THE RISING COST OF EDUCATION

HOW WILL YOU PAY FOR IT?

While paying for a child's post-secondary education is a great investment in his or her future, Canadian tuition fees and other education-related expenses continue to climb. As a result, it's becoming difficult for many families to fund the cost of post-secondary education, especially if there's more than one child involved.

Consider these statistics:[1]

- $66,000 is the cost of an average four-year program, including meals, tuition, accommodation and transportation
- $117,000 is the expected cost for the same program 15 years from now
- Full-time undergraduate students paid 4.3 per cent more in tuition in 2012 than in 2011, on top of a 4.0 per cent increase the prior year

Have you thought about how you will fund your child's post-secondary education? Do the above statistics concern you? If you answered "yes" to these questions, keep reading.

An RESP can help

A Registered Education Savings Plan (RESP) is a type of savings vehicle, registered by the Government of Canada, that can help you (the subscriber) pay for the cost of a child's education after high school, including tuition, books and living expenses. Money contributed to the plan is allowed to grow tax-deferred until it is taken out to pay for a child's full-time or part-time post-secondary education expenses. However, you do not get a tax deduction for the contributions as you would for RRSP contributions. There is no annual contribution limit with an RESP, but there is a lifetime plan maximum of $50,000 per beneficiary. Anyone can open an RESP: parents, guardians, grandparents, other relatives or friends.

Having an RESP means you can start saving early for a child's education and help them continue their studies beyond high school. The sooner you start an RESP, the longer the investment can grow tax-deferred.

RESP TERMS

Subscriber – the person who opens the RESP and makes the contributions.

Provider – the company or organization that manages the plan and payments to the beneficiary.

Beneficiary – the recipient (student) of the payments for education assistance from the RESP.

TWO OF THE MOST IMPORTANT ADVANTAGES OF AN RESP ARE:

- Tax-deferred growth
- The Canada Education Savings Grant and Canada Learning Bond provided by the Government of Canada

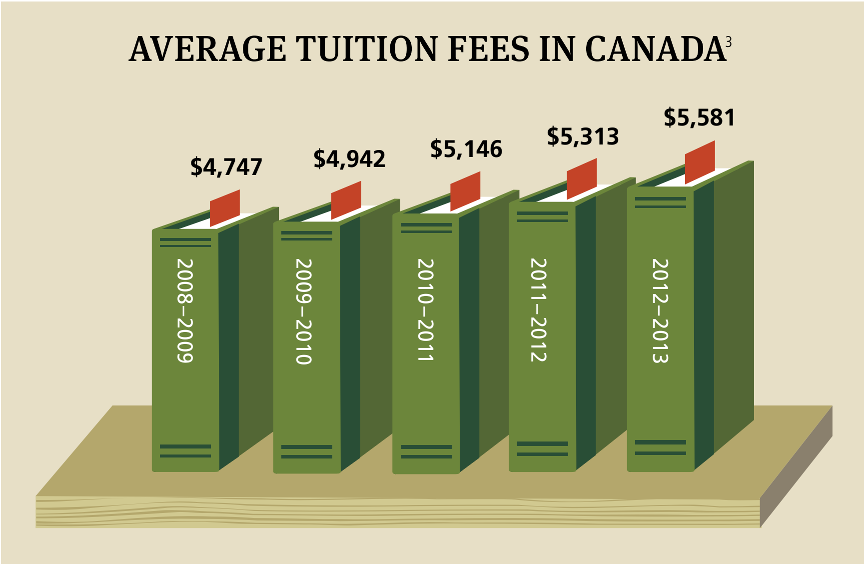
Government grants are available with RESPs

The Government of Canada can help RESP savings grow through special grant incentives.

1. Contributions to an RESP may qualify for the **Canada Education Savings Grant** (CESG), which boosts the annual contribution to your RESP. The Basic CESG pays 20 per cent on the first $2,500 contribution each year per child until the child is age 17 and up to a maximum lifetime grant of $7,200.[2] An Additional CESG is available for low-income families. The amount of money that can be received in an Additional CESG

[1] Claire O'Hara, Grappling with the growing cost of education, *Investment Executive,* July 11, 2012.

[2] The maximum annual CESG is $1,000 on a $5,000 contribution if the beneficiary has adequate grant carry forward room available.



depends on the net family income of the child's primary caregiver.

2. The **Canada Learning Bond** (CLB) is an additional incentive of up to $2,000 that the Government of Canada can put into an eligible RESP. It's available for children born after December 31, 2003 and whose families receive the National Child Benefit Supplement (NCBS), also known as the "family allowance" or "baby bonus."

In addition to the CESG and CLB, certain provinces may offer grant incentives. It's important to remember that government grants are only available if you open an RESP.

What happens if my child doesn't pursue post-secondary education?

You have options if a child doesn't pursue studies beyond high school. You can transfer the money to a brother's or sister's RESP, or you can withdraw your contributions tax-free but you may have to return the CESG and CLB portions of the savings to the Government of Canada.

When you close an RESP, you will have to pay taxes on any investment earnings you receive. You may, however, be able to reduce the taxes by transferring up to $50,000 of the tax-deferred growth directly into your RRSP or a spousal RRSP, provided you have contribution room.

Keep in mind that an RESP can remain open for up to 36 years,[4] so it may be worth waiting a period of time before you do anything with the plan. The child could change his or her mind.

Your RESP provider or advisor can give you more details about your options and explain the conditions that apply to your plan when a child doesn't pursue post-secondary education.

COMMON RESP CONTRACT TYPES

Individual – for one beneficiary who does not need to be a blood relative of the subscriber.

Family – for more than one beneficiary who must be blood relatives of, or adopted by, the subscriber.

How do I open an RESP?

To open an RESP, the child must be a Canadian resident and you'll need his or her Social Insurance Number. The Service Canada website (www.servicecanada.gc.ca) explains how to get the documents you need.

Next you'll need to decide on an RESP provider — most financial institutions offer RESPs. However, given that an RESP can remain open for up to 36 years, it's important to choose a provider wisely. Consider one that supports the grant incentives that are important to you — not all plans support all government grants. Also, look for a provider that can offer more than one RESP product option. This means you'll have more choice and a better chance of obtaining the options that work best for you. You may want a provider that offers a choice of deposit frequencies and plan and contract types. And you should consider a company that is reputable and financially strong. When the child begins receiving money from the RESP, the provider will, after all, be responsible for making the payments according to your plan's terms.

Speak with your advisor

Speak to your advisor about the RESP option that would work best for your unique situation.

You can also visit www.canlearn.ca for more information. This Government of Canada website has a wealth of information about education savings and student financial aid.

[3] Source: Statistics Canada, www.statcan.gc.ca Centre for Education Statistics – 2013. This data was extracted from the survey *Tuition and Living Accommodation Costs for Full-time Students at Canadian Degree-granting Institutions (TLAC)* conducted by Stats Canada and released September 12, 2012. The information in this table represents full-time undergraduate tuition fees, and are averages based on all provinces combined. Reproduced and distributed on an as is basis with the permission of Statistics Canada.

[4] An RESP that is a Specified Plan can remain open for an additional five years.

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