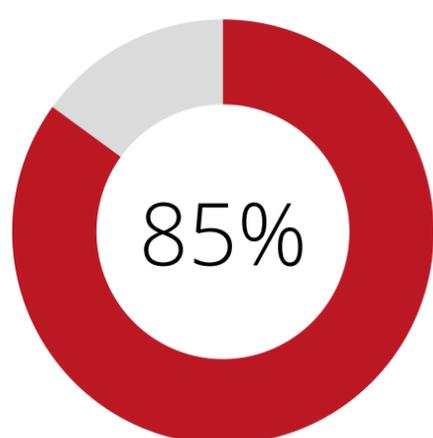


# What is an RESP and how does it work?

A Registered Education Savings Plan (RESP) is a type of investment account that is used to save for post-secondary education, such as university or college.



Approximately 85% of children with education savings had a Registered Education Savings Plan (RESP) in 2020.

**\*Statistics Canada**

If you're looking to learn about how to start investing in a post-secondary education, you've landed in the right place. Here's an introductory guide to RESPs to help you make the dream of higher education possible and to make the most of your investment.

## How does an RESP work?

Typically, an RESP is opened by a parent for a child's post-secondary education, but it can be opened by anyone, like grandparents, relatives and even family friends. Whether you're looking to save for the post-secondary education of a child, a family member or even yourself, an RESP is a great way to do so.

Investment earnings inside an RESP grow on a tax-deferred basis, and there is a Canada Education Savings Grant (CESG) for certain contributions. In addition, some provinces also have grant programs for beneficiaries who reside in that province. Investment earnings won't be taxed until the money is withdrawn.

You can choose an individual, family or group RESP, and all types can hold a wide range of investment options. The sooner you start contributing to an RESP, the sooner you'll start to see your money grow, and be able to take advantage of some of the benefits.

## PROS

1.

The money invested grows tax-deferred. When it comes time to pay for education costs, the investment growth and government grant amounts that are part of the withdrawal are taxed as income to the student. So, if the student is making little or no income, they'll pay little or no taxes on the RESP withdrawals.

2.

Contributions to an RESP can earn CESG money. The grant can be 20%, 30% or 40% on the first \$500 contributed (depending on family income), and 20% on the remaining \$2,000 contributed per year. The lifetime grant is \$7,200 per beneficiary, so be sure to secure the maximum in government grants.

3.

The lifetime maximum contribution limit of \$50,000 for each child is generous.

## CONS

1.

There are some restrictions on CESG eligibility. You are only eligible to receive government grants until the child is age 17.

2.

The growth on contributions and government grants must be used for qualified post-secondary education costs.

3.

If the dream of higher education doesn't become a reality, the RESP must be collapsed 35 years after the year it was opened. There are various options for the account balance.



**"WHEN YOU'RE READY TO MEET, MY TEAM AND I WILL BE READY TO HELP."**