

Information Sheet
Registered Education Savings Plans (RESPs)

WHAT IS AN RESP?

- A contract between an individual who is the subscriber, and a person or organization who is the promoter
- The subscriber (or a person on behalf of the subscriber) makes contributions to the RESP, which earns income
- The promoter agrees to pay the income as educational assistance payments to one or more beneficiaries designated in the contract
- Only spouses can be joint subscribers under an RESP
- RESP contributions are **not** deductible from the subscriber's income
- Generally, there are no restrictions on who can be a beneficiary
- However, if a plan allows for more than one beneficiary (commonly called a family plan), each beneficiary must be related to each living subscriber and must not have reached 21 years of age when he or she is named as beneficiary

CANADA EDUCATION SAVINGS GRANT (CESG)

- The Minister of Human Resources Development (HRD) will pay a 20% CESG on the first \$2,500 of annual contributions made to all eligible RESPs of a qualifying beneficiary
- The maximum amount of CESGs that a beneficiary can receive is \$7,200
- In 2005 the 20% grant was doubled to 40% for the first \$500 contributed to an RESP by families with incomes up to \$41,544 in 2011. For families with incomes between \$41,544 and \$83,088 in 2011, the grant will be increased to 30% for the first \$500 contributed to an RESP

RESP CONTRIBUTION LIMITS

- There is no longer an annual contribution limit however there is a lifetime limit of \$50,000 for each beneficiary
- Payments made to an RESP under the CESG program are not considered to be contributions to the plan

RESP FEES

- It is very important to understand exactly what fees are going to be paid out of the RESP to the promoter, and when the fees are taken. Normally the fees are paid before the RESP earns any income, and a subscriber could lose all contributions to the fees if payments to the RESP are discontinued. Fees may also be charged on each payment out of the RESP

PAYMENTS FROM AN RESP

RETURN OF CONTRIBUTIONS

- Subject to the terms and conditions of the RESP, all contributions made to the RESP by the subscriber can be returned to the subscriber
- Because RESP contributions are not deductible when made, they are not taxable when returned.
- ***The CESG must be repaid to the Government of Canada if the beneficiary does not go on to a post-secondary educational institution***
- However, you may not have to repay the CESG when you replace the beneficiary with a child who is under 21 and a brother or sister of the original beneficiary

EDUCATIONAL ASSISTANCE PAYMENTS (EAP)

- An EAP is any distribution, made under certain conditions, of an RESP's accumulated income and CESG to a beneficiary of the RESP, to help finance the cost of the beneficiary's post-secondary education
- To qualify as an EAP, when the payment is made the beneficiary has to be enrolled as a full-time student in a qualifying educational program at a post-secondary educational institution
- An EAP has to be included in the beneficiary's income for the year the EAP is received
- The amount of EAPs that can be made to a beneficiary during any 12-month period before he or she completes 13 consecutive weeks in a qualifying educational program is limited to \$5,000

ACCUMULATED INCOME PAYMENT (AIP)

- An AIP is any distribution from an RESP other than a refund of contributions, an EAP, a payment to a designated educational institution in Canada, a transfer to another RESP, or a repayment of the CESG
- When AIPs are made from an RESP, the RESP must be closed by the end of February of the year after the year in which the first payment is made
- AIPs have to be included in the recipient's income for the year the payments are received
- These payments are subject to two different taxes: the regular income tax and an additional 20% tax
- The AIP can be reduced by transferring an amount to the subscriber's RRSP if they have available contribution room

CANADA LEARNING BOND (CLB)

- The Canada Learning Bond is a Government of Canada grant which is paid directly into a child's RESP. It is available to families who are receiving the National Child Benefit as a supplement to their Canada Child Tax Benefit (CCTB), for children born after 2003
- The initial CLB payment is \$500. The child can receive annual \$100 CLB payments up to age 15, for each year in which the family is entitled to the NCB supplement. The maximum CLB that can be received by a child is \$2,000
- Your RESP provider will apply for the CLB on your behalf

For more information click [HERE](#)

Please call us at 905-898-4900 if you have any questions regarding the above