

RESEARCH  CAPITAL
CORPORATION

REGISTERED EDUCATION SAVINGS PLAN



www.researchcapital.com

What is a RESP?



There is no minimum amount to contribute each year. The **lifetime maximum** that can be contributed to all RESPs for one beneficiary is \$50,000. Contributions are not tax deductible.

The maximum annual contribution **qualifying for the CESG** is \$2,500. This can increase to \$5,000 if there is sufficient unused contribution room from previous years.

Investment earnings in the RESP will **not be taxed until they are withdrawn** to pay for the education of the child.

A RESP is a savings plan which you open for a child's future post-secondary education costs. The assets of the plan are held at Research Capital and grow through your contributions, government contributions and investment income.

The Government of Canada will help you save by adding up to \$500 a year to your RESP through the Canada Education Savings Grant (CESG), to a maximum total grant of \$7,200 per child (certain restrictions apply).

Anyone can open an RESP: grandparent, parent, other relative or friend. All you need is a birth certificate and Social Insurance Number. The child must be a Canadian resident when the plan is opened.

Your Research Capital Corporation RESP can hold a wide range of investments to achieve the growth needed to fund the ever-increasing costs of education.

Ask Your Research Capital Investment Advisor about a RESP today!

Using Your RESP



- A beneficiary can **start receiving money** from the RESP as soon as he or she enrolls in a qualified post-secondary educational program.
- **Qualified programs** can include apprenticeships and programs offered by a trade school, CEGEP, college or university.
- RESP funds can be used for either **full or part-time study** in a qualified program.
- The contribution amounts **can be withdrawn** free of tax at any time provided they do not affect eligibility for the CESG.
- The **grant and accumulated earnings portion**, whether interest, dividends or capital gains, are withdrawn as Educational Assistance Payments (EAPs) and are taxed as income in the hands of the beneficiary.
- **Initial limits** on the amount of EAPs are \$5,000 for the first 13 weeks of full-time study, and \$2,500 for the first 13 weeks of part-time study. After this initial period there is no limit on the amount of the EAPs that can be paid out.
- A beneficiary **can receive EAPs** for up to 6 months after leaving school, provided the payments would have previously qualified as EAPs. This means the RESP can be used to pay back student loans.

Individual vs Family RESP



Individual RESP

An individual RESP is a plan with only one beneficiary. That beneficiary may or may not be related to the subscriber and can be over 21 when named as a beneficiary. Since subscribers can open plans for themselves, a subscriber can also be the beneficiary of an individual RESP. Contributions to this type of plan can be made up to 22 years after the plan is established. However, the government contribution, CESG, is only valid for beneficiaries under 18 years of age.

Family RESP

These plans can have one or more beneficiaries. However each beneficiary must be connected by blood or adoption to each living subscriber under the plan or have been connected to a deceased original subscriber and be under 21 when named. Contributions to a family plan can only be made until a beneficiary turns 21. One benefit of a family plan is the ability to allocate the RESP's investment earnings to the beneficiaries in any proportion you wish. For example, if three children are named beneficiaries and only one pursues post-secondary education, all the investment returns in the RESP can be allocated and paid to that one student.



What Happens if the Beneficiary does not Continue Education after High School?



If a beneficiary does not attend a qualified post-secondary program by age 21, there are a few alternatives if the plan has been in existence for at least 10 years.

Your options are to:

- Transfer the earnings portion as an Accumulated Income Payment to the contributor or their spouse's RSP provided there is enough contribution room available.
- Transfer the money to a sibling's RESP.
- Wait! RESP accounts can remain open for up to 36 years.
- Withdraw the money. Contributions can be withdrawn tax-free. Any CESG funds must be repaid. The earnings portion will be added to your income for that year

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