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Registered Education Saving Plan Withdrawals

Technical Report Prepared for the Canada Education Savings Program Summative Evaluation

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Canada

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1. Introduction

The Canada Education Savings Program (CESP) was introduced in 1998 in order to encourage Canadians to save for the post-secondary education (PSE) of their children. At the time, the Canada Education Savings Grant (CESG) provided a grant of 20% on the first $2,000 of contributions to a Registered Education Savings Plan (RESP) for children up to the age 17.[1] Since 1998, there have been many enhancements to the program, most notably the Additional CESG (A-CESG) and the Canada Learning Bond (CLB).

This study is a part of the overall work being conducted for the Summative Evaluation of the CESP to quantify if the CESP is achieving its objective, which is "…*ensuring that families can better save for their children's future education by providing stronger incentives through the CESP*."[2]

The study examines withdrawals from RESPs. The study uses CESP administrative data, described in Section 3.

1.1 Study Objectives

This report is part of a series of quantitative reports that aims to assess the impacts and effects of the CESP on the savings of families. The following summative evaluation questions are examined by this study:

1) How many students are withdrawing from RESPs and what is the trend?
2) What portion of PSE costs are covered by RESP savings?

1.2 Report Outline

Section 2 of the report provides a summary of the CESP (eligibility criteria, maximum allowable contributions, etc.) as well as a summary of RESP rules and how the different components of the CESP were implemented over the years. Section 3 examines the data used in the report, while Section 4 presents the analysis.

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[1] As of 2007, the Government of Canada provides a grant on the first $2,500 saved each year.
[2] 1998 Federal Budget, page 68.

2. RESP and CESP Rules

This section presents the general rules of RESPs and the CESP. Prior to the introduction of the CESG in 1998, families could save for the PSE of their children using an RESP.

2.1 Registered Education Savings Plans (RESPs)

An RESP allows contributions to grow tax-free until beneficiaries (children) attend a PSE institution. Once a beneficiary begins attending a PSE institution, monies out of the RESP are paid out as contribution withdrawals and Education Assistance Payments (EAPs) to the beneficiary. Before the introduction of the CESG, the EAP included the accumulated earnings in the RESP. Since the CESG was introduced, the EAP also includes the CESG, the A-CESG, the CLB, provincial grants (Alberta and Quebec), and the accumulated return on those amounts. The EAP is taxable to the beneficiary attending PSE. Since many PSE students have little or no income, the EAP is often withdrawn tax-free or at a low tax rate.

There are three types of RESPs – an Individual Plan, a Family Plan and a Group Plan. An Individual Plan is opened for a specific child. A Family Plan is for one or more children, where the subscriber is a parent, grandparent or sibling. Unused amounts can be redirected to other beneficiaries within the plan.[3] A Group Plan is offered mainly by scholarship trust companies or foundations, where beneficiaries are grouped into cohorts.

If a beneficiary does not attend a PSE institution, there are a number of different options available to the subscriber to get their contributions back. Firstly, the subscriber may wait a few years in case the beneficiary decides to attend PSE. Secondly, the subscriber can name a sibling under the age of 21 as a new beneficiary. Thirdly, contributions can be withdrawn at any time without tax consequences. Once all of the RESP beneficiaries turn 21 years of age and are not attending PSE, and the plan has been in existence for at least ten years, the subscriber may be able to withdraw the income earned in the RESP as an Accumulated Income Payment. In that case, the subscriber could transfer up to $50,000 into a Registered Retirement Savings Plan (RRSP) or receive the RESP earnings withdrawn directly as income subject to income taxes and to an additional charge[4].

Over the years, the RESP annual contribution limit per beneficiary has increased from $1,500 in 1990 to $4,000 in 1997, and then to no maximum limit since 2007 (as Table 1 shows). Although there is no longer an annual contribution limit, there is a lifetime contribution limit per beneficiary, which has been $50,000 since 2007 (it was $31,500 in 1990). These increases in the contribution limit were announced in order to recognize the rising costs of PSE.

[3] The CLB is non-transferable.
[4] The additional charge is 20 percent in addition to regular income taxes. This additional charge is put in place to ensure that the RESP fiscal measure is not used for tax-deferral purposes unrelated to either education or retirement savings.

Table 1 – RESP Contribution Limits – 1990 to 2013

Period	Annual Contribution Limit per Beneficiary	Lifetime Contribution Limit per Beneficiary
1990 to 1995	$1,500	$31,500
1996	$2,000	$42,000
1997 to 2006	$4,000	$42,000
2007 to present	No limit	$50,000

Source: 1996, 1997, 1998 and 2007 Federal Budgets.

Although the maximum contribution limits increased in the 1990s, there were only a small percentage of taxpayers using RESPs before 1997. According to the 1997 report of the National Roundtable on Student Assistance, only 1.6% of all PSE students were making use of RESP funds to finance their PSE. As a result of these findings, some rules were relaxed in the 1997 Federal Budget.

First, the government announced changes regarding the rules for redirecting RESPs among siblings. The modifications provided greater flexibility to Group Plans to allow reallocation of RESPs among siblings under 21 years old in case one child does not attend PSE (as already possible with Family Plans).

Second, the government recognized that it was not always possible to redirect RESPs to other siblings. Before the 1997 Federal Budget, this situation could be seen as problematic, since RESPs were designated for PSE only. Consequently, subscribers lost all investment returns if their children did not pursue PSE. Since this was discouraging parents from starting an RESP, the federal government allowed subscribers to use RESP returns for other purposes, such as the transfer of up to $40,000 into an RRSP or receiving the RESP investment directly.

A few other rules were implemented in the 1998 Federal Budget. Prior to 1998, once a beneficiary started attending PSE full-time, there was no limit on EAP withdrawals. EAPs could be withdrawn entirely during the first 13 weeks of PSE enrolment. Since then, a maximum EAP withdrawal amount has been set at $5,000 during the first 13 weeks of PSE enrolment. After the beneficiary has completed 13 consecutive weeks in a PSE program, there is no limit on the EAP withdrawal up until $20,000, at which time proof of expenses must be provided.[5]

In the 2007 Federal Budget, the federal government relaxed some rules regarding EAP use by part-time students – part-time students became eligible to access up to $2,500 from their RESP for every 13 weeks of enrolment. Prior to then, part-time students were only allowed to access their RESP if they were spending at least 10 hours per week in a PSE program for 13 weeks, which is the definition of a full-time student.

[5] Nevertheless, if there is a 12–month period in which the beneficiary is not enrolled in PSE for 13 consecutive weeks, the $5,000 maximum applies again.

All of these changes over the years have contributed to increasing the RESP take-up rate and total RESP contributions. Along with these changes, the federal government has announced grants to help families saving for their children's PSE.

2.2 Canada Education Savings Grant (CESG)

The 1998 Federal Budget announced the implementation of the CESG to encourage families to increase savings for the PSE of their children. At that time, the CESG provided a grant of 20% on the first $2,000 of annual RESP contributions for children up to the age of 17. The maximum CESG was $400 per year and the maximum lifetime CESG amount was $7,200 ($400 times 18 years) per beneficiary. Since 2007, the CESG provides a grant of 20% on the first $2,500 of annual RESP contributions, equivalent to a maximum annual CESG amount of $500. Unused contribution room for one year can be carried forward.[6]

To be eligible for the CESG, a beneficiary must be a Canadian resident at the time of the RESP contribution and possess a valid Social Insurance Number (SIN). Contributions must be made prior to the end of the calendar year in which the beneficiary turns 17 years of age. To be eligible to receive the CESG when the beneficiary reaches the age of 16 and 17, certain minimum contributions had to have already been made before the end of the calendar year in which the beneficiary turned 15.[7]

2.3 Additional CESG (A-CESG) and Canada Learning Bond (CLB)

The government announced two key enhancements to the CESP in the 2004 Federal Budget – the A-CESG and the CLB.[8] The A-CESG and CLB came into effect on January 1, 2005, although the CLB was retroactive to January 1, 2004.

The A-CESG amount contributed by the government depends on the net family income of the beneficiary's primary caregiver(s):

- If net family income[9] was below $41,545 in 2011 (below the Canada Child Tax Benefit threshold), the A-CESG was 20 cents for every dollar on the first $500 of annual contributions in the RESP (i.e. a maximum of $100); and
- If net family income was between $41,545 and $83,088 in 2011, the A-CESG was 10 cents for every dollar on the first $500 of annual contributions in the RESP (i.e. a maximum of $50).

[6] The CESG amount could reach up to $800 in a single year before 2007 and $1,000 since then.
[7] This required either a minimum of $100 in annual RESP contributions made and not withdrawn in any four years or a total of $2,000 in RESP contributions made and not withdrawn.
[8] A subscriber must apply for the A-CESG and the CLB in order to receive it.
[9] Net family income is based on the calculated income of parents for the Canada Child Tax Benefit.

These net family income thresholds have been indexed every year since 2004, following the Canada Child Tax Benefit indexation.[10] It should be noted that the unused A-CESG cannot be carried forward (as is the case with unused CESG contribution room).

The CLB was introduced to help lower-income families to start saving early in RESPs for their children's future PSE. To be eligible for the CLB, the beneficiary's primary caregiver(s) must be receiving the National Child Benefit Supplement and the child must be born on or after January 1, 2004. To receive the CLB, an individual must open an RESP, but contributions are not required. As well, an additional $25 is initially paid to cover the cost of opening an RESP.

The amount of the CLB is equal to the sum of the following amounts, and can add up to a lifetime maximum of $2,000 per child:

- $500 for the year in which a child is born or their family becomes eligible for the National Child Benefit Supplement, provided that the beneficiary is less than 15 years of age (note that all beneficiaries who are currently eligible for the CLB are those who are less than 9 years old in 2012); and
- $100 in each subsequent year, until the beneficiary reaches 15 years of age.

Entitlements for the CLB accumulate and are held until the child turns 21 years of age, so even if parents do not open an RESP for a child right away, they receive their full entitlement in a lump sum when they do open one and apply and qualify for the CLB.

[10] The family net income amounts are updated each year based on the rate of inflation.

3. Data

The CESP directorate has maintained administrative data for the program since its introduction in 1998. Data on RESPs before 1998 are not part of the administrative database and are therefore not included in the analyses of this paper. Moreover, the CESP administrative database is a transactions database (i.e. it only records transactions and changes to accounts). Therefore, only RESP accounts with at least one transaction since 1998 can be accounted for in the analyses.[11] Also, as the database does not systematically track the closing of accounts[12], they continue to be active in the sample used for this paper.

The paper uses a 10% random sample of RESP beneficiaries from the CESP administrative database. Therefore, results presented are only estimates of the behaviour of the underlying population of RESP beneficiaries. The paper examines the period between 1998 and 2012.[13] There are 483,334 beneficiaries in the sample, of which 113,226 have already withdrawn from their RESP during their PSE studies.

The report only examines RESP withdrawals during PSE, as RESP withdrawals that occur outside of PSE years are not available in the database. [14] Hence, all references to RESP withdrawals throughout the report are withdrawals during PSE.

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[11] This includes many RESP accounts opened before 1998.

[12] The database includes information on account closures when there is a grant repayment to the government. In other situations, it is not straightforward to assess with certainty when accounts are emptied and closed after being used by beneficiaries.

[13] Administrative data update from August 2013.

[14] Contribution withdrawals that do not occur during PSE should be small amounts on average. Calculations using the report on CESP Financial Transactions Amounts show that grant repayments represented less than 3% of total grant payments in January 2013. Grants must be repaid when contribution withdrawals do not occur during PSE.

4. Analysis

This paper examines RESP withdrawals during PSE. The analysis starts by examining the historical evolution of the number of RESP beneficiaries with withdrawals since 1998. It then examines the frequency of withdrawals and withdrawal amounts and compares them to PSE costs in Canada.

There are two different types of RESP withdrawals during PSE: EAPs and withdrawals of contributions. Withdrawals of contributions are not taxable or subject to any conditions.[15] EAPs are withdrawals of grants and investment earnings in an RESP when a student is attending PSE. These are taxable in the hands of the student, who typically does not have a high enough income to pay income tax (or pay very low rates). Aggregate RESP withdrawals during PSE reached $2.4 billion in 2012 and are increasing.[16]

There is substantial variation in the amount of RESP savings available to each child when they reach PSE. At the end of 2011, RESP beneficiaries who were 17 years old had an average of $11,770 in lifetime contributions and $2,278 in CESG grants for a total of $14,048.[17] Assuming a rate of return equal to inflation, lifetime federal grants and contributions amounted to $15,544.[18] Using this measure of RESP lifetime savings, close to 44% of 17-year-old RESP beneficiaries in 2011 had less than $10,000, a quarter had between $10,000 and $20,000, another quarter had between $20,000 and $40,000, and 6.1% had over $40,000.[19]

It is important to note that some students might have strategies to spend their RESP funds that go beyond withdrawing money for their semester or their entire school year. For example, students could withdraw all the money from their RESP as soon as they can[20] and keeping it in a bank account to pay for their tuition every year. This type of behavior is beyond the scope of this paper, as the data only shows the timing of RESP withdrawals.[21]

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[15] Grants must be repaid when contribution withdrawals do not occur during PSE (proof of enrolment must be provided to avoid grant repayment).
[16] See HRSDC (2013d).
[17] The ideal moment to examine accumulated RESP savings is at the end of the year beneficiaries turn 17, after which most start PSE.
[18] This inflation-adjusted figure gives an estimate of lifetime RESP savings, with the assumption that the rate of return on investments is equal to the rate of inflation. Estimates of RESP returns must be used as the database does not provide information on RESP investment returns for each beneficiary.
[19] See HRSDC (2013b).
[20] There are no limits on contribution withdrawals during PSE. EAPs are limited to $5,000 in the first 13 weeks of enrolment in PSE. There are no limits on EAPs after this period.
[21] Nonetheless, this type of behaviour would not be optimal for two reasons. First, savings kept inside an RESP would continue to grow tax-free. Second, large EAP withdrawals would be taxed at a higher rate if they are made in one year rather than in many. Moreover, even if this type of behaviour was motivated by

As the report focuses only on RESP savings use, it is important to remember that not all children have an RESP. Since 1998, the proportion of children (under 18 years old) with an RESP has increased every year, from 11% in 1998 to 45% in 2011. The number of children (under 18) with RESP accounts has increased from 800,000 in 1998 to 3.1 million in 2011.[22] Thus, over half of all children under 18 still do not have an RESP.

These numbers are significant given that most children wish to go onto PSE. For example, King et al. (2009) estimate that 85% of senior high school students in Ontario plan to go onto PSE. Shaienks and Gluszynski (2009) estimate that by the time youth are 26 to 28 years old, 81% had undertaken some form of PSE program (42% had attended a university). Among those who had undertaken PSE, 81% graduated from a program, 14% dropped out without graduating and 5% were still enrolled in PSE and continuing towards their first diploma.

Note that some children have PSE savings without having an RESP. The 2009 Canadian Financial Capacity Survey showed that 70% of families were saving for the PSE of their children and that 46% of families had RESPs.[23] PSE savings outside RESPs is not examined in this report as the data are not available in the administrative database.

4.1 How many students are withdrawing from RESPs and what is the trend?

As the CESP was introduced only 15 years ago, most of the new beneficiaries since 1998 are not of PSE age yet and have not made RESP withdrawals. In this sense, the full effect of the CESP on the number of PSE students with RESP withdrawals is still to come, as the program is not quite mature yet. Nevertheless, the data available to date clearly show the increasing trend in the participation rate and the significant numbers they already represent today.[24]

The number of students withdrawing from RESPs has increased steadily since 1998 to reach 341,000 in 2012. Figure 1 presents the annual number of students with RESP withdrawals during a given year. These increased from less than 10,000 in 1998 and 1999, to over 200,000 in 2006 and over 300,000 since 2010. The same trend applies to EAPs and withdrawals of RESP contributions.

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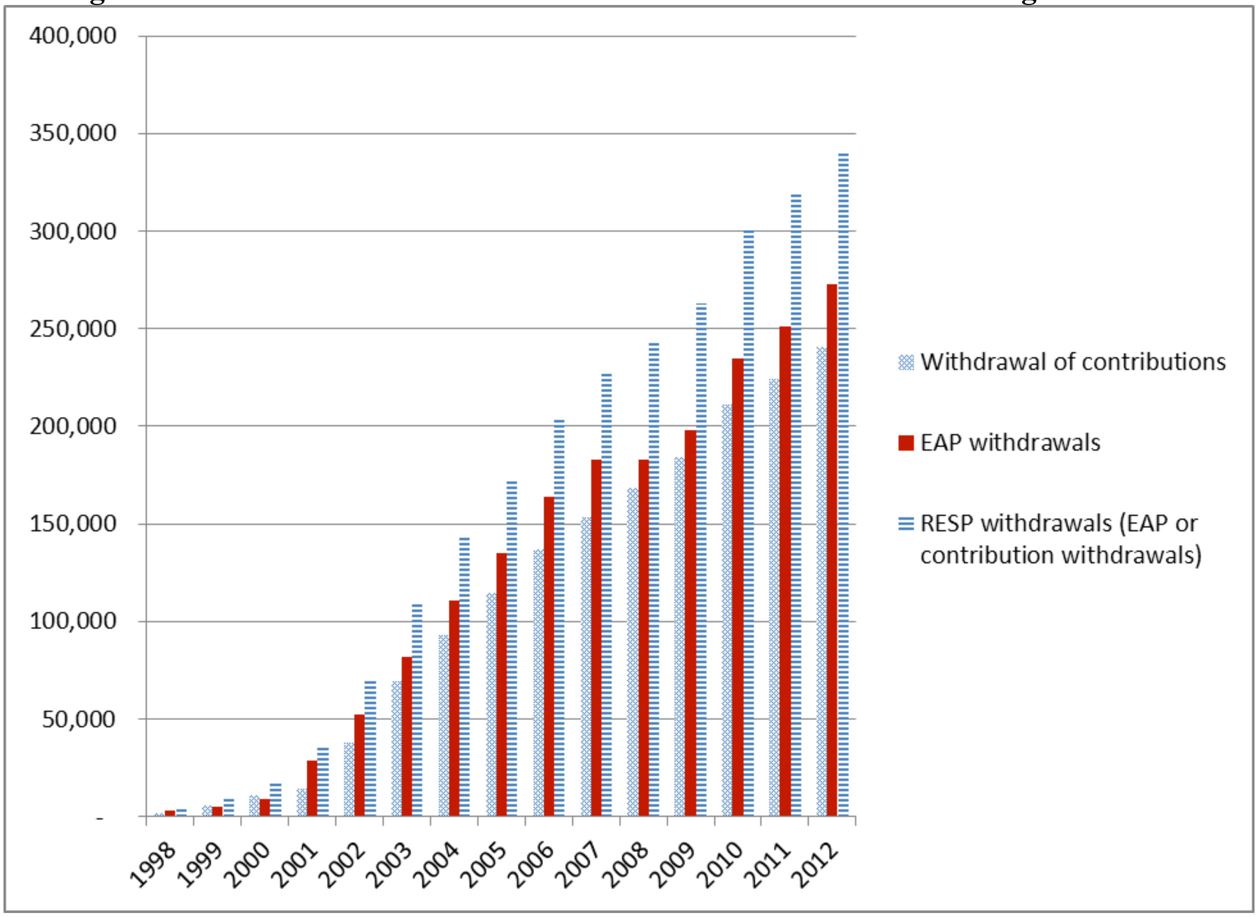
the fear to have these funds partially locked-in if the student dropped out of PSE, a better strategy would be to withdraw the remaining funds when the dropout occurs.

[22] See HRSDC (2013a).

[23] See HRSDC (2012).

[24] Total assets in RESPs reached over $35 billion in 2012, which represents money that will be withdrawn one day. See HRSDC (2013d) for more details.

Figure 1 – Annual Number of Students with RESP Withdrawals during PSE



Source: 10% random sample of CESP administrative data (113,226 beneficiaries with RESP withdrawals during PSE).

There were about 2 million students in public PSE institutions in Canada in the 2010/11 academic year. Therefore, the 319,000 students with RESP withdrawals in 2011 represent about 16% of all PSE students.[25] These results are similar to those of the Canadian University Survey Consortium (CUSC) which found that 13% of undergraduate students used RESPs to finance their studies in 2010/11.

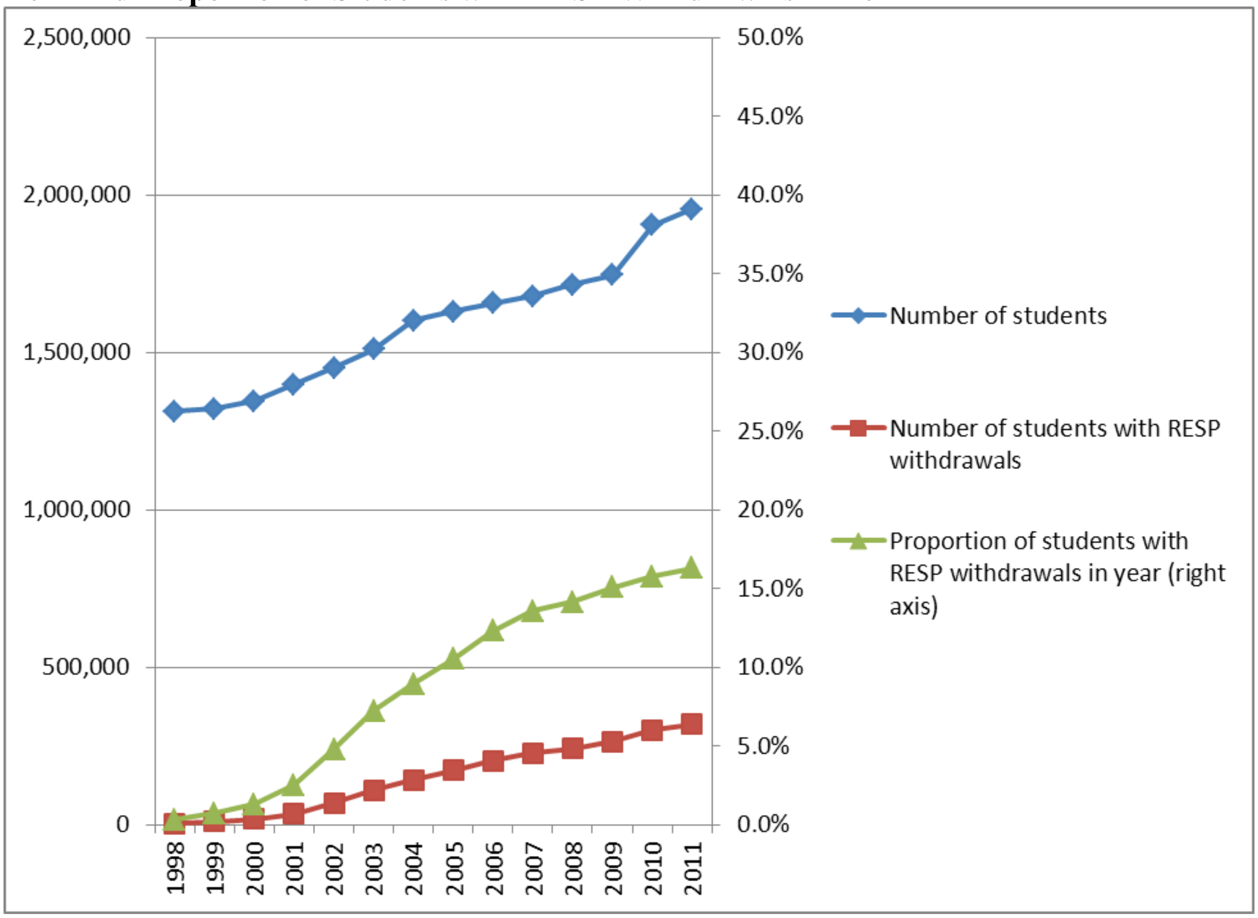
Figure 2 examines this in more detail. The number of students in PSE has increased steadily since 1998. At the same time, the number of students with RESP withdrawals in a given year has increased even more rapidly.[26] This has produced a steady increase in the proportion of students with RESP withdrawals in a given year. Naturally, the fact

[25] Data on students in public PSE institutions in Canada are from Statistics Canada (http://www.statcan.gc.ca/daily-quotidien/130123/dq130123a-eng.htm). These exclude students enrolled in apprenticeships, in private PSE institutions and in institutions outside Canada. Given these data limitations, take-up rates are slightly overestimated. Academic year 2010/11 is the most recent year available and was released in January 2013.

[26] In other words, the growth rate of students with RESP withdrawals is higher than the growth rate of PSE students. From 1998 to 2011, the number of students with RESP withdrawals grew from 4,000 to 319,000 (growth of over 7,700%) while the number of PSE students increased by about 49%.

that a student did not have an RESP withdrawal in a particular year does not imply that a student never received funds from an RESP.[27]

Figure 2 – Number of Students, Number of Students with RESP Withdrawals in Year and Proportion of Students with RESP Withdrawals in Year



Source: 10% random sample of CESP administrative data (113,226 beneficiaries with RESP withdrawals during PSE). Data on students (CANSIM 477-0019) do not include students enrolled in apprenticeships, in private PSE institutions and PSE institutions outside Canada. Given these data limitations, take-up rates are slightly overestimated.

The evidence presented thus far has examined the number of students who access RESP funds in a given year. However, it is also useful to have a cumulative view and examine the number of students who have ever used RESP funds for their studies. The 2013 Canada Student Grants Program survey looked at this and found that almost 17% of grant recipients had used RESPs to pay for their PSE at some point in their studies. Another 5% had not yet used their RESPs but had RESP savings. Given that Canada Student Grants are income-tested and that RESP use is lower among lower-income families, the use of RESPs is most likely higher than 22% among the entire student population.

[27] The database only allows the examination of the percentage of students who have RESP withdrawals in a given year. It would be interesting to know the percentage of PSE students who have ever had an RESP withdrawal during PSE, but this cannot be calculated using this data.

Table 2 examines RESP use in more detail and looks at RESP use among the entire Canadian population of those who were between 18 and 31 years of age in 2012. Table 2 indicates that 38.9% of the entire population of 18-year-olds in 2012 had an RESP and that 45.8% of them made an RESP withdrawal at some point between 1998 and 2012 (given their age of 18, it's highly likely the withdrawal was made in 2011 or 2012). By comparison, only 4.7% of 31-year-olds in 2012 have ever had an RESP, with 81.1% of those with RESPs having made an RESP withdrawal at some point between 1998 and 2012 (it is important to remember that RESP data prior to 1998 are unavailable, so the real percentage is likely a little higher than 4.7%).

Table 2 – Snapshot of RESP Withdrawals during PSE for those Aged 18-31 in 2012

Age	Canadian population	Have ever had an RESP		Made RESP withdrawal during PSE (at any point before 2013)		% of beneficiaries with RESP withdrawal during PSE (at any point before 2013)
		#	% of pop.	#	% of pop.	
18	444,289	172,660	38.9	79,100	17.8	45.8
19	462,712	164,710	35.6	107,160	23.2	65.1
20	478,203	160,020	33.5	115,500	24.2	72.2
21	492,286	149,490	30.4	113,820	23.1	76.1
22	501,140	143,620	28.7	113,030	22.6	78.7
23	491,564	130,030	26.5	104,890	21.3	80.7
24	477,893	118,060	24.7	95,840	20.1	81.2
25	481,347	107,210	22.3	87,660	18.2	81.8
26	489,394	95,120	19.4	79,080	16.2	83.1
27	495,619	83,670	16.9	70,430	14.2	84.2
28	494,313	71,090	14.4	59,930	12.1	84.3
29	491,612	51,710	10.5	43,410	8.8	83.9
30	490,747	30,730	6.3	24,750	5.0	80.5
31	492,143	22,900	4.7	18,580	3.8	81.1
Total	6,783,262	1,501,020	22.1	1,113,180	16.4	74.2

Source: 10% random sample of CESP administrative data (150,102 RESP beneficiaries who were between 18 and 31 years old in 2012). Population estimates are from CANSIM series 051-0001, Statistics Canada.

There are two important things to note from Table 2. The first is that an increasingly higher share of younger Canadians has access to RESP funding during their PSE – about 23% of the 19 to 22 year-old population has already made an RESP withdrawal during PSE. This is likely directly related to the introduction of the CESG in 1998. The second key takeaway is that among those over 22 years of age who have ever had an RESP, roughly 15-20% never make a single RESP withdrawal during PSE. The most likely reason for this is that many never go onto PSE and therefore never make an RESP withdrawal during PSE. A second plausible explanation is that some parents may have used the funds for another child or withdrawn funds from their children's RESPs for another reason before their children went onto PSE. Thus, although the child would have had an RESP, they would not have had any funds in the RESP and would therefore not have been able to make an RESP withdrawal during PSE.

While the last column of Table 2 indicates that among those over 22 years of age, 15-20% never make a single RESP withdrawal during PSE, it also implies that 80-85% registered to a PSE program. This figure increases with age and peaks at about 84% when the RESP beneficiary is 27 years old. The proportion of RESP beneficiaries who ever registered for a PSE program is slightly higher than the proportion of the whole population that ever registered for a PSE program.[28] Shaienks and Gluszynski (2009) estimate that by the time youth are 26 to 28 years old, 81% had undertaken some form of PSE program.

4.2 What portion of PSE costs are covered by RESP savings?

RESP savings are only meant to cover part of overall PSE costs. For example, university tuition costs alone averaged $5,581 in Canada in 2012. Tuition fees have increased faster than inflation since 1998, when average tuition was $3,064.[29]

During the same period, the average annual RESP withdrawal for students has increased from $3,705 in 1998 to $7,196 in 2012, slightly higher than a year of university tuition. Figure 3 shows that this increase is mainly due to the increase in the amount of RESP contribution withdrawals during PSE, as EAPs have not increased much since 1998.[30] RESP withdrawals during PSE have increased steadily in each province and across the different types of RESPs (see Appendix Table A1).

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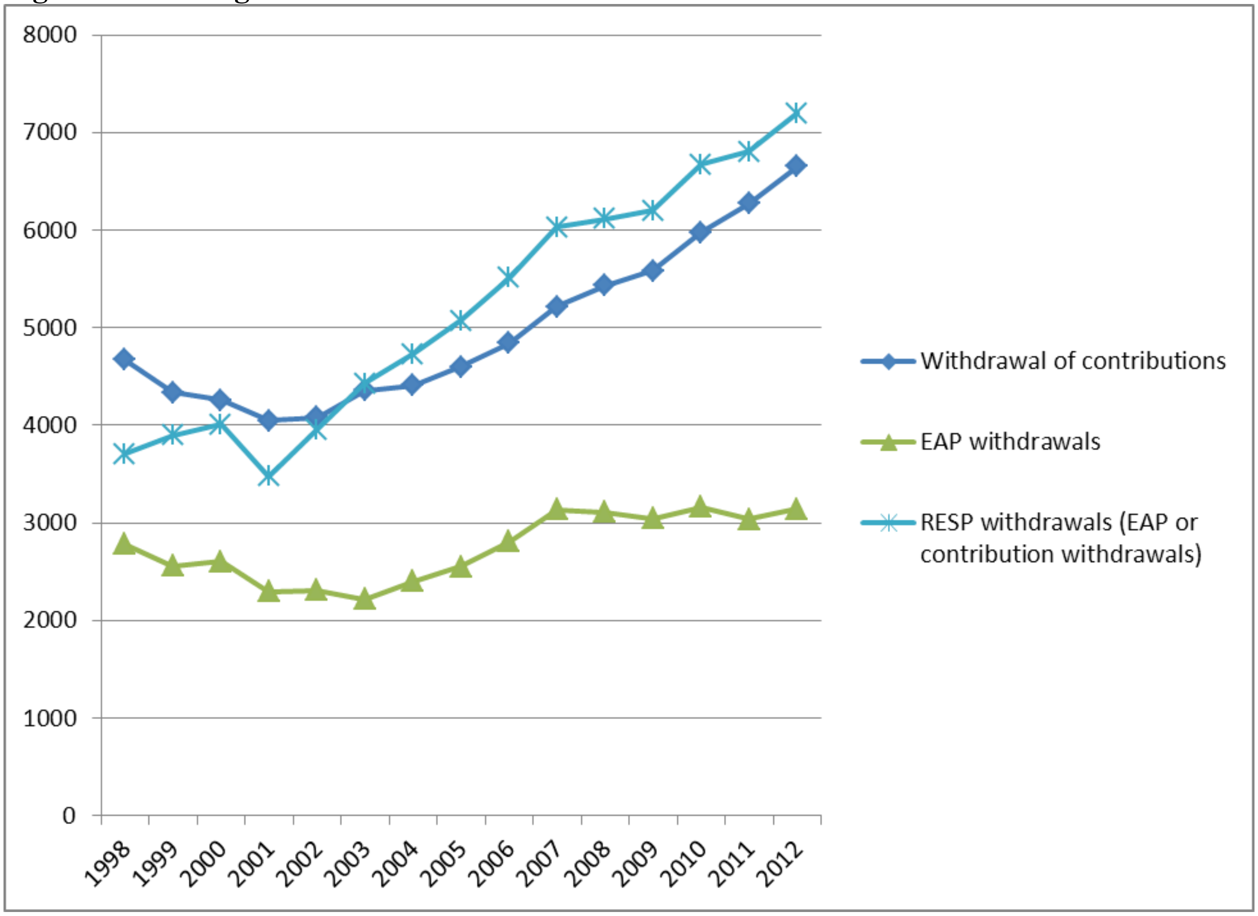
[28] Note that RESP beneficiaries should have a higher PSE enrolment rate given that they have higher family incomes than non-beneficiaries, on average. See RESP take-up rates by family income in HRSDC (2012).[29] Data on tuition fees are from Statistics Canada, which does not publish this information for college tuition.

[29] Data on tuition fees are from Statistics Canada, which does not publish this information for college tuition.

[30] From 1998 to 2002, the average annual RESP contribution withdrawal was higher than the average annual RESP withdrawal (contributions + EAPs), as there was a high proportion of people with only EAPs in this period.

Figure 3 – Average RESP Withdrawals for Students with Withdrawals in Year



Source: 10% random sample of CESP administrative data (113,226 beneficiaries with RESP withdrawals during PSE). One record with an EAP above $7,000,000 was excluded as it changed the mean significantly.

Table 3 presents the distribution of annual RESP withdrawals for students in 2012. About 57% had RESP withdrawals below $6,000 while 43% had higher withdrawals. EAPs were on average lower than the withdrawal of contributions, with over 42% of EAPs below $2,000 and only 11% above $6,000.

Table 3 – Distribution of Annual RESP Withdrawals for Students in 2012 (%)

	Contribution withdrawal during PSE	EAP	RESP withdrawal
$1-1,999	18.0	42.0	14.1
$2,000-3,999	22.9	27.0	21.2
$4,000-5,999	19.1	19.9	21.4
$6,000-9,999	19.7	7.6	20.3
$10,000 and +	20.5	3.4	23.1
Average ($)	6,653	3,139	7,196
Median ($)	4,985	2,449	5,000
Sample size (#)	24,022	27,305	34,120

Source: 10% random sample of CESP administrative data (34,120 beneficiaries with RESP withdrawals during PSE).

Table 4 examines RESP withdrawals by the year of study of the current PSE program.[31] Over 45% of students with RESP withdrawals are in the first year of a PSE program (27.5% in a university program and 18.3% in college or another type of PSE institution), a quarter is in the second year and the remainder is in further years. About 70% of these annual withdrawals are during university. The average annual withdrawal is higher in the first year of a program and is also higher for university programs.[32]

Analysis of RESP withdrawals for 2012 and any previous year masks the overall financing of PSE, which can last many years. To gain further insight, cumulative withdrawals during PSE are examined as well as the number of years with RESP withdrawals during PSE. Typically, PSE takes place between the ages of 17 and 22 years old. Correspondingly, over 94% of annual RESP withdrawals during PSE occur between the ages 17 and 22.

[31] Ideally, one would examine the number of years of PSE attended. However, this information is not available in the database. The year of study of the current PSE program is a similar variable but does not take into account that it can be a student's 1st, 2nd or 3rd PSE program.
[32] Higher RESP withdrawals in the first year of a program might be due to beneficiaries emptying their accounts in their first year of PSE. The data does not allow a confirmation of this.

Table 4 – RESP Withdrawals for Students in 2012

PSE program type	Current PSE program year	Weight in sample (%)	Average contribution withdrawal	Average EAP	Average RESP withdrawal
University	1st	27.5	7,734	3,162	8,636
	2nd	17.6	6,377	3,520	6,978
	3rd	13.3	6,432	3,328	6,592
	4th	10.8	6,470	3,399	6,719
	5th and up	0.9	6,930	2,423	7,596
	Sub-total	70.1	7,030	3,319	7,523
College and other	1st	18.3	5,923	2,678	6,801
	2nd	7.6	5,676	2,825	6,014
	3rd	2.5	5,042	2,497	5,276
	4th	0.8	5,021	2,825	5,040
	5th and up	0.7	7,197	3,330	6,884
	Sub-total	29.9	5,814	2,718	6,429
Total		100.0	6,653	3,139	7,196
Sample size		34,119	24,021	27,305	34,119

Source: 10% random sample of CESP administrative data (34,119 beneficiaries with RESP withdrawals during PSE). There was no information on program year for one beneficiary.

Table 5 presents cumulative RESP withdrawals during PSE of different cohorts of RESP beneficiaries in 2012. On average, these cohorts withdrew $13,094 from their RESPs, with a median cumulative withdrawal of $10,000. Cumulative withdrawals increase until the age of 22 or 23, as beneficiaries go through PSE and withdraw all of their RESP savings.[33] Cohorts who were older than 24 years of age in 2012 had smaller amounts of RESP withdrawals overall, as older cohorts had smaller amounts of RESP savings.[34]

[33] These numbers are similar to the RESP savings estimated for beneficiaries who were 17 in 2011. These had an average of $15,544 and a median of $11,855 in RESP savings. See HRSDC (2013) for more details.

[34] Beneficiaries who were older than 31 years of age in 2012 were not included here, as they were never eligible for the CESG (they were already 18 years of age or older in 1998).

Table 5 – Cumulative RESP Withdrawals of Students of Different Cohorts of RESP Beneficiaries in 2012

Age	Year reached 18	Mean ($)	Median ($)
17	2013	6,664	5,000
18	2012	9,445	6,835
19	2011	11,650	9,242
20	2010	13,654	10,676
21	2009	14,858	11,414
22	2008	15,498	12,057
23	2007	15,355	12,104
24	2006	15,198	12,038
25	2005	14,100	11,169
26	2004	12,880	10,540
27	2003	11,992	10,000
28	2002	10,711	8,618
29	2001	9,796	7,844
30	2000	9,066	6,758
31	1999	8,071	5,702
Total	---	13,094	10,000

Source: 10% random sample of CESP administrative data (113,226 beneficiaries with RESP withdrawals during PSE), using beneficiaries who were between 17 and 31 years old in 2012. The RESP withdrawals examined here are only those during PSE. One record with an EAP above $7,000,000 was excluded as it changed the mean significantly.

Table 6 presents the number of years during which RESP participants had withdrawals during PSE and the amount of these annual withdrawals.[35] About 28% of these beneficiaries had withdrawals in only one year, while almost a quarter had withdrawals in two years and over 41% had withdrawals in three or four years. Finally, 7.3% had withdrawals in five or more years.

[35] The table includes only beneficiaries whose first RESP withdrawal during PSE was before 2009. This provides an unbiased distribution of the number of years of RESP withdrawals by ensuring all beneficiaries had enough time to withdraw in five or more years. A similar table without this restriction is presented as Appendix Table A2. Tables A3 and A4 show that the results of Tables 6 and 7 do not vary much when the sample is restricted to beneficiaries between 24 and 31 years of age in 2012.

Table 6 – Number of Years with RESP Withdrawals and Annual Amounts of RESP Withdrawals for Students (whose first withdrawal was before 2009)

Number of years with withdrawals	Proportion of beneficiaries with withdrawals (%)	Mean annual withdrawal ($2012)	Median annual withdrawal ($2012)
1	27.6	6,952	5,410
2	23.8	6,095	4,868
3	21.3	5,472	4,266
4	20.1	5,828	4,452
5+	7.3	5,894	4,803
Total	100.0	5,919	4,602

Source: 10% random sample of CESP administrative data (60,741 beneficiaries whose first RESP withdrawal during PSE was before 2009), using beneficiaries who were between 21 and 31 years old in 2012. The RESP withdrawals examined here are only those during PSE. One withdrawal with an EAP above $7,000,000 was excluded from the mean calculations as it changed the mean significantly.

The average annual withdrawal (adjusted for inflation[36]) was higher for those with only one year of withdrawals (averaging almost $7,000). Annual withdrawals of those with more years of withdrawals were about $5,500 to $6,000 on average. Median annual withdrawals were between $4,000 and $5,500, close to the price of university tuition fees.

Comparing these annual withdrawals to the cost of tuition, it seems that average RESP savings typically pays for the first few years of tuition at an average Canadian university. This implies that living expenses as well as further years of tuition must be paid for using other sources of income.[37] For those who choose to attend college, RESP withdrawals would typically pay for tuition and a part of living expenses.

Withdrawal patterns of beneficiaries with group RESPs should be different than those who have only other types of RESPs, as the rules of group funds are usually meant to pay out EAPs in the first four years of PSE and withdraw all contributions in the first year. Table 7 shows that in fact they are different. Beneficiaries with group RESPs are more likely to have many years of RESP withdrawals. Among beneficiaries with group RESPs, over two-thirds had withdrawals in three or more years, while they were less than 40% among beneficiaries without a group RESP. However, amounts of annual withdrawals were lower among beneficiaries with group RESPs.

[36] These numbers were converted to 2012 dollars to adjust for inflation using the Consumer Price Index from Statistics Canada.
[37] The cost of pursuing an undergraduate degree away from home has recently been estimated at around $80,000. For more details see TD Canada trust Education and Finance (2011), "Parents Struggle to Pay for Kids' Post-secondary Studies".

Table 7 – Withdrawal Patterns of Beneficiaries with Group RESPs vs. Other Beneficiaries

Number of years with withdrawals	Proportion (%)		Mean annual withdrawal ($2012)	
	Beneficiaries with group RESPs	Other beneficiaries	Beneficiaries with group RESPs	Other beneficiaries
1	15.9	33.6	6,218	7,130
2	17.5	27.0	5,213	6,389
3	26.4	18.8	4,946	5,852
4	34.7	12.5	5,819	5,842
5+	5.6	8.1	6,197	5,789
Total	100.0	100.0	5,574	6,142

Source: 10% random sample of CESP administrative data (60,741 beneficiaries whose first RESP withdrawal during PSE was before 2009), using beneficiaries who were between 21 and 31 years old in 2012. The RESP withdrawals examined here are only those during PSE. One withdrawal with an EAP above $7,000,000 was excluded from the mean calculations as it changed the mean significantly.

5. Conclusions

This paper used CESP administrative data to provide a profile of RESP withdrawals during PSE. The study will contribute to the Summative Evaluation of the CESP and is one of many lines of evidence that will be used. In particular, this study addressed the two evaluation questions listed below.

As the CESP was introduced only 15 years ago, most of the new beneficiaries since 1998 are not of PSE age yet and have not made RESP withdrawals. In this sense, the full effect of the CESP on the number of PSE students with RESP withdrawals is still to come, as the program is not quite mature yet. Nevertheless, the data available to date clearly show the increasing trend in the participation rate and the significant numbers they already represent today.

How many students are withdrawing from RESPs and what is the trend?

The number of students withdrawing from RESPs has increased steadily from less than 10,000 in 1998 and 1999, to over 200,000 in 2006 and 319,000 in 2011. The same trend applies to EAPs and withdrawals of RESP contributions. The 319,000 students with RESP withdrawals in 2011 represent about 16% of all PSE students.

Cumulatively, about 23% of the 19 to 22 year-old population has already made an RESP withdrawal during PSE. By the time they are over 22 years of age, most RESP beneficiaries (80-85%) have already started PSE and used some of their RESP funds to pay for it. The remainder, roughly 15-20% of RESP beneficiaries over 22 years of age, never made a single RESP withdrawal during PSE. The most likely reason for this is that many never go onto PSE and therefore never make an RESP withdrawal during PSE.

What portion of PSE costs are covered by RESP savings?

RESP savings can typically pay for the first few years of university tuition. This implies that living expenses and further tuition costs must be paid for using other sources of income. However, there is substantial variation in the amount of RESP savings available to each child when they reach PSE.

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Appendix

Table A1 – RESP Withdrawals by Province and Type of RESP Plan

	2000	2006	2012
Province:			
-BC	3,804	5,562	7,566
-AB	3,648	5,613	7,366
-SK	3,149	5,005	6,423
-MB	3,084	4,412	5,783
-ON	4,511	5,826	7,610
-QC	3,379	4,964	6,455
-NB	3,421	5,043	6,043
-NS	4,572	5,141	6,514
-NF and PEI	4,035	4,758	5,787
Type of plan:			
-individual	4,163	5,583	7,354
-family	4,668	5,697	7,434
-group	3,867	5,428	7,092
-more than one type of plan	4,452	5,926	7,798
Total	4,008	5,510	7,196

Source: 10% random sample of CESP administrative data (113,226 beneficiaries with RESP withdrawals during PSE). Note that province and type of plan are the latest records in the database (not time-varying).

Table A2 – Number of Years with RESP Withdrawals and Annual Amounts of RESP Withdrawals for Students

Number of years with withdrawals	Proportion of beneficiaries with withdrawals (%)	Mean annual withdrawal ($2012)	Median annual withdrawal ($2012)
1	31.8	7,084	5,312
2	24.6	6,316	5,020
3	20.5	5,707	4,460
4	17.7	5,967	4,610
5+	5.4	5,894	4,803
Total	100.0	6,110	4,766

Source: 10% random sample of CESP administrative data (81,142 beneficiaries with RESP withdrawals during PSE), using beneficiaries who were between 21 and 31 years old in 2012. The RESP withdrawals examined here are only those during PSE. One withdrawal with an EAP above $7,000,000 was excluded from the mean calculations as it changed the mean significantly.

Table A3 – Number of Years with RESP Withdrawals and Annual Amounts of RESP Withdrawals for Students (whose first withdrawal was before 2009)

Number of years with withdrawals	Proportion of beneficiaries with withdrawals (%)	Mean annual withdrawal ($2012)	Median annual withdrawal ($2012)
1	29.4	6,834	5,429
2	23.7	5,776	4,657
3	21.6	5,140	3,915
4	18.7	5,532	4,200
5+	6.7	5,682	4,505
Total	100.0	5,650	4,366

Source: 10% random sample of CESP administrative data (45,701 beneficiaries whose first RESP withdrawal during PSE was before 2009), using beneficiaries who were between 24 and 31 years old in 2012. The RESP withdrawals examined here are only those during PSE. One withdrawal with an EAP above $7,000,000 was excluded from the mean calculations as it changed the mean significantly.

Table A4 – Withdrawal Patterns of Beneficiaries with Group RESPs vs. Other Beneficiaries

Number of years with withdrawals	Proportion (%)		Mean annual withdrawal ($2012)	
	Beneficiaries with group RESPs	Other beneficiaries	Beneficiaries with group RESPs	Other beneficiaries
1	16.4	36.3	5,866	7,065
2	17.4	27.0	4,811	6,104
3	28.2	18.1	4,657	5,539
4	32.7	11.3	5,503	5,577
5+	5.4	7.3	5,933	5,588
Total	100.0	100.0	5,239	5,929

Source: 10% random sample of CESP administrative data (45,701 beneficiaries whose first RESP withdrawal during PSE was before 2009), using beneficiaries who were between 24 and 31 years old in 2012. The RESP withdrawals examined here are only those during PSE. One withdrawal with an EAP above $7,000,000 was excluded from the mean calculations as it changed the mean significantly.