An RESP is child's play

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

RESPs have been designed to help you pay for full-time or part-time post-secondary education by allowing you to set aside money from the birth of your child, grandchild, niece, nephew or even the child of a family friend and continue to build up the savings tax-free until he begins college, university or trade school, when he will be able to use the amount saved for his studies.

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The many advantages of Registered Education Savings Plans (RESPs)

- An RESP is a registered plan set up specifically to save for the education of one or more children.
- RESPs offer tax-sheltered growth for your investments and government incentives. Unlike RRSP contributions, however, RESP contributions are not tax deductible.
- The plan's earnings, which will be paid in the form of Educational Assistance Payments (EAPs), will only be taxed when withdrawn by the student. Moreover, tax will be payable by the student, not the contributor, as long as the plan beneficiary is still at school. Since students typically have low incomes, they pay little or no income tax and also benefit from education tax credits.
- The return on capital invested within an RESP could be as high as 20% thanks to the Canada Education Savings Grant (CESG). Whatever your household income level, the federal government will match 20% of your RESP contribution each year through the CESG. This grant is capped at $500 per year, subject to a cumulative lifetime limit of $7,200, which means that the full match is paid to you and/or the other subscribers if you contribute $2,500 each year to the RESP.

Other incentives are available*:

- Depending on your net family income, you can obtain an additional 10% or 20% on the first $500 contributed to an RESP each year.
- The Canada Learning Bond (CLB) is another federal government grant to help modest-income families start saving early for their children's post-secondary education.
- In 2007, the Quebec government introduced its own incentive program, the Quebec Education Savings Incentive (QESI), a refundable tax credit for residents of Quebec. This tax credit equals 50% of the CESG per year, up to a cumulative lifetime limit of $3,600.
- If you live in British Columbia and your child was born in 2006 or later, the provincial government offers a special grant as an incentive to open an RESP. The British Columbia Training and Education Savings Grant (BCTESG) is a $1,200 one-time grant payable when the beneficiary turns six years old. A contribution to an RESP is not required to receive the BCTESG.

DID YOU KNOW?

Accumulated RESP grant room can be carried forward, allowing you to obtain the maximum government grant amount to which you are entitled.

Unused Basic Canada Education Savings Grant (Basic CESG) amounts accumulate until your child turns 17. This could amount to hundreds of dollars a year! However, the maximum CESG payable is capped at $500 per year.

* To find out the amounts your child may be entitled to receive, visit canlearn.ca and click on *Education Savings and RESPs*.

The basic personal credit in Canada in 2017 is $11,635. Plan contributions can be withdrawn tax-free as the contributions were made with after-tax dollars.

Individual plan or family plan?

The RESP rules provide for two types of plans: individual and family. A family plan covers several children related to the subscriber by blood or through adoption, while an individual plan covers only one child, whether he is related to the subscriber or not.

The family plan is managed as a pool, which makes it easy to allocate funds based on each child's specific needs. Another advantage of a family plan is that, if one beneficiary does not pursue post-secondary education, the other beneficiaries can use the grants and earnings. However, the maximum CESG amount that can be allotted to each beneficiary is $7,200.

For more information on these subjects, visit the Government of Canada site **canlearn.ca**.

DID YOU KNOW?

If your child decides not to pursue higher education, you can withdraw the capital you invested in an RESP tax-free, as no deductions were permitted when you contributed to the plan.

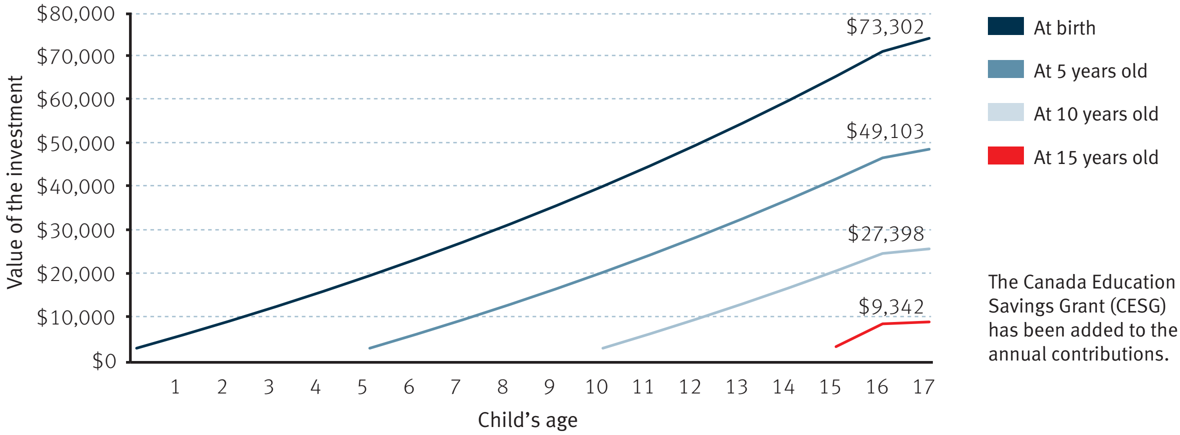
You can also transfer cumulated income to your RRSP to benefit from a tax deferral.

To find out more about RESPs, please contact your National Bank Financial Investment Advisor.

Start saving today

It's best to start investing as soon as the child is born to take full advantage of the grants offered and establish a solid investment strategy. The sooner you start, the more you will save.

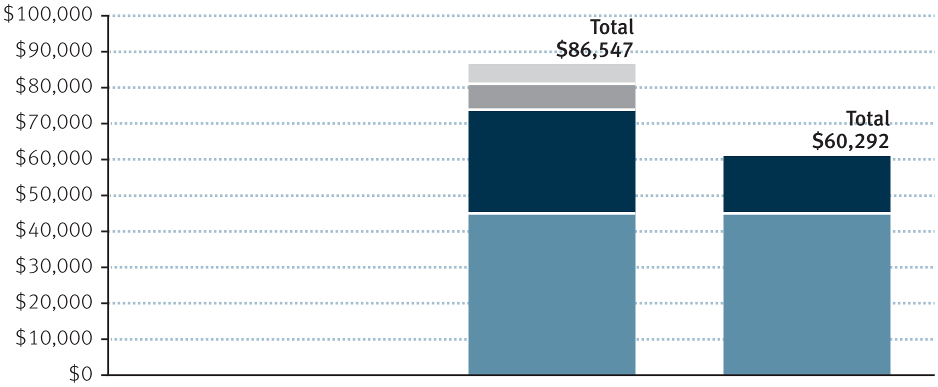
Annual investment of $2,500 in an RESP with a 3.75% annual rate of return*



The Canada Education Savings Grant (CESG) has been added to the annual contributions.

Contributing regularly using systematic savings makes it easier to save.

RESP versus regular savings account: a comparison



	Inside RESP	Outside RESP
Total contributions over 18 years	$45,000	$45,000
Growth on capital	$28,848	$15,292
CESGs	$7,200	$0
Growth on CESGs	$5,499	$0
Total	**$86,547**	**$60,292**

The chart at left compares the growth of tax-sheltered capital invested in an RESP, with taxable growth in a regular savings account.

This example takes the Basic CESG into account, but no payments under the Canada Learning Bond (CLB) or any provincial grant.

In each case, we assumed an annual contribution of $2,500 made at the beginning of the year for 18 years and an annual return of 5% before tax. We also assumed that income on the regular savings account was taxed at 40% while the RESP earnings compounded tax-free.

* The information in this chart is hypothetical and used only to illustrate the advantages of this vehicle under identical conditions.

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