

Canadian Association of Family Resource Programs

GUIDE FOR EDUCATION SAVINGS

Mobilizing the Community, Investing in the Future



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RESPs - Glossary of Terms

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An AIP occurs when the funds in an RESP are withdrawn by the subscriber once it has been determined that the beneficiary will not be attending post-secondary education.

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 (CESG) and the Canada Learning Bond (CLB) 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.

HRSDC- Human Resources and Skills Development Canada

A department of the Government of Canada, HRSDC's mission is to build a stronger and more competitive Canada, to support Canadians in making choices that help them live productive and rewarding lives.

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).

Promoters/Providers

Promoters or providers are organizations 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.

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).

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.

Introduction and Purpose of this Guide

The Canadian Association of Family Resource Programs (FRP Canada) and its partners through the project, Mobilizing the Community, Investing in the Future, are building a collaborative community environment to help Canadian families with low incomes to make more informed choices about funding for post-secondary education and to open and save in an Registered Education Savings Plan (RESP) with the advantage of the Canada Learning Bond (CLB) and Canada Education Savings Grant (CESG). This initiative is funded in part by the Human Resources and Skills Development Canada – Education Savings Community Outreach Contributions Program.

The Canada Education Savings Program includes a range of programs that encourages and supports Canadians to pursue educational opportunities and to assist modest- and middle-income families with their post-secondary education savings.

It is understood that families and cultures differ in their views of government, banks, money and their use in buying financial security. Some people place a greater value on supports from extended family rather than on individual savings. For some people, money and assets are more valuable when they are used to help parents, siblings, or cousins than when they are used to buy personal security. A Registered Education Savings Plan (RESP) can be a good option to accommodate these different cultural considerations.

This is a user-friendly guide for family service professionals, banking and financial service providers and other professionals who are in a position to work with and influence diverse families across Canada. Much of the material in this guide has been taken from numerous sources in an effort to compile practical Registered Education Savings Plan information, CLB and CESG information and basic savings and budgeting tools. The goal is to provide reliable and understandable information to enable those working with families to spread the word about the tools and incentives available to start saving early for post-secondary education.

Basic information and ideas for support can be used to educate and enable parents, guardians and relatives to make informed choices about their savings options and timely support for both short-term and long-term financial management. Specifically, we developed this guide to assist families with low and modest incomes who are at a stage in their lifespan when they want to increase their financial literacy and develop their potential to increase their financial assets and income, and budget their expenses to reach their goals.

Numerous useful financial literacy guides and tools have been developed with a specific focus on saving for post-secondary education. This guide provides links to many of these resources. Readers are encouraged to refer to the links for updated information and to use the tools with families in their planning.

As an accompanying resource for families, we have included a glossary of terms related to RESPs, tools and tips in basic financial management and a list of key resources and links for financial literacy services, practical materials and planning and savings calculators. For the family toolkit we have selected information and tips to support the management of short and long term savings so that families with children can fully benefit from the Government of Canada education savings program.

It is our hope that, through this project, communities will adopt a strategy to help families by providing key information to support discussion and the application process for RESPs, CESG and the CLB.

This guide is available in both English and French on the Canadian Association of Family Resource Programs website www.frp.ca under Resources.

Please note that details such as the net family income levels to determine the eligibility of the Canada Learning Bond and the Canada Education Savings Grant which changes yearly will not be updated in the guide. Check government sources for these programs to obtain annual updated information: www.canlearn.ca or 1-800-O-Canada (1-800-622-6232)

Why is it important to talk to families about saving for post-secondary education?

- By encouraging and supporting families to save for higher education there is a belief that you can increase their ability to promote and achieve higher education.
- RESPs underline the value of higher education and the perception of the value that a family places on higher education.
- Families often overestimate the ability of the child to obtain and maintain scholarships or needs based grants and bursaries.
- Families often underestimate the loan that will be needed from private sources and the potential burden that this puts on both the student and family.
- It is important to start to save early to ensure adequate savings and to fully benefit from the CESG and CLB while savings grow tax free in an RESP.
- For many families, the barriers and challenges to opening an RESP can be substantial and they need support.

Providing Services to Diverse Canadian Families

Across Canada, there is such a diversity of families, cultures, urban and rural communities and geographic regions. What does this mean for Canadians wanting to benefit from post-secondary education (PSE)? Not all Canadians have the same opportunities to plan for, save and enroll in education after high school.

Many professional service providers are aware that individuals are unique and have their own personalities, motivations, knowledge and skills, and access to resources and assets through their life experience. Family-serving professionals have the capacity to build relationships and effectively serve different individuals and families with respect and skill according to their roles and mandates. There are differences, yet there are many similarities among families and children.

All children have hopes, dreams and expectations as they grow and think about their future as responsible citizens, future leaders and parents. All children have a right to reach their human potential through healthy development wherever they live, study, work and play. The opportunity for children to learn at home and in the community and to develop abilities to earn a livelihood, choose work and careers, is dependent on their family and community support and access to quality education including post-secondary education.

All parents/guardians and family members have hopes, dreams and expectations as they raise their children and support their development and family life. Families have a right to access resources not only to meet basic human needs but to allow for full participation in our economy and communities. In the midst of rapid changes in the global and local economies, it can be a challenge for parents/guardians to plan for the long-term while trying to meet their short-term needs. It is a challenge to predict what our children's future will be like in 15 or 20 years.

Many young families with young children would benefit most from starting an RESP and accessing the CESG and CLB as early as possible, yet this is usually the time in their life when they have the least earning power, low incomes and high expenses. Many grandparents and aging relatives are also involved in the care and financial support for their grandchildren at a time in their life when their incomes may be stable or decreasing. They too may be challenged to support post-secondary education savings.

Canada welcomes and helps to settle a high number of immigrants each year and most of these families, parents and children settle in cities. Based on their experience, knowledge, skills and their resources and assets, immigrants and newcomers may have different views of the benefits of, and how to save for, post-secondary education. Respect for the experiences of refugees who may have experienced war, violence or devastation from natural disasters, can help us understand the apprehension that they may have in using and trusting government services and programs.

Canada is a vast country with a number of families and children living in relatively remote and rural communities. There may be challenges accessing basic financial and government services which urban families can access more easily. In remote communities, there may be a smaller number of options for employment and career development.

The Government of Canada offers a type of 'child-asset savings plan' that includes the Registered Education Savings Plan, the Canadian Education Savings Grant and the Canada Learning Bond.

Other industrialized countries, such as the USA, UK, Sweden, Korea and Singapore, provide different 'child-asset savings plans' to help parent/guardians plan and save for their children's post-secondary education.

As professional service providers, it is important that you are aware of and have the attitudes, knowledge and skills to reach out to diverse individuals and families. This guide will enhance your capacity to provide basic and current information on RESPs, the CESG and CLB and to support parents/guardians in their decision making and, if necessary, make appropriate referrals to enable families to meet all the requirements for the programs. There are significant challenges for some parents/guardians and families with low-income in accessing RESPs and the government incentives. For example, how do they become aware of these programs and meet the application and tax filing requirements? There can be a number of barriers that can prevent people from participating fully to gain maximum benefits.

The following pages outline a community process that Mobilizing the Community hopes to facilitate. The charts highlight the people and resources required to foster awareness of the importance of PSE and to support the actions of planning and saving for PSE.

Education Savings Awareness to Action

1 AWARENESS/INFORMATION

SOME SOURCES:

Mobilizing the Community Workshops and Guide
Education Savings Materials

PEOPLE AT THE TABLE:

Family Serving Professionals, Community Networks
Financial Representatives (banks/credit unions), Family Financial Planners

THE ISSUE:

The importance of PSE in today's society
Families can access incentives to help save for PSE
Low-income families can benefit from opening an RESP
Marginalized families can face barriers to banking services

THE TOPICS:

- Canada Learning Bond (CLB)
- Canada Education Savings Grant (CESG)
- Provincial education savings incentives
- RESPs types, documents required
- Barriers to low-income and marginalized families

FAMILIES

COMMUNITY NETWORKS

WHO ELSE NEEDS TO KNOW?

2 SUPPORT (for professionals and families)

SOME SOURCES:

HRSDC-Canlearn website and 1-800 numbers

Service Canada

Mobilizing the Community Guide

Family-Serving Professionals

Community Network

Financial Representatives

Family Financial Planners

SERVICES:

Assistance with opening an RESP

Referrals: income tax filing, credit counseling, family financial planning and asset building

Motivation to open an RESP and access the CLB and CESG

PROVIDED TO WHOM?

FAMILIES

EACH OTHER AS NEEDED

3 ACTION

COMMUNITY:

- Offers resources and support
- Advocates on behalf of families for low fee financial products
- Advocates for clear language and information provided in multiple languages
- Supports individuals working with families for a bright future for their children

FAMILIES:

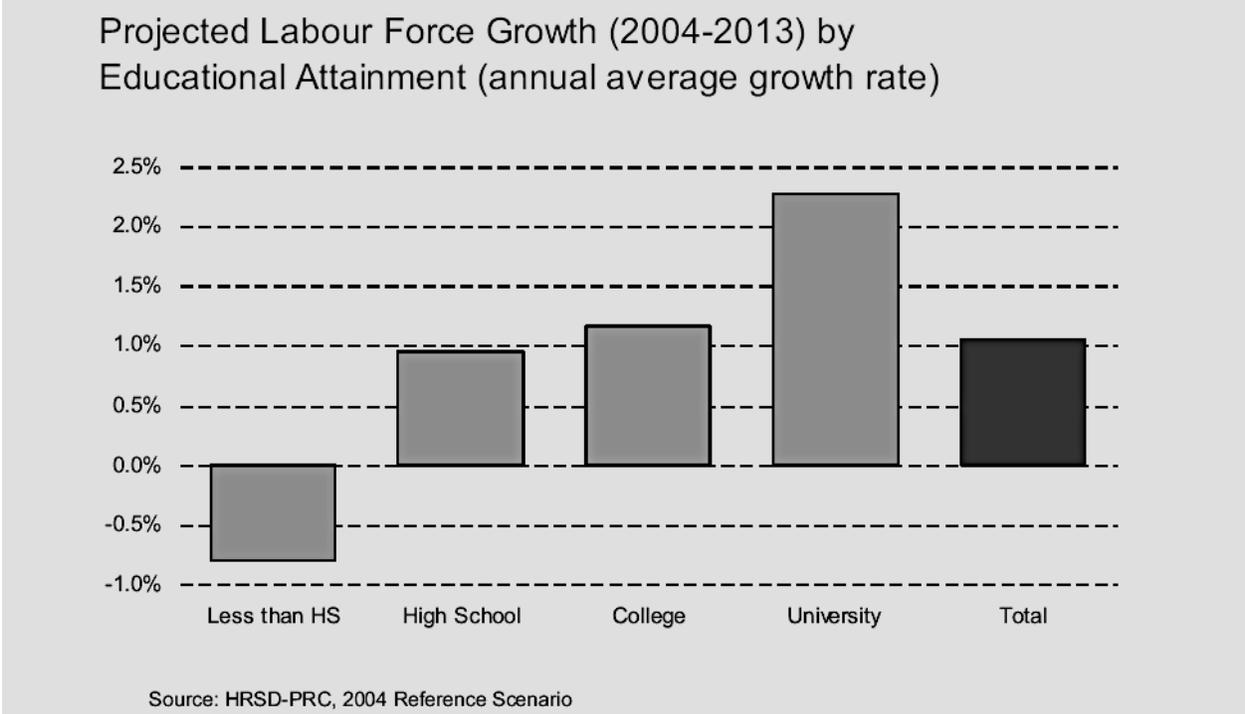
- Obtain accurate information on RESPs
- Set saving goals
- Choose the best option for saving
- Access the CESG and CLB
- Start to save early for their child's PSE
- Feel informed and supported

Why Save for a Child's Post-Secondary Education (PSE)?

According to the third annual Canadian Council on Learning report on the state of PSE in Canada, approximately two thirds of all jobs opening in Canada now require post-secondary education. While workers are losing their manufacturing jobs, jobs in other sectors requiring PSE are remaining unfilled. Unemployment rates for individuals without a high school diploma were three times higher than for those with a university degree.

The report also includes information showing that individuals with post-secondary education are more likely to report being healthy and active. According to the highlights, in 2005, 66.9% of Canadians with PSE reported being in excellent or very good health versus 42.9% of those without PSE qualifications.

Projections for annual job growth by education level



Source: <http://www.ccl-cca.ca/CCL/Reports/PostSecondaryEducation/Archives2008/index.html>

Attitudes and Behaviours About PSE Savings

Most people think that it is worthwhile to save for education. However, less than half of parents surveyed in 2007 had ever looked for information about saving for their child's post-secondary education and less than half were aware of government programs that help parents save for PSE.

One of the key findings in the Canadian Council on Learning report shows that parents of children under 18 years do not have a realistic picture of how PSE is financed. While 40% of parents expected their children to receive scholarships, only 15% of PSE students actually did.

According to a 2008 poll published by EKOS Research and Associates Inc., the highest proportion of parents who believe that they do not know how to start saving can be found among parents with low income and those with high school education or less. This fact may partially explain why students from low-income families are less likely to pursue post-secondary education.

Information such as the above points to the importance of providing assistance and incentives to low-income families to reduce the barriers to saving for PSE.

Source: *Tracking Survey: Parents' Attitudes and Behaviours Regarding Saving and Ad Recall*, published by EKOS Research Associates Inc., January, 2008. Prepared for HRSDC

Barriers and Facilitators to User-Friendly Services

There are ways to overcome barriers and facilitate families' access to RESPs, government grants and bonds for their child's education. Start where parents/guardians 'are at' when you offer information, support and/or services about RESPs, options for saving for education and financial management. When it comes to personal and family finances, respect confidentiality, ensure effective communication and encourage ongoing learning to develop confidence, positive attitudes and the development of financial literacy skills. Take time to listen to parents/guardians, provide feedback and build a relationship that respects the different needs of parents/guardians and families.

BARRIERS	FACILITATORS
Too many choices for RESP services and products (marketing information, advertising)	Provide basic information orally, in print or links to key information about the types of RESP and eligibility for the CESG and CLB; HRSDC brochures are available in 8 languages.
Complex application process (documents required)	Offer basic information about the application form for an RESP, and required documents; offer referrals to literacy and writing support if needed.
Lack of access to banking and financial services (remote communities, transportation challenges)	Support options for communication by telephone and outreach services that are user-friendly. Advocate on how banks/financial institutions can better serve marginalized families.
Low financial literacy (knowledge, behavior)	Listen and share information about community supports and resources for financial management and learning; offer encouragement to take action and learn.
Mistrust of government services	Offer current information about the requirements of managing RESPs, CESG and CLB, such as annual income tax returns and social insurance numbers. Encourage local financial institutions to reach out to families in their communities through community workshops and in other places where families access information and services.
Challenges with financial management	Listen to concerns and fears. Provide support and basic information to build trust to enable people to problem solve, make decisions and develop financial management abilities; engage a friendly financial advisor to offer information and advice in an accessible manner (e.g., plain language, materials in multiple languages etc.).
Not linked to banking, government systems (annual income tax filing)	Help people link directly to reliable information and services; offer support as required to help people understand requirements of various services.

Registered Education Savings Plans (RESPs)

What is it?

An RESP is a special savings plan that can help families save for post-secondary education. RESPs are registered by the Government of Canada to allow savings for education to grow tax-free until the person who is the beneficiary 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 a subscriber opens and contributes to an RESP, the Government of Canada will add money to the account through the Canada Education Savings Grant and if they are eligible, with the addition of the Canada Learning Bond. These savings incentives are only available for a child if they have 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. Family plans must be opened by blood relations or relatives through adoption.

When should families open an RESP?

Start early; newborn babies qualify. Parents/guardians should start early so they can take full advantage of the federal government grant, bond and savings options each year. Regular savings can grow surprisingly quickly.

Where can people open an RESP?

RESPs are available 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 they need to do to open an RESP?

To open an RESP, the subscriber must have the following documents:

- 1) A social insurance number (SIN) for the primary caregiver and for the child (beneficiary). There is no fee to apply for a SIN card.
- 2) A birth certificate is required to apply for a SIN therefore both the primary caregiver and beneficiary require a birth certificate.

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

It depends on the registered education savings plan that they choose. Some types of RESPs have no minimum deposit requirements, while others do. If parents/guardians qualify for the Canada Learning Bond, the Government of Canada will still add to their savings plan no matter how much is put into their child's RESP. Subscribers do not need to have a bank account to have an RESP.

How much can they 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 33 and the plan can stay open until they are 38. 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 them put money into their RESP whenever they want.

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 are lifetime limits to the amount of money that can be contributed (\$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. One child can have several people contributing to their RESP.

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 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.

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.
- When the parent/guardian closes their RESP, the funds will be withdrawn as an Accumulated Income Payment (AIP) and they will have to pay tax on the earnings but not on the amount contributed by the subscriber. Earnings will be taxed 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 the taxes they have to pay by transferring the Accumulated Income Payment (earnings being withdrawn) to a Registered Retirement Savings Plan.
- The Canada Education Savings Grant can be shared with a brother or sister if they have grant room available. Otherwise, the grant and bond will be returned to the government (although the subscriber keeps the interest earned).

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.

How does the child get the money out to use for PSE?

When the 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 the 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 about RESPs phone 1-800-267-3100

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 encourage parents/guardians to ask questions and choose a plan that best suits their needs and situation of their family and children. 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 (beneficiary).
- The beneficiary doesn't have to be related to the subscriber.
- There are no age limits.
- This 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.
- The plan may not require specific monthly payments.
- Some plan fees may apply.

An individual plan may be a good choice if:

- People want to save for a child who is or is not related to them.
- The subscriber wants to decide how to invest the money, either on their own or with the help of a financial advisor.
- The subscriber does not necessarily 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.
- Family plans may not require specific monthly payments.
- Some plan fees may apply.

A family plan may be a good choice if:

- Subscribers want all or any one of the children named in the plan to be able to use the money.
- They want to decide how to invest the money, either on their own or with the help of a financial advisor.
- They don't necessarily want to make regular monthly payments.

Group Plan

- Subscribers can name only one child in a group plan.
- The child doesn't have to be related to them.
- 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, as they would with any investment.
- The subscriber has to sign a contract agreeing to make regular payments into the plan over a certain period of time.
- Group plans 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.
- They prefer to have someone else decide how to invest the money.
- They are fairly sure that the child will attend a post-secondary education institution after high school.
- Since each group plan is different, it is important to ask the group plan dealer for details. Some plans have very high fees and many restrictions and are not a good choice for people with an insecure income source or for those who do not have the literacy level to read the contract. Some group plan providers do not apply for the Canada Learning Bond.

Usually, a qualifying educational program is a course of study that lasts at least three weeks in a row, with at least 10 hours of instruction or work each week. A program at a foreign educational institution must last at least 13 weeks.

It is important that parents/guardians are aware of which post-secondary education programs are eligible according to the Government of Canada (HRSDC). Contact the Canada Revenue Agency or call toll-free 1-800-959-8281 for up-to-date information about eligible institutions.

Source of the information on RESP plans: Human Resource Services and Skills Development Canada http://www.hrsc.gc.ca/eng/learning/education_savings/public/resp.shtml

Government of Canada Education Savings Programs

Money that subscribers can get from the Government of Canada after 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).

NET FAMILY INCOME	FAMILY CONTRIBUTION	BASIC CESG	ADDITIONAL CESG	TOTAL IN ACCOUNT
\$41,544 or less*	\$100	\$20	\$20	\$140
\$41,544 – \$83,088*	\$100	\$20	\$10	\$130
More than \$83,088*	\$100	\$20	N/A	\$120

* 2011 net income levels. 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 family 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. Eligibility for the bond ends December of the year that the child turns 15.

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

YEAR	AMOUNT CLB GIVES	TOTAL IN ACCOUNT (NOT INCLUDING INTEREST)
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 their RESP and 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.

The conditions 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 turned 15 years old in July, 2015 by December 31, 2015, 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.

Frequently Asked Questions

What happens to the Canada Education Savings Grant and Canada Learning Bond if the subscriber needs money and withdraws funds from the RESP?

Unless the beneficiary (child) is attending post-secondary education, the CESG and CLB money will be automatically returned to the government.

What happens if the subscriber (person who opened the plan) claims bankruptcy?

RESP's are not protected from creditors although many provinces will exempt these assets.

If the parent/guardian opens a family plan, does each child qualify for a CESG and CLB?

Yes, each child if they are within the age criteria qualifies for the CESG and the CLB, if the family net income meets the criteria for the CLB.

What happens in a family plan if one of the children decides not to enroll in Post-Secondary Education?

The CESG contributions amount is divided amongst the children but can be combined to be used towards any of the children if one child decides not to go on to post-secondary education. However the CLB can only be used for the child it is designated for. If that child does not go on to post-secondary education, her or his CLB is returned to the government.

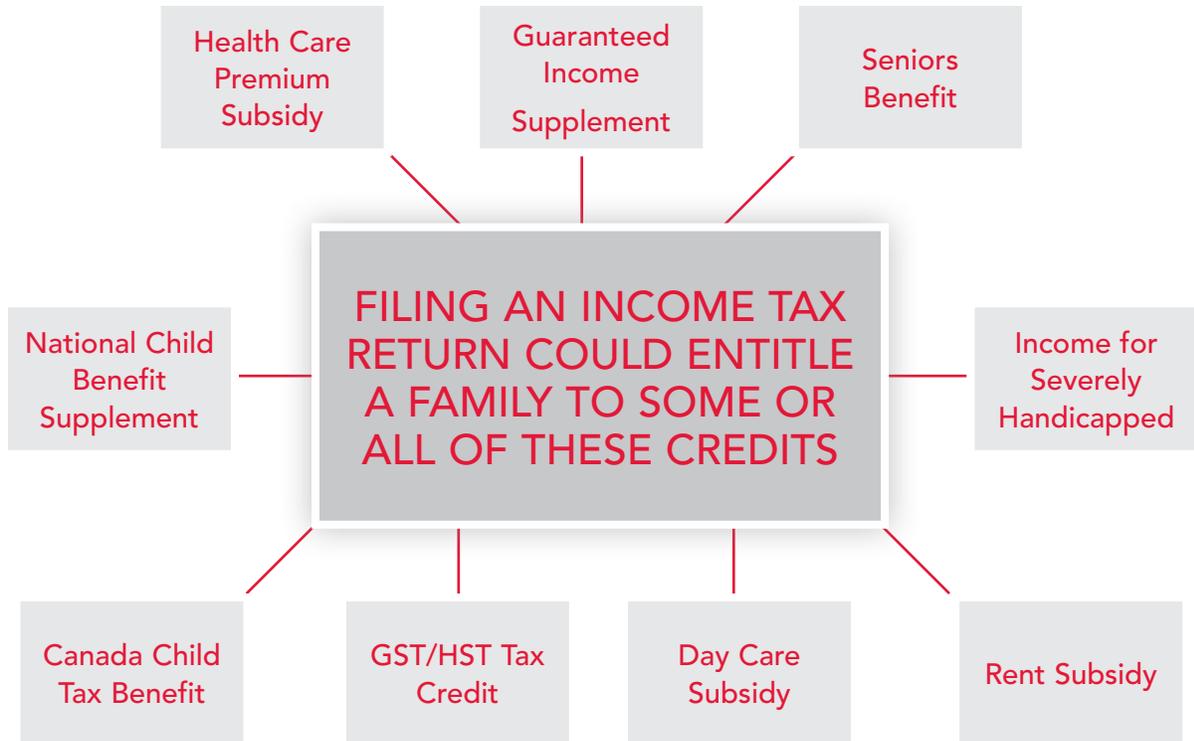
Who submits the application for the CESG and CLB?

The RESP provider submits an application to the government; however, the subscriber should check with the RESP provider to make sure that an application has been made.

Need more information about the CESG and CLB? Phone 1-888-276-3624

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 caregiver. There are many other reasons why it is important to file income tax every year. Below are some examples of other government programs that are accessed through filing income tax.



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	
TOTAL	\$6205	\$1900	\$2482	\$2933	Grand total with interest \$13,520

Provincial Government Programs

Parents/guardians 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 plan is money available to parents/guardians who reside 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 available 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

How do I apply?

For instructions, visit the web site of the Alberta Centennial Education Savings Plan 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 the RESP provider must apply for it with Revenue Quebec.

www.revenu.gouv.qc.ca/eng/particulier/impots/impot/iqee/index.asp

Planning for RESPs – Budgeting and Saving

Below are some ideas and key points to guide discussion with parents/guardians who are exploring setting up an RESP.

Financial Management and Budgeting – It's Personal and a Family Matter

Every person and family is different. As parents/guardians, relatives and friends make decisions about investing in an RESP for a child, it helps if they have a plan to manage money in the short and long-term.

Questions to begin the discussion could include:

- What are their values and priorities?
- What are their dreams and expectations for their child's future?
- What are their personal and family goals?
- What are their resources, income and financial assets?
- Who do they want to be involved in the decision making about the RESP and savings?
- How do they want to contribute to the savings plan? Who else may help contribute?
- How will they manage risks along the way?
- What are the expected costs for post-secondary education (consider the options whether college, university, an apprenticeship, full-time or part-time)? Most PSE institutions and major banks have online cost calculators to help estimate costs.

Personal values and priorities – Each person has unique values and priorities that can change over time. Families often need to take into account different people's values and priorities when making decisions about finances and budgeting.

Commitment – Who will take the lead and accept responsibility to manage the post-secondary school savings plan and decide who else needs to be involved?

Communication – How many people need to be involved in the decision-making and planning to contribute in the short-term and long-term to an RESP and take advantage of the CESG, CLB and provincial savings plans?

Resources and assets – What are their present resources and the potential to obtain new resources and what potential resources are available to help build assets?

Develop a plan – It's never too early to get started. Saving even a small amount of money per week or month over a number of years can help towards financing post-secondary education.

What resources are available in your community to assist families on low-income with financial planning?

Manage the risks – Many individuals and families face challenges, such as unexpected events, poor health, loss of a job and income. How can families be prepared to face unexpected challenges and minimize the risks to their well-being? Who in your community can provide advice about low cost insurance plans and wills?

Budgeting Basics

A budget is a big picture of where money comes from and where it goes. A budget can help families and individuals gain control of their finances and help them work towards their financial goals. Many families do not work with a budget and may not know where to begin in establishing one. Introducing the benefits of developing a budget may help families begin to look for resources and advice on how to plan for their family's short-and long term saving needs.

Step 1

- Track all of the family expenses for one month (keep receipts for everything, even a cup of 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.).
- Add any loan payments or other regular monthly payments.

Step 2

- Someone in the family enters every expense/bill/payment from one month on a budget sheet. They 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

- Encourage family members (including the kids!) to sit down together 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 www.buildingfuturesnetwork.com 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/page.php?id=EGEC01.

Checklist for Professionals: Working with Families

As you use this guide to provide information, support and/or education for parents, guardians or family members who are interested in saving and planning for post-secondary education, consider this check list:

- Provide a comfortable 'place' for parents/guardians and families to seek out information about RESPs and ask questions.
- Find out how different individuals and families prefer to get information: talking, print brochures (languages), on-line information and tools and/or support from other service providers.
- Encourage families to ask questions if they are facing barriers to opening an RESP and obtaining access to the Canadian Education Savings Grant and the Canada Learning Bond.
- Facilitate the families' learning through raising awareness, providing reliable information and discussion so that they understand their options and make a decision that is right for them.
- Determine how much and what kind of support you can offer families.
- As needed, help individuals and families link up with other community services that may help them with their RESP and financial management needs.
- Highlight that although money may not be available to save at this time, a family could still qualify for the \$500 CLB and subsequent yearly amounts. The CLB is a great start to education savings!

Resources

There are many online resources and information phone lines to help answer questions about RESPs and the money available 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: Guiding you along the path to learning www.canlearn.ca

Building Education Opportunities in Child Welfare Services: A training manual on RESPs
www.cwlc.ca/beo

Canada Education Savings Program Call toll free 1-888-276-3624

Canadian Foundation for Economic Education: Building Futures Planning Guide
www.buildingfuturesnetwork.com

Canada Revenue Agency www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/menu-eng.html

Human Resource and Skills Development Canada : Saving for Education
www.hrsdc.gc.ca/en/learning/education_savings

List of Registered Education Savings Providers Call toll free at 1-866-461-3222 www.canlearn.ca

Money Smarts www.moneysmartsblog.com

RESP general questions Call toll free 1-800-267-3100

Smart Saver Guide to RESPs in 7 languages www.smartsaver.org

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

CESG www.canlearn.ca/eng/saving/cesg/index.shtml

CESG Calculator www.rpsuccess.ca/accumulated_cesg_room.aspx

CLB www.canlearn.ca/eng/saving/clb/index.shtml

Hot line at 1-888-276-3624

Financial Planning and Budgeting

BMO SmartSteps for Parents www.bmo.com/smartparents

Credit Canada www.CreditCanada.com

Family Numeracy Activities www.nald.ca/library/learning/familymath/familymath.pdf

Financial Consumer Agency of Canada www.fcac-acfc.gc.ca

Financial Fitness Challenge www.financialfitnesschallenge.ca/

Frugal Living-personal finance blog-Squawk Fox www.squawkfox.com

Investors Education www.investored.ca/lefCalculators/Calculators/SavingforChildsEducation/default.aspx

Manage and Save your Money Momentum www.momentum.org/programs/money

Ontario Securities Commission: Check before you Invest www.osc.gov.on.ca

Ombudsman for Banking Services Toll free 1-888-451-4519 (access to translators in 170 languages) www.obsi.ca

Savings and Investment Calculator www.fiscalagents.com/toolbox/index.shtml#tb3

Wellness Is Creating a Family Budget www.acc-vac.gc.ca/clients/sub.cfm?source=health/wellness/4

Sources to Obtain Government Documents and Information

Birth Certificates www.servicecanada.gc.ca/en/subjects/cards/birth_certificate.shtml or contact a provincial government service website

Child and Family Benefits including National Child Benefit Supplement www.cra.gc.ca or call toll free at 1-800-387-1193

Income Tax Information www.cra.gc.ca or call toll free 1-800-959-8281

Social Insurance Numbers www.servicecanada.gc.ca/en/sc/sin/index.shtml or call toll free at 1-800-206-7218

Other Resources

Canada Child Tax Benefit Online Calculator www.cra-arc.gc.ca/bnfts/clcltr/menu-eng.html

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

Community Volunteer Income Tax Program www.cra.gc.ca/volunteer or call toll free 1-800-959-8281

Registered Disability Savings Plans www.hrsdc.gc.ca/eng/disability_issues/disability_savings/index.shtml

Service Canada www.servicecanada.gc.ca/ or toll free 1-800-926-9105



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