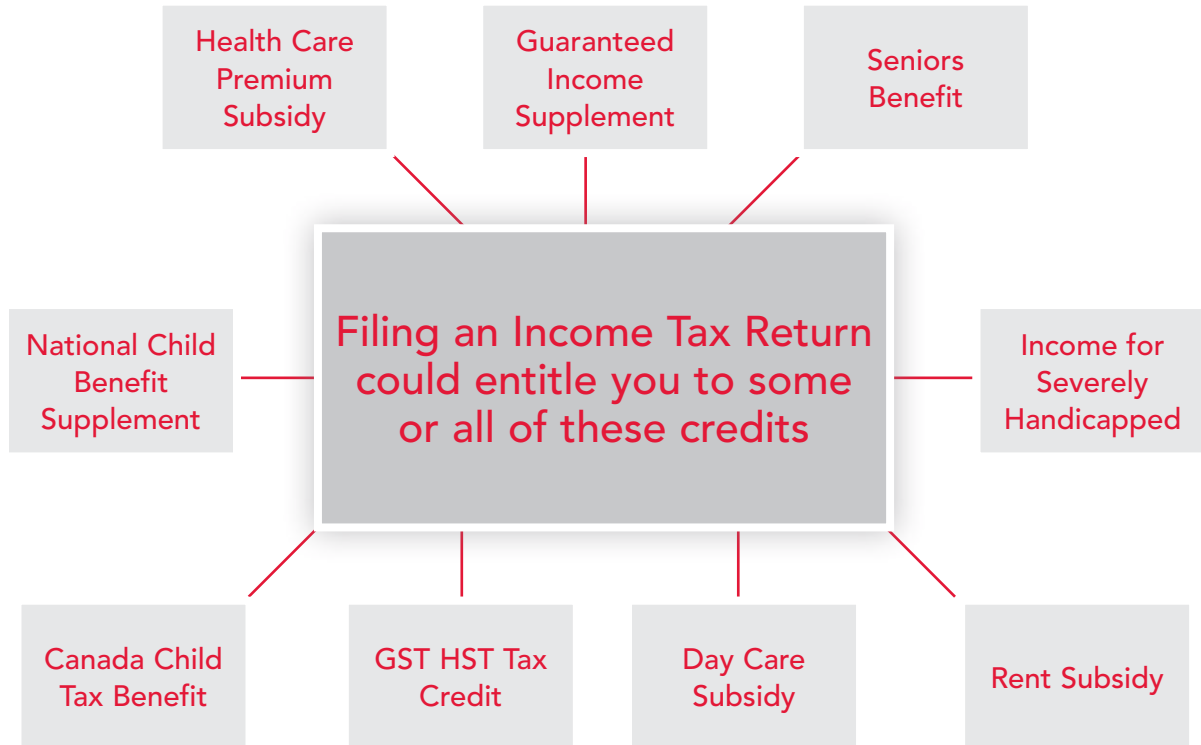
When your child enrolls for post-secondary education, the RESP provider submits a form for an Educational Assistance Payment (EAP) to use for expenses of the first 13-week study period. It is a good idea to advise your provider as soon as possible that enrollment has been confirmed. The EAP is to be used for education expenses including books and living expenses and will provide a maximum of \$5000 for the first 13 weeks. If the expenses for the first 13 weeks are \$3000, for example, the amount provided would be \$3000.

For more information on RESP's call toll free 1-800-267-3100 or go online at [www.canlearn.ca](http://www.canlearn.ca)



**Do parents/guardians have to file an annual income tax return to determine their eligibility for CESG and CLB?**

YES, eligibility is dependent on the net income of the child's primary care giver. It is important to file income tax every year in order to obtain access to this and other government programs. The diagram below shows just some of the benefits that are available to those that are eligible and who file annual income tax returns.



# Types of Registered Education Savings Plans

There are three different types of RESPs: Individual | Family | Group

Take the time to learn about different types of plans and ask questions at the bank/credit union or other financial institutions in your community. Choose a plan that best suits the needs of your family. Individual and family plans are the most common type of RESPs because of their flexibility and low service fees.

## Individual Plan

- An individual plan is for one person as a beneficiary.
- The beneficiary (student) doesn't have to be related to the subscriber (the person who opens an RESP).
- There are no age limits.
- This type of RESP could even be for the subscriber or another adult. The Canada Education Savings Grant (CESG) is only for children aged 17 or younger. However, the Canada Learning Bond (CLB) is only for children aged 15 or younger.
- An individual RESP may not require specific monthly payments.
- Some plan fees may apply.

### An individual plan may be a good choice if:

- You want to save for a child who is or is not related to you.
- You want to decide how to invest the money, either on your own or with the help of a financial advisor.
- You do not want to make regular monthly payments.

## Family Plan

- Parents/guardians or close relatives can name one or more children as beneficiaries.
- The children must be related to the subscriber. They may be their children, adopted children or grandchildren, brothers or sisters.
- There are age limits. The children must be under 21 years to open a Family Plan RESP.
- Additional Canada Education Savings (CESG) payments are available only if children are siblings.
- The CESG can be used for either child, the CLB can only be used for the specific child.
- The plan may not require specific monthly payments.
- Some plan fees may apply.

### A family plan may be a good choice if:

- You want all or any one of the children named in the plan to be able to use the money.
- You want to decide how to invest the money, either on your own or with the help of a financial advisor.

- You don't necessarily want to make regular monthly payments.
- Qualifying educational programs with individual or family plans include apprenticeships, and programs offered by a trade school, college or university, other registered education institutions and foreign studies. Be sure to ask the provider about what qualifying educational programs apply to the the RESP you choose.

## Group Plan

- You can name only one child in a group plan.
- The child doesn't have to be related to you.
- Subscribers' savings are combined with those of other people. How much each child gets is based on how much money is in the group account, and on the number of students in the plan of the same age that are in school that year.
- Plans are provided by group plan dealers who usually put money in low-risk investments.
- Each group plan is different and has its own rules. Subscribers should ask their group plan dealer for details and read the plan rules carefully. If you think you are eligible for the CLB, ask if the group plan provider will apply to get it for you.
- You (the subscriber) have to sign a contract agreeing to make regular payments into the plan over a certain period of time. Failure to make regular payments may lead to a penalty and/or loss of savings.
- Unlike individual and family plans, a group plan may be limited to full time studies, usually a minimum of 6 months per year and a minimum 2 year program.
- Fees apply.

### A group plan may be a good choice if:

- Subscribers are absolutely able to make regular payments into the RESP.
- You prefer to have someone else decide how to invest the money for you.
- You are fairly sure that the child will attend a post-secondary education institution after high school and that the institution is covered by the group plan.

Since each group plan is different, it is important to ask the group plan dealer for details.

It is important that parents/guardians are aware of which post-secondary education programs are eligible according to the Government of Canada. You can call toll-free 1-800-959-8281 for up-to-date information about eligible institutions or online at [www.canlearn.ca/eng/main/designated/ldi.shtml](http://www.canlearn.ca/eng/main/designated/ldi.shtml).

Source: Human Resource and Skills Development Canada [http://www.hrsdc.gc.ca/eng/learning/education\\_savings/public/resp.shtml](http://www.hrsdc.gc.ca/eng/learning/education_savings/public/resp.shtml)

# Government of Canada Education Savings Programs

The government of Canada will help families save for their child's education after high school. The money that a subscriber can get when they open an RESP comes in the form of grants and a bond.

1. Basic Canada Education Savings Grant (CESG)
2. Additional CESG
3. Canada Learning Bond (CLB)

## The Basic Canada Education Savings Grant (CESG) and Additional CESG

### Who qualifies?

Every child who was born after 1998 and is under 17 years of age, is a Canadian resident, and has an RESP opened for them.

### How much is the Basic CESG?

The amount of the grant is based on the subscribers' contributions and is 20% up to \$2,500 per year of contributions.

### How much is the Additional CESG?

Depending on the net family income an additional 10% or 20% will be added. Note that the net family income cut-offs change each year. Contact 1-888-276-3624 for the latest updates.

The maximum lifetime combined CESG is \$7,200 (plus the interest earned).

This is an example for 2011 (the net income cut-offs change each year). On the first \$500 per year that you save in your child's RESP, the Canada Education Savings Grant could add:

- up to \$200, if your net family income is \$41,544 or less
- up to \$150, if your net family income is between \$41,544 and \$83,088, or
- up to \$100, if your net family income is more than \$83,088.

When you save more than \$500 annually, the CESG could add up to \$400 on the next \$2000 you contribute.

Net Family Income	Family Contribution	Basic CESG	Additional CESG	Total in account
\$41,544 or less (2011 cut-off)	\$100	\$20	\$20	\$140
\$41,544 – \$83,088*	\$100	\$20	\$10	\$130
More than \$83,088*	\$100	\$20	N/A	\$120

Source: CanLearn (2011) - <http://www.canlearn.ca/eng/saving/cesg/index.shtml>

# Canada Learning Bond (CLB)

## Who qualifies?

The CLB is available to families that have a lower net income per year and meet the following criteria:

- The primary caregiver (parent/guardian) of the child receives the National Child Benefit Supplement (NCBS);
- The child (beneficiary) was born after December 31, 2003;
- **An RESP account has been opened. However, the subscriber does not have to make a deposit to the account to qualify.**

## How much is the CLB?

The first bond payment is \$500 plus an additional \$25 to help cover the costs of opening an RESP account.

After the initial \$500, as long as the family is eligible (primary care giver receives the NCBS), an additional \$100 per year will be automatically added to the RESP, up to the child's age of 15. Unlike the CESG, you do not have to put money into the account to get the bond.

The maximum lifetime amount for the Canada Learning Bond is \$2000 (plus the interest earned).

Year	Amount CLB gives	Total in account
1	\$500	\$500
2	\$100	\$600
3	\$100	\$700
Continues until \$2000 has been added or the child turns 15.		

## Government of Canada Programs - Special Rules for Children Ages 15 to 17

If the child is between the ages of 15 and 17 (up to the end of the calendar year in which they turn 17), special rules apply to the federal grant programs.

In order for the child to continue receiving the Canada Education Savings Grant after age 15, certain contributions must have been made to the RESP (and not withdrawn) by December 31st of the calendar year in which the child turns 15.

They are:

- Total contributions of at least \$2,000 from the time the plan was set up, or
- Contributions of at least \$100 a year or more in any of four previous years.

For example, if the child becomes 15 years old in July, 2012, by December 31, 2012, the subscriber must have either contributed at least \$2,000 in total to the child's RESP or at least \$100 annually must have been contributed in any of four previous years. It does not have to be four years in a row.

### Important note about retroactive benefits

Both the Canada Education Savings Grant and the Canada Learning Bond are available retroactively within the age and special rules for children aged 15 to 17 guidelines.

For example, if a child was born in 2006 but an RESP was not opened until 2010, the CLB money (if eligible) will automatically be added to the account starting from 2006. As well, the percentage for the Basic CESG and Additional CESG will also be added, if contribution amounts are made, up to \$500 grant money per year from 2006 to 2010.

**Opening an RESP while your child is still a baby will help you to get the maximum amount of free money from the government.**

### See the difference that a dollar a day can make!

Below is an example of how much one dollar a day savings could add up by opening an RESP and applying for the government grants and bond.

This table assumes that the family is eligible for the CLB and the additional CESG and calculates a modest interest rate (3%) on the contributions just as an example of how with very little money, the money from the government and cumulative interest really adds up.

YEAR	FAMILY'S CONTRIBUTION	CLB	CESGs	INTEREST	
1	\$365	\$500	\$146	\$15	
2	\$365	\$100	\$146	\$41	
3	\$365	\$100	\$146	\$60	
4	\$365	\$100	\$146	\$79	
5	\$365	\$100	\$146	\$98	
6	\$365	\$100	\$146	\$117	
7	\$365	\$100	\$146	\$136	
8	\$365	\$100	\$146	\$155	
9	\$365	\$100	\$146	\$173	
10	\$365	\$100	\$146	\$192	
11	\$365	\$100	\$146	\$211	
12	\$365	\$100	\$146	\$230	
13	\$365	\$100	\$146	\$249	
14	\$365	\$100	\$146	\$268	
15	\$365	\$100	\$146	\$287	
16	\$365		\$146	\$303	
17	\$365		\$146	\$319	
<b>TOTAL</b>	\$6205	\$1900	\$2482	\$2933	<b>Grand total with interest \$13,520</b>

# Provincial Government Programs

Families who live in two provinces in Canada – Alberta and Quebec – have the opportunity to apply for provincial education savings plans.

## Alberta Centennial Education Savings Plan (ACES plan)

### What is it?

- ACES is a plan available to families living in Alberta to help them to start to plan and save for their children's education after high school.
- The Government of Alberta will deposit \$500 into a Registered Education Savings Plan (RESP).
- The plan is for every child born to (or adopted by) Alberta residents in 2005 and after.
- Additional grants of \$100 will be available to eligible children attending school in Alberta who have turned 8, 11 or 14 in 2005 or later. That means they may be eligible to receive additional grants totaling \$300 by the time they turn 14. In order to receive the \$500 and/or the \$100 grant, an application must be submitted within 6 years of birth or within 6 years of the child turning 8, 11 or 14 in 2005 or later.

### Who can get it?

Eligibility requirements for the grant are listed in the Alberta Centennial Education Savings Plan Quick Facts [www.canlearn.ca/eng/saving/aces/fact.shtml](http://www.canlearn.ca/eng/saving/aces/fact.shtml)

### How do I apply?

For instructions, visit the web site of the Alberta Centennial Education Savings Plan [www.advancededucation.gov.ab.ca/aces/shtml](http://www.advancededucation.gov.ab.ca/aces/shtml) or call 1-866-515-ACES (1-866-515-2237).

## Quebec Education Savings Incentive (QESI)

The Quebec education savings incentive (QESI) is a tax measure that encourages families living in Quebec to start saving early for the education of their children and grandchildren.

The incentive, which went into effect on February 21, 2007, consists of a refundable tax credit paid directly into a Registered Education Savings Plan (RESP) opened with a financial institution or with another RESP provider that offers the QESI.

For the credit to be paid to the RESP account, the trustee designated by your RESP provider must apply for it with Revenue Quebec. [www.revenu.gouv.qc.ca/eng/particulier/impots/impot/iqee/index.asp](http://www.revenu.gouv.qc.ca/eng/particulier/impots/impot/iqee/index.asp)

# Q&A about Registered Education Savings Plans (RESPs)

**Q: When you are withdrawing money, how do they determine what percentage is money you put in and what percentage needs to be taxed because it is from the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB) money or interest earned?**

A: It will automatically be calculated for you. The amount of grant and bond received, and the interest is lumped together, to be taxed when the education assistance payment is made to the beneficiary (at the student tax rate). You are NOT taxed on the money (principal amount) that you added.

**Q: What happens if the first payment for school is made and then the student quits after a couple of weeks? If there is a refund from the university/college, do you have to put that money back into the RESP? What if there is no refund? Does the grant/bond portion have to be repaid if the child does not continue school?**

A: Once a portion of your RESP is used, you don't have to return it into an RESP if the student quits. It is your money and the interest earned on that amount was taxed at the time of tuition payment. The Canadian Education Savings Grant and Canada Learning Bond will automatically be returned to the government from the RESP account but you keep the interest made from the grant and bond (they just want their contribution back).

**Q: If a grandparent has custody of the child (beneficiary) that the mother has an RESP for, is the Canada Learning Bond (CLB) and Canada Education Savings Grant (CESG) amount based on the grandparent's income or the mother's (subscriber)?**

A: Whoever is receiving the Child Tax Benefit for that child is the person whose income is used to calculate the CLB eligibility and the CESG rate.

**Q: If an RESP was opened for a 10 year old child in 2009, and that family qualifies for the CLB, can they get the payments that they would have received if they had opened an RESP in 2003 (when the CLB came into effect)?**

A: Yes. The government will automatically look back at the income tax records of the beneficiary's family to see if they qualified for the National Child Benefit Supplement in those prior years. If they qualify, the amounts from those years will be added to the RESP account.

**Q: What about for the CESG?**

A: Yes, if the child was born after 1998, the subscriber can make payments over the annual limit of \$2,500 and receive the percentage from the government for what room was available but not used from previous years, up to the maximum for those years. So again, if the child was five years of age when a subscriber opened an account, extra payments can be made over the annual limit to get the CESG allotted for those 5 years.



# Opening an RESP: Questions to ask RESP Providers/Promoters

Interested in opening an RESP and/or buying other banking/financial services and products? Take time to get as much information and ask as many questions as you need to make a wise decision for the future.

Remember that different banks, credit unions and other providers offer different types of RESPs. You may have to shop around to find a plan that suits you best. For example, if you do not have any money to contribute at this time, ask for an RESP savings account and make sure that they will apply for the Canada Learning Bond and Canada Education Savings Grant.

These are some questions you may want to ask before you choose the best plan for you, your family and child:

- What types of plans are offered (Individual, Family, Group)?
- 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? (for a savings RESP account the answer should be no or a very little amount just to cover the costs of opening an account).
- Do I have to make regular payments?
- What happens if I can't make regular payments? Are there penalties 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?
- What does it cost if I transfer my money to a different RESP provider?
- Can I transfer the RESP to another child? 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?
- What educational programs qualify for use of an RESP?
- What happens if I close my RESP before the child goes to PSE?
- What if my child decides to go to school part-time?
- Does the RESP provider offer all education savings incentives, including the Canada Education Savings Grant, the Additional Canada Education Savings Grant and Canada Learning Bond?

## Want to Learn More?

**Go online to:** Human Resources and Skills Development Canada [www.hrsdc.gc.ca/en/learning/education\\_savings/index.shtml](http://www.hrsdc.gc.ca/en/learning/education_savings/index.shtml). Canada Revenue Agency [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

**Or phone:** Canada Education Savings Grant & Canada Learning Bond 1-888-276-3624

Registered Education Savings Plan (withdrawals) 1-800-267-3100

# Documents needed to open an RESP

1. Social Insurance Number for the parent/legal guardian and the child
2. Child's original birth document (birth certificate or registration)

## Who can apply for a Social Insurance Number (SIN number)?

- Canadian Citizens
- Newcomers
- Temporary Residents
- Children under 12 through a parent or legal guardian

## How do you apply?

In British Columbia and Ontario you can apply for your child's Birth Registration, Birth Certificate and Social Insurance Number all at the same time:

BC Vital Statistics Agency [www.vitalcertificates.ca/bc-vital-certificates.html](http://www.vitalcertificates.ca/bc-vital-certificates.html)

For Ontario: Service Ontario Centres or [www.serviceontario.ca/](http://www.serviceontario.ca/)

In New Brunswick only you may apply by phone: 1-800-206-7218 (option 3)

If the child is over one year old and you need a birth certificate apply at the Registrar General [www.vitalcertificates.ca/ontario-vital-certificates.html](http://www.vitalcertificates.ca/ontario-vital-certificates.html)

For information on other provinces contact Service Canada [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

## Documents needed to apply for a Social Insurance Number (must submit one)

Canadian Citizens:

- Birth Certificate, or
- Certificate of Canadian Citizenship, or
- Certificate of Birth Abroad (must be an original document in English or French).
- Registered Indians require one of the above documents plus a Certificate of Indian Status.

Permanent Residents:

- Permanent Resident Card (if claim was made in Canada), or
- Confirmation of Permanent Residence and Visa with counterfoil affixed to a Foreign Passport, or
- Record of Landing.

Temporary Residents:

- Work permit, or
- Study permit, or
- Visitor Card (indicating that you are authorized to work), or
- Diplomatic Identity Card.

### Common Problems when applying for Social Insurance Numbers (both the parent and child need a SIN to open an RESP)

- Common law relationships or shared custody where the primary caregiver is not identified
- Use of a family name on the SIN application that is different than the name on the birth certificate.

If you do run into problems and need help try contacting Service Canada toll free at 1-800-926-9105.

### Who can apply for a Birth Certificate?

- The person who is the subject (the name on the certificate) of the certificate and is at least 13 years old; or
- A parent of the person who is subject of the certificate, if that person is less than 19 years of age or incapable; or
- A custodial guardian (custodial guardians must provide a copy of guardianship papers);
- If you are the next-of-kin, executor or estate administrator, and the person named on the certificate is deceased; or
- A person who has written authorization from a person described in the above paragraphs.

### How to apply?

Download a provincial form at [www.vitalcertificates.ca/index.html](http://www.vitalcertificates.ca/index.html)

# The Cost of Post-Secondary Education

In Canada, the cost of post-secondary education is high and is expected to continue to rise over the next twenty years. Some students are eligible for bursaries or scholarships based on their high school grades and achievements that helps to cover some of the costs. Most students depend on student loans and earnings from part-time and summer jobs to pay for their education after high school. Some parents/guardians are able to contribute money towards their children's post-secondary education. Money saved in RESPs, along with the Canada Education Savings Grant and Canada Learning Bond and the interest earned over the years can be a great help to cover some of the costs.

**Think about ways on how you can involve your family and friends in adding to the child's RESP. Birthdays and other occasions where gifts are given are often a great opportunity for contributions to be made to an RESP.**

The estimated cost of a child's post-secondary education (PSE) in about 2030 is \$95,222 for a 3-year degree at a Canadian university in a situation where a child lives away from home. The expenses include tuition, books, transportation, recreation/entertainment, accommodation and food for a total of three years.

It is not expected that parents will pay for all of their child's PSE but they can help. The following are three examples of how a little saving can really add up especially if started early.

## Tip – Start Saving Early

Start saving when your child is a baby. If you set up an RESP within the first year and start saving for your child's education, you will receive more money from government grants, earn more compound interest on the savings and invest less money than if you wait until your child starts Grade One or high school. Start saving even when your income may be low and the savings will really add up.

### Start saving when your child is a baby

#### Example #1

How many children are you saving for?

How much do you plan to save each month?

How much will you (the subscriber) contribute to the RESP in one year?

To calculate the CESG, families with modest incomes may be eligible for a grant of 20% plus an additional 20% on the first \$500 that they contribute to a RESP for each child per year.

See your contribution of \$10 per month or \$120 per year grow with the CESG and CLB plus whatever interest you earn on your investment.

**In 5 years, there is over \$1,740 in the RESP account for your child's future education, not including interest.**

Year	Subscriber Contribution	Basic CESG (20%)	Additional CESG (20%)	CLB	Total \$ Deposited in RESP Per Year	Cumulative \$ RESP Account	Plus Interest Earnings
1	\$120	\$24	\$24	\$500*	\$668	\$668	+
2	\$120	\$24	\$24	\$100	\$268	\$936	+
3	\$120	\$24	\$24	\$100	\$268	\$1,204	+
4	\$120	\$24	\$24	\$100	\$268	\$1,472	+
5	\$120	\$24	\$24	\$100	\$268	\$1,740	+

\* The first bond payment is \$500 plus an additional \$25 to help cover the costs of opening a RESP account.

## Example #2

How many children are they saving for?

How much do you plan to save each month?

How much will you (the subscriber) contribute to the RESP in one year?

See your contribution of \$20 per month or \$240 per year grow with the CESG and CLB plus whatever interest you earn on your investment.

In 5 years there is over \$2,580 in the RESP account for your child's future education, not including interest.

Year	Subscriber Contribution	Basic CESG (20%)	Additional CESG (20%)	CLB	Total \$ Deposited in RESP Per Year	Cumulative \$ RESP Account	Plus Interest Earnings
1	\$240	\$48	\$48	\$500*	\$836	\$836	+
2	\$240	\$48	\$48	\$100	\$436	\$1,272	+
3	\$240	\$48	\$48	\$100	\$436	\$1,708	+
4	\$240	\$48	\$48	\$100	\$436	\$2,144	+
5	\$240	\$48	\$48	\$100	\$436	\$2,580	+

\* The first bond payment is \$500 plus an additional \$25 to help cover the costs of opening a RESP account.

## What could happen in your family?

Do your own calculations using the Get Smarter About Money RESP calculator or other on-line RESP calculators [www.getsmarteraboutmoney.ca/tools-and-calculators/resp-calculator/](http://www.getsmarteraboutmoney.ca/tools-and-calculators/resp-calculator/)

# Budgeting Tools – To Help You Save Money

Budgeting helps you to keep track of:

- Your monthly income
- Your monthly expenses: housing, utilities, transportation, food, communication, education, recreation, medical and other expenses

Keeping a budget can help you to prepare for emergency and unexpected costs.

## Budgeting Basics

### Step 1

- Track all of your family expenses for one month (keep receipts for everything, even that coffee, and put into an envelope). Carry a small note book to add things that did not come with a receipt.
- Keep track of all the fixed expense bills for the month (hydro, phone, internet, car payments etc.).
- Include any loan payments or other regular monthly payments.

### Step 2

- Have someone in your family enter every expense/bill/payment from one month on a budget sheet. Fill in all of the money coming in as income. It's useful to repeat step one and two over several months because some expenses will be different.

### Step 3

- Sit down as a family (include the kids!) and talk about how things look. What little things could change to make a difference? What is available for savings? There are many interactive on-line budgeting tools that are user-friendly and motivating. The Building Futures Network is one example of such a site and it also focuses on education savings. Included is a fun and easy to use savings calculator that shows how little things can add up [www.buildingfuturesnetwork.com](http://www.buildingfuturesnetwork.com)

### Tips:

Save before you spend. For example, if you get a regular cheque that is automatically deposited into a bank account, ask your bank to take money from that account and put it into a RESP savings account where you can earn interest on the bond (if you qualify for the CLB) and the grant along with your savings. Even saving small amounts each month will add up.

Leave your credit and debit card at home and shop around for best prices. Don't buy the first thing you see. Plan your purchases to take advantage of sales.

Small amounts of cash or loose change are too easy to spend. Start a money jar for loose change instead and deposit it into a savings account at the end of each month.

Take a set amount of cash out each month, distribute it in envelopes marked: food; house bills; fun etc., and put that debit and credit card away.

Ask your bank for a low cost bank account.

Look for ways to save at home and include the whole family.

Every time you spend money, write it down. You'll be surprised how much you can save by getting rid of a few small expenses.

Start saving for your children's education early using an RESP. Take advantage of government grants and bond to add to your savings.

Know the difference between what you need and what you want and educate your family about it.

These are many useful financial management and budgeting web sites and calculators. These are several examples:

[www.getsmartaboutmoney.ca](http://www.getsmartaboutmoney.ca)

[www.squawkfox.com](http://www.squawkfox.com)

[www.vadviser.bigorbit.com/home](http://www.vadviser.bigorbit.com/home)

When you know what your income and expenses are for a period of time (weekly, monthly or yearly), then you can make choices about how you earn, spend and save your money. If your expenses are more than your income, think about whether you can increase your income and/or how expenses can be decreased. If your income is more than your expenses, then you are in a good position to save and invest money for the future.

You can use a budget to help estimate your income and expenses for a week, month or year. And you can use a budget to estimate your child's post-secondary education costs.

You can use the chart below to track the money coming in. It is followed by a sheet on tracking the money going out.

<b>INCOME</b> by week, month or year	<b>Week</b>	<b>Month</b>	<b>Year</b>
Salary/Wage/Tips			
Support payments			
Government cheques			
Other			
Other			
Total Income			



EXPENSES by week, month or year	Week	Month	Year
Housing (rent, mortgage, taxes, property/content insurance)			
Utilities (water, heat, hydro)			
Food – at home (groceries)			
Food – away from home (restaurant, fast food, coffee)			
Communication (telephone, cell, computer, Internet, cable)			
Transportation (bus, bicycle, taxi, car, insurance, repairs, parking)			
Personal expenses (clothing, toiletries) - Adult			
Personal expenses (clothing, toiletries) - Adult			
Personal expenses (clothing, other) - Child			
Personal expenses (clothing, other) - Child			
Personal expenses (clothing, other) – Other Family Members			
Education (school costs, tuition)			
Recreation (entertainment, hobbies, alcohol, cigarettes)			
Medical (dental, prescriptions, equipment)			
Bank service charges, fees			
Gifts			
Loans			
Other			
Other			
Other			
Total Expenses			

There are many web tools and calculators to make budgeting easier. See the Resources page in this guide for some options.

# Tips for Saving – What works for you and your family?

Every individual and family is different. How can you save step by step to meet your short – and long – term goals? Problem solving and brainstorming can open up possibilities and help you reach your goals.

## Increase Your Savings: See How Little Changes Can Add Up

On the Internet, there are examples of calculators that you can use to estimate your savings per week, month or year if you reduce your expenses. Below is an example from an online tool found on the Building Futures Planning Guide [www.buildingfuturesnetwork.com](http://www.buildingfuturesnetwork.com). It is a fun online tool that lets you add your own ideas on what your family could buy or use less of and how much that adds up over a year.

Buy or use	1 less coffee per week	at \$ 2.00	This is a yearly savings of \$ 104
Buy or use	1 less bus ticket	at \$ 2.50	This is a yearly savings of \$ 130
Buy or use	1 less litre of gas	at \$ 1.25	This is a yearly savings of \$ 65
Buy or use	1 less video	at \$ 5.00	This is a yearly savings of \$ 260
Buy or use	1 less fast food	at \$ 8.00	This is a yearly savings of \$ 416
Buy or use	1 less dessert	at \$ 5.00	This is a yearly savings of \$ 260
Buy or use	1 less soft drink	at \$ 1.50	This is a yearly savings of \$ 78
Buy or use	1 less dryer use	at \$ 2.00	This is a yearly savings of \$ 104
Buy or use	1 less candy	at \$ 1.25	This is a yearly savings of \$ 65
Buy or use	1 less newspaper	at \$ 1.50	This is a yearly savings of \$ 78
<b>With all these changes, there is a yearly savings total of \$1,560</b>			

# How to Open a Bank Account

## Opening a Bank Account: Your rights

You have choices if you want to open a bank account. Get the information that you need to make a decision that is right for you. Know your rights.

Under Canadian law, you have certain rights when you are dealing with a bank. Every bank branch must display and make available information that explains your rights.

To open a Registered Education Savings Plan you DO NOT need to have a bank account. But if you do want to open an account at a bank or credit union the information below may help.

## Who can open an account?

You have the right to a personal bank account, even if:

- You don't have a job;
- You don't have money to put in the account right away; or
- You have been bankrupt.

## What do you have to do to open an account?

To open an account, you have to

- Go to the bank in person, and
- Show the bank some acceptable identification (I.D.). You must use original I.D., not a photocopy.

A table showing accepted identification is on the next page.

### What identification (I.D.) do you need?

There are different combinations of I.D. you can use. You have three choices. You must have at least one piece of I.D. from Box A (below).

Choice #1: Show two pieces of I.D. from Box A.

If you don't have two pieces of I.D. from Box A, select one of the other choices.

Choice #2: Show one piece of I.D. from Box A and one piece of I.D. from Box B.

Choice #3: Show one piece of I.D. from Box A and have someone that the bank knows confirm that you are who you say you are.

Box A	Box B
<ul style="list-style-type: none"><li>• a Canadian driver's licence</li><li>• a valid Canadian passport</li><li>• a Canadian birth certificate</li><li>• a Social Insurance Number (SIN) card</li><li>• an Old Age Security card with your Social Insurance Number</li><li>• a Certificate of Indian Status</li><li>• a Certificate of Canadian Citizenship or Certification of Naturalization</li><li>• a Permanent Resident card or a Citizenship and Immigration Canada form IMM 1000, IMM 1442, or IMM 5292</li><li>• a provincial or territorial health insurance card (this cannot be used in Ontario, P.E.I. or Manitoba)<sup>2</sup></li></ul> <p>You may present a Quebec driver's licence, but financial institutions cannot require it for identification purposes.</p> <p>Ontario, Prince Edward Island and Manitoba prohibit the use of health insurance cards as identification. Financial institutions cannot require a Quebec health insurance card as a piece of identification, but you may present it if you wish to do so.</p>	<ul style="list-style-type: none"><li>• an employee I.D. card with a photo, from a known employer</li><li>• a debit card or bank card with your name and signature on it</li><li>• a Canadian credit card with your name and signature on it</li><li>• a Canadian National Institute for the Blind (CNIB) client card with your photo and signature on it</li><li>• a valid foreign passport</li></ul>

You can also show other types of I.D. To find out what they are, call Financial Consumer Agency of Canada (FCAC), toll free at: 1-866-461-3222.

Source: Financial Consumer Agency of Canada [www.fcac.gc.ca](http://www.fcac.gc.ca)

# Resources

There are many online resources and phone contacts to help answer your questions about RESPs and the money you can get from the government. There are also many easy and fun online budgeting and saving tools for the whole family. Below are a few examples.

## Registered Education Savings Plans

**CANlearn: Government of Canada:** [www.canlearn.ca](http://www.canlearn.ca)

**Human Resource and Skills Development Canada : Saving for Education**  
[www.hrsdc.gc.ca/en/learning/education\\_savings](http://www.hrsdc.gc.ca/en/learning/education_savings)

**Canadian Foundation for Economic Education: Building Futures Planning Guide**  
[www.buildingfuturesnetwork.com](http://www.buildingfuturesnetwork.com)

**Smart Saver Guide to RESPs in 7 languages** [www.smartsaver.org](http://www.smartsaver.org)

**List of Registered Education Savings Providers** call toll free at 1-866-461-3222 or online  
[www.canlearn.ca](http://www.canlearn.ca)

**Canada Education Savings Program** call toll free 1-888-276-3624

**RESP General Questions** call toll free 1-800-267-3100

**Canada Revenue Agency** [www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/menu-eng.html](http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/menu-eng.html)

**Money Smarts** [www.moneysmartsblog.com](http://www.moneysmartsblog.com)

## Canada Education Savings Grant (CESG) and Canada Learning Bond (CLB)

**CESG** [www.canlearn.ca/eng/saving/cesg/index.shtml](http://www.canlearn.ca/eng/saving/cesg/index.shtml)

**CLB** [www.canlearn.ca/eng/saving/clb/index.shtml](http://www.canlearn.ca/eng/saving/clb/index.shtml)

**Hot line** at 1-888-276-3624

**CESG Calculator** [www.rpsuccess.ca/accumulated\\_cesg\\_room.aspx](http://www.rpsuccess.ca/accumulated_cesg_room.aspx)

## Financial Planning and Budgeting

**Manage and Save your Money Momentum** [www.momentum.org/programs/money](http://www.momentum.org/programs/money)

**Frugal Living-personal finance blog-Squawk Fox** [www.squawkfox.com](http://www.squawkfox.com)

**BMO SmartSteps for Parents** [www.bmo.com/smartparents](http://www.bmo.com/smartparents)

**Financial Fitness Challenge** [www.financialfitnesschallenge.ca/](http://www.financialfitnesschallenge.ca/)

**Ontario Securities Commission: Check before you Invest** [www.osc.gov.on.ca](http://www.osc.gov.on.ca)

**Ombudsman for Banking Services:** call toll free 1-888-451-4519 (access to translators in 170 languages) [www.obsi.ca](http://www.obsi.ca)

**Financial Consumer Agency of Canada** [www.fcac-acfc.gc.ca](http://www.fcac-acfc.gc.ca)

**Credit Canada** [www.CreditCanada.com](http://www.CreditCanada.com)

(continued on pg 26.)

**Savings and Investment Calculator** [www.fiscalagents.com/toolbox/index.shtml#tb](http://www.fiscalagents.com/toolbox/index.shtml#tb)

**Family Numeracy Activities** [www.nald.ca/library/learning/familymath/familymath.pdf](http://www.nald.ca/library/learning/familymath/familymath.pdf)

**Investors Education** [www.investored.ca/lefCalculators/Calculators/SavingforChildsEducation/default.aspx](http://www.investored.ca/lefCalculators/Calculators/SavingforChildsEducation/default.aspx)

**Wellness Is Creating a Family Budget** [www.acc-vac.gc.ca/clients/sub.cfm?source=health/wellness/4](http://www.acc-vac.gc.ca/clients/sub.cfm?source=health/wellness/4)

**Get Smarter about Money** [www.getsmarteraboutmoney.ca/Pages/default.aspx](http://www.getsmarteraboutmoney.ca/Pages/default.aspx)

### Sources to Obtain Government Documents and Information

**Income Tax Information** [www.cra.gc.ca](http://www.cra.gc.ca) or call toll free at 1-800-959-8281

**Child and Family Benefits including National Child Benefit Supplement** [www.cra.gc.ca](http://www.cra.gc.ca) or call toll free at 1-800-387-1193

**Social Insurance Numbers** [www.servicecanada.gc.ca/en/sc/sin/index.shtml](http://www.servicecanada.gc.ca/en/sc/sin/index.shtml) or call toll free at 1-800-206-7218

**Birth Certificates** [www.servicecanada.gc.ca/en/subjects/cards/birth\\_certificate.shtml](http://www.servicecanada.gc.ca/en/subjects/cards/birth_certificate.shtml) or contact your provincial government service website

### Other Resources

**Registered Disability Savings Plans** [www.hrsdc.gc.ca/eng/disability\\_issues/disability\\_savings/index.shtml](http://www.hrsdc.gc.ca/eng/disability_issues/disability_savings/index.shtml)

**Service Canada** [www.servicecanada.gc.ca/](http://www.servicecanada.gc.ca/) or call toll free 1-800-926-9105

**Canada Child Tax Benefit Online Calculator** [www.cra-arc.gc.ca/bnfts/clcltr/menu-eng.html](http://www.cra-arc.gc.ca/bnfts/clcltr/menu-eng.html)

**Community Volunteer Income Tax Program** [www.cra.gc.ca/volunteer](http://www.cra.gc.ca/volunteer) or call toll free 1-800-959-8281

**Canadian Association of Family Resource Programs** [www.frp.ca](http://www.frp.ca)

# RESPs – Words You Should Know

## **AIP- Accumulated Income Payment**

An AIP occurs when the funds in an RESP are withdrawn by the subscriber once it has been determined that the beneficiary will not be attending PSE.

## **Beneficiary**

A Registered Education Savings Plan (RESP) beneficiary is usually a child/student, but can be any person named by the subscriber of an RESP to receive money for education or training after high school. Payments to the beneficiary are made according to specific terms of the RESP.

## **CESP- Canada Education Savings Program**

The CESP is an organization in Human Resources and Skills Development Canada (HRSDC) that administers the Canada Education Saving Grant and the Canada Learning Bond to encourage early savings for a child's post-secondary education or training.

## **CESG- Canada Education Savings Grant**

CESG is a grant offered by the Government of Canada to encourage parents, family and friends to save for a child's education after high school. It is paid by Human Resources and Skills Development Canada (HRSDC) directly into a Registered Education Savings Plan.

## **CLB- Canada Learning Bond**

A CLB is a bond offered by the Government of Canada to help modest-income families start saving for their child's education after high school. A CLB is paid by HRSDC directly into the RESP of a child who is named beneficiary and whose parent or guardian is eligible to receive the National Child Benefit Supplement.

## **EAP- Education Assistance Payment**

An EAP is a payment from an RESP to a beneficiary to help with his or her education after high school. An EAP may be comprised of the CESG, the CLB, and income earned on the money saved in the RESP.

## **PSE- Post-Secondary Education**

Post-Secondary Education refers to qualifying educational programs in designated institutions in Canada and abroad (universities, colleges, CEGEPs, trade schools or other eligible institutions).

## **PSE Contribution Withdrawal**

This refers to a withdrawal of contributions made to the subscriber of the RESP when a beneficiary is enrolled in post-secondary education (PSE).

## **Promoters/Providers**

Promoters are organizations (banks, credit unions, group plan providers etc.) that provide RESPs to the public. They administer all amounts paid into the plan and ensure the payments from the RESP are made according to the terms of the plan and the laws that govern it.

## **RESP- Registered Education Savings Plan**

An RESP is a special savings plan that can help Canadians with saving for post-secondary education. RESPs are registered by the Government of Canada to allow savings for education to grow tax-free until the person named in the RESP enrolls in education/training after high school.

## **RESP Asset Withdrawal**

Any withdrawal made from an RESP to fund post-secondary education is called an asset withdrawal. It includes both education assistance payment (EAP) and post-secondary education (PSE) withdrawals.

## **Subscriber**

A subscriber is a person who opens an RESP and may make contributions to that RESP on behalf of an individual named as a beneficiary.



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 [info@frp.ca](mailto:info@frp.ca)