



Save for Your Child's Education with an RESP



What is an RESP?

“RESP” stands for **Registered Education Savings Plan**. This is an account registered with the federal government to help you save for a child's post-secondary education. The person who opens the plan is the subscriber — usually, but not always, the parent. The person who will receive money under the plan is the beneficiary — usually, but not always, your child.

You can open an RESP as soon as the child is born. The money in the plan grows tax-free and the government offers special savings incentives. When the child enters a qualified educational program at the post-secondary level, he or she can start drawing on the accumulated savings. Only the child will pay taxes on the money he or she withdraws. Since many students have little or no other income, they usually don't have to pay much, if any, tax when they withdraw money from their plan.

How does the government help?

- When you contribute to an RESP, the Government of Canada will contribute as well with a Canada Education Savings Grant. The amount depends on your own contribution and your family circumstances.
- The government provides more help for families with modest income. This may include an enhanced Canada Education Savings Grant and a Canada Learning Bond.

Who offers RESPs and how can you start one?

- You can open an RESP at almost any financial institution — including a bank, trust company or credit union — or an investment or scholarship plan dealer.
- Before you open the RESP, you and the beneficiary both need to have a Social Insurance Number.

What are the different types of plans?

You can choose from three types of plans:

Individual plan

For a single beneficiary, who does not have to be a blood relative of the subscriber (the person who opens the plan).

Family plan

For multiple beneficiaries, all of whom must be connected by blood or adoption to the subscriber. A government grant paid into an RESP may be shared among all the beneficiaries. If one beneficiary decides not to continue studies after high school, the other beneficiaries can still use the money.

Group plan

Your savings are pooled with those of other people. The money your child receives is based on the amount of money in the pool and the total number of students of the same age who are in school that year. Usually you have to sign a contract agreeing to make regular contributions to the plan over a set period. Group plans are offered and administered by scholarship or group plan dealers. They may be more expensive than individual or family plans, depending on your investment choices.

Tips for shopping around for an RESP

- **Decide on the type of plan.** Choose an individual, family or group plan — whichever suits you best.
- **Check about fees and restrictions.** Some RESP providers charge service fees; others do not. Ask the institution to explain any fees, limits, penalties or promises to make regular payments. Also ask about investment and withdrawal options.
- **Make sure you understand all the terms and conditions.** Carefully read the information you are given. If you don't understand something, ask about it.
- **Shop around** to find the plan that best suits your needs.
- **Start early** to maximize the benefits.

Questions to ask your RESP provider

Here are some of the questions you should ask before you open an RESP.

- Does it cost anything to open an RESP?
- Do I have to put in a minimum amount of money to open an RESP?
- Once I have opened an RESP, will I have to pay any fees? If so, what are they for and how much must I pay?
- Do I have to make regular contributions?
- What happens if I miss a contribution? Do I lose my investment?
- How can I invest the money that I put into the plan? What are the pros and cons of each investment choice? Can the value of my investments go down?
- Can I withdraw money if I need it? Are there penalties for early withdrawals?
- Can I transfer the RESP to another beneficiary or another RESP provider? What is the cost to transfer?
- What happens if my child does not continue studies after high school?
- Which educational programs can my savings be used for?
- What happens if I close my RESP early?
- Can I switch plans?
- How long can I keep the plan open?

For more information

For more information about the Canada Education Savings Grant or the Canada Learning Bond, contact the Canada Education Savings Program of Human Resources and Social Development Canada toll-free at **1-800-O-CANADA** (1-800-622-6232), or visit **www.canlearn.ca**.

For more information about taxes and RESPs, call the Canada Revenue Agency toll-free at **1-800-959-8281** or visit **www.cra-arc.gc.ca**.

About FCAC

The Financial Consumer Agency of Canada (FCAC) provides timely, objective information to help consumers choose the best banking products and services for their needs. FCAC also informs Canadians of their rights and responsibilities when dealing with financial institutions and makes sure that banks and federally regulated trust, loan and insurance companies respect the laws and agreements that protect consumers.

FCAC's Web site also provides many comparison charts and calculators to help you determine the best financial products and services for your needs.

You can call our toll-free Consumer Contact Centre at 1-866-461-3222, or visit our Web site at **www.fcac.gc.ca**. (Consumers with hearing problems can call our TTY number at 613-947-7771 or toll-free at 1-866-914-6097.)

This tip sheet is part of a series. To view FCAC's other tip sheets, please visit our Web site.