Employment and Social Development Canada
Emploi et Développement social Canada

Now and Tomorrow
Excellence in Everything We Do

Analysis of the Canada Education Savings Program Participation and Expenditures for Different Income Groups

Technical Report Prepared for the Canada Education Savings Program Summative Evaluation

By: Edouard Imbeau

March 2015

Strategic and Service Policy Branch

SP-1142-09-17

Canada

Analysis of the Canada Education Savings Program Participation and Expenditures for Different Income Groups

This publication is available for download at **canada.ca/publicentre-ESDC**.

It is also available upon request in multiple formats (large print, Braille, audio CD, e-text CD, or DAISY), by contacting 1 800 O-Canada (1-800-622-6232). By teletypewriter (TTY), call 1-800-926-9105.

PDF
Cat. No.: Em20-63/2017E-PDF
ISBN: 978-0-660-08140-3

ESDC
Cat. No.: SP-1142-09-17

Également disponible en français sous le titre : *Analyse de la participation au Programme canadien pour l'épargne-études et des dépenses du programme selon le revenu du ménage*

TABLE OF CONTENTS

1. Introduction

The Canada Education Savings Program (CESP) was introduced in order to encourage Canadians to save for the post-secondary education (PSE) of their children. The Canada Education Savings Grant (CESG) provides a grant of 20% on the first $2,500 of contributions to a Registered Education Savings Plan (RESP) for children up to the age of 17. This paper examines how the use of the program varies among different income groups.

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*." [1]

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 study examines how participation and program expenditures vary by income group, how the introduction of the Additional CESG (A-CESG) in 2005 affected the RESP participation of lower-income families, and examines if RESP contributions affect Registered Retirement Savings Plan (RRSP) contributions.

Specifically, this study will help to answer the following evaluation questions:

- What are RESP, Canada Learning Bond (CLB) and A-CESG take-up rates and what is the trend?
- Are more low-income families saving for PSE in RESPs?
- To what extent are A-CESG and CLB payments going to individuals who are in temporarily low-income families versus those in permanently low-income families?
- To what extent are RESP savings for PSE diverted from RRSPs?

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.

[1] 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 basic CESG, the Additional CESG (A-CESG), the Canada Learning Bond (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.[2] 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[3].

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.

[2] The CLB is non-transferable.

[3] 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 2014

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.[4]

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.

[4] 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.[5]

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.[6]

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.[7] 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[8] was below $42,708 in 2012 (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 $42,708 and $85,414 in 2012, 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).

[5] The CESG amount could reach up to $800 in a single year before 2007 and $1,000 since then.
[6] 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.
[7] A subscriber must apply for the A-CESG and the CLB in order to receive it.
[8] 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 (CCTB) indexation.[9] 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 (NCBS) 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 NCBS, 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.

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

3. Data

The analyses in this paper are based on a random sample of families living with children under 18. The sample is based on linked data from the Canada Revenue Agency (CRA) T1 and Canada Child Tax Benefit (CCTB) files, and CESP administrative data. The sample used is a 1% sample of families who are in the CCTB database between 1999 and 2012.[10] These are families living with children under 18 and who are primarily responsible for these children and registered for the CCTB, i.e. almost all families primarily responsible for children under 18.[11] The CRA T1 file contains tax records of all tax-filers.

The CESP directorate has maintained administrative data for the program since its introduction in 1998. 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.[12]

The paper only examines the behaviour of families whose children (under 18 years of age) live with them. However these represent the bulk of CESP expenses and the typical group that comes to mind when thinking about the CESP. Parents that do not live with their children, grandparents and other types of relatives with relationships to children are not identifiable in the CRA database (as potential RESP subscribers).[13]

Non-parent RESP subscribers (e.g. grandparents, uncles, etc.) only represent 5% of CESP expenses. Parents that do not live with their children are also missing from the database, as it is not possible to identify them in the CRA data; these families should represent less than 10% of CESP expenses.[14] Therefore, families living with children under 18 (the

[10] This is a sample of families in the CCTB database during the 1999-2012 period.

[11] For more details on the family definition, see the eligibility requirements for the CCTB: http://www.cra-arc.gc.ca/bnfts/cctb/menu-eng.html. In 2012, the CCTB database accounted for 99% of children in Canada (compared to Statistics Canada population estimates). However, in cases where children live with both separated parents on a more or less equal basis, CRA must be informed of the shared custody for both families to be included in the CCTB database. It is likely that some higher income families never register their children for the CCTB and therefore are not included in the database. For 2012 income, the maximum net family income threshold for CCTB receipt is $115,211 for families of one or two children, and $153,536 for families of three children (the threshold is higher for larger families). Since 2006, all families are eligible for the UCCB if they have children under 6 years old. Note that CCTB registration is now automatic in most provinces when parents register the birth of a child (through the Automated Benefits Application initiated in 2009).

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

[13] Since the sample of CCTB families is linked to CESP data using masked subscriber SINs (for both parents when applicable), the final data only include RESP subscribers who are parents living with their children.

[14] The 2009 Canadian Financial Capability Survey (CFCS) estimated that there are 10.4% of families financially responsible for children under 18 that do not live with any of these children. See ESDC (2012). As these families had a lower RESP take-up rate than average (36.4% vs. 45.9%) and similar RESP asset levels as others, one can conclude that these families should account for less than 10% of CESP expenses.

sample used in the paper) represent over 85% of CESP expenses. Throughout this paper, CESP expenditures (or costs) are defined as grants disbursed (CESG, A-CESG and CLB) net of grant repayments. The terms CESP expenditures and CESP costs are used interchangeably throughout the paper.

Note that eligibility for the A-CESG is based on family income from two years prior. For example, A-CESG eligibility in 2012 is based on family income in 2010. Eligibility for the CLB is based on NCBS eligibility. The payment year for the CLB and NCBS spans from July to June and is based on income in the preceding calendar year. Contrary to the NCBS, the CLB is only paid in one instalment per payment year, which is most often at the beginning of the payment year. The first CLB payment for a child can be received at any time in the year. However subsequent payments are processed after mid-year (the beginning of the new payment year).

There are 545,274 observations in the sample, presented in Table 2 (note that 2.8% of observations had missing income information).[15]

Table 2 – Distribution of Sample by Year

Year	Observations
1999	38,950
2000	38,999
2001	38,965
2002	38,631
2003	38,553
2004	38,914
2005	38,802
2006	39,226
2007	39,304
2008	39,095
2009	38,981
2010	38,925
2011	39,062
2012	38,867
Total	545,274

Source: 1% sample of CCTB database (families living with children).

Finally, throughout this paper family income is defined as net income (T1 line 236) minus Universal Child Care Benefit (UCCB) payments.[16] This is close to the CRA definition of adjusted net family income which is used to determine A-CESG and CLB eligibility. CRA's adjusted net income also subtracts taxable Registered Disability Savings Plan withdrawals. Net income (T1 line 236) is net of Registered Pension Plan and RRSP contributions, childcare expenses and certain other expenses.

[15] There was no income information when no T1 file was found for a CCTB family. The proportion of families with missing income information varies by year, from 2.1% in 1999 to 5.7% in 2012.
[16] UCCB payments data were not available for 2006 and 2007. The UCCB did not exist before 2006.

Note that as the paper is about families, results will differ from other papers which use children as their unit of observation.

4. Analysis

This paper examines how RESP participation and CESP expenditures vary by income, how the introduction of the A-CESG affected the RESP participation of lower-income families, and examines if RESP contributions affect Registered Retirement Savings Plan (RRSP) contributions.

As the report focuses only on RESP beneficiaries, it is important to remember that not all children have an RESP. In a previous report, in was shown that 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.[17] 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.[18] PSE savings outside RESPs is not examined in this report as the data are not available in the administrative database.

4.1 RESP take-up and program expenditures by income group

RESP take-up by families with children increased from 15.4% in 1999 to 31.0% in 2005 and reached 45.5% in 2012. RESP take-up increased by 2 percentage points from 2011 to 2012, suggesting that the increase in the RESP take-up is not over yet.

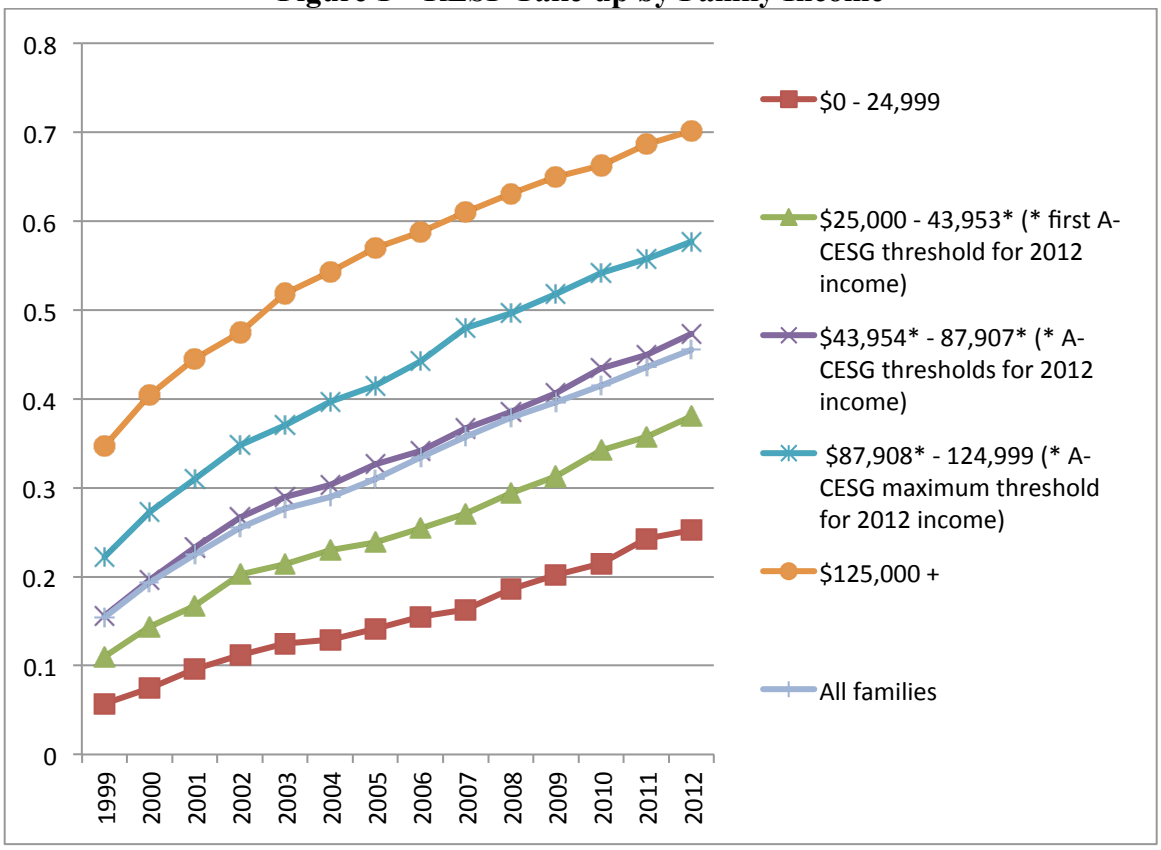
RESP take-up varies by family income, as higher income families have higher RESP take-up rates. Figure 1 presents these findings by comparing take-up rates of five family income groups. RESP take-up rates in 2012 varied from 70.1% for families with income above $125,000 to 25.2% for families with income below $25,000.

Moreover, RESP take-up rates have increased every year for each income group. For families with real income above $125,000, take-up has increased from 34.7% in 1999 to

[17] See ESDC (2013a).
[18] See ESDC (2012).

70.1% in 2012. For families with real income below $25,000, take-up has increased from 5.7% in 1999 to 25.2% in 2011. However, differences between income groups have not diminished with time, as indicated by the distance between the lines in Figure 1.

Figure 1 – RESP Take-up by Family Income



Source: 1% sample of families living with children (linked CRA-CESP database), 545,274 observations in 1999-2012.
* Annual A-CESG thresholds are used, which are also CCTB thresholds. For years before the introduction of the A-CESG, CCTB thresholds are used. The $25,000 and $125,000 thresholds are adjusted for inflation each year (real $2012).

Table 3 examines the change in RESP take-up by family income, specifically for: (i) low-income families (families with income below the lowest A-CESG threshold), (ii) middle-income families (families with income between the two A-CESG thresholds), and (iii) high-income families (families with income above the highest A-CESG threshold). The last three columns of the table indicate the change in RESP take-up during the 2000-2004, 2004-2008 and 2008-2012 periods. The latter two periods capture the effect of the introduction of the A-CESG and the CLB.

Even though the RESP take-up rate has continually increased among low-income families, the gap in take-up rates with high-income families is not narrowing, even after the introduction of the A-CESG and CLB. Middle-income families are not catching up with high-income families either since 2004. However, this does not imply that the A-CESG and CLB were not successful at increasing RESP take-up rates among low- and

middle-income families, as take-up rates would likely have been lower without these two initiatives. Unfortunately, it does not seem methodologically possible to assess the impact of these two initiatives on RESP take-up as take-up has been continuously increasing for all income groups since the inception of the CESG in 1998.[19]

Table 3 – Change in RESP Take-up by Family Income (%)

Family income	2000	2004	2008	2012	2000-04 change	2004-08 change	2008-12 change
$0 - 43,953*	10.1	16.6	23.0	30.3	6.5	6.3	7.4
$43,954* - 87,907*	15.6	30.3	38.5	47.3	14.7	8.2	8.8
$87,908* +	26.4	45.3	56.0	63.8	18.9	10.6	7.8
All families	19.3	29.0	37.9	45.5	9.7	8.9	7.6

Source: 1% sample of families living with children (linked CRA-CESP database), 545,274 observations in 1999-2012. * Annual A-CESG thresholds are used, which are also CCTB thresholds. For years before the introduction of the A-CESG, CCTB thresholds are used.

Table 4 illustrates the weight of each income group among families with children (under 18) in Canada and presents CESP expenditures associated with each income group in 2012. Families with incomes below the lowest A-CESG income threshold ($43,954 for 2012 income[20]) represent 36% of families with children and account for almost 24% of CESP expenditures. Families with incomes between the two A-CESG income thresholds ($43,954 – 87,907 for 2012 income) represent 29% of families with children and account for 25% of CESP expenditures.

Table 4 – Distribution of Families Living with Children under 18, CESP Expenditures and RESP Take-up by Family Income Group (2012)

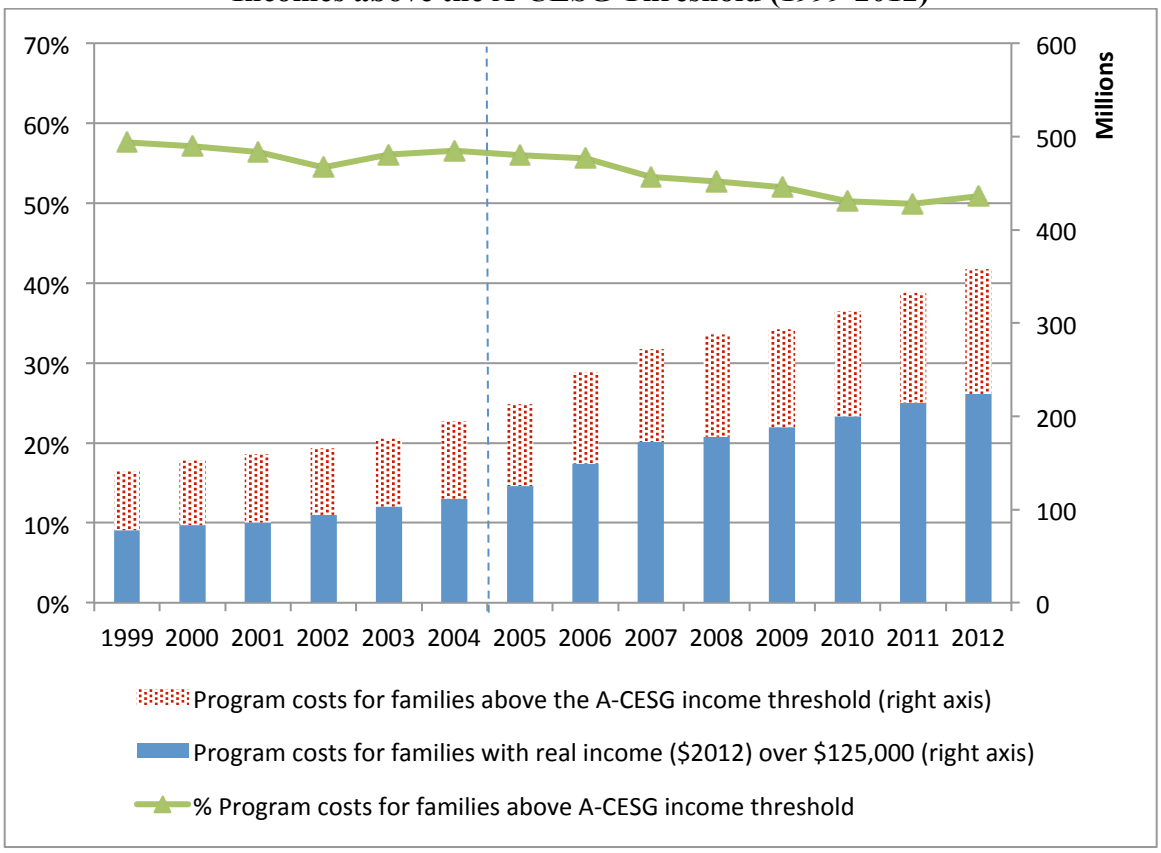
Family income	Weight (% of families with children)	% of CESP costs	Aggregate CESP costs ($millions)	CESP costs per family in Canadian population ($)	CESP costs per family with an RESP ($)	RESP Take-up (%)
$0 - 24,999	21.8	11.7	82	103	409	25.2
$25,000 - 43,953	14.3	12.1	85	162	426	38.0
$43,954 - 87,907	29.2	25.3	178	166	352	47.3
$87,908 - 124,999	17.6	19.0	134	207	357	57.7
$125,000 +	17.1	31.9	224	358	506	70.1
Total	100.0	100.0	703	192	409	45.5

Source: 1% sample of families living with children (linked CRA-CESP database), 38,867 observations in 2012. CESP costs (and %) only take into account expenditures for subscriber parents that are living with their children.

[19] The impact of the A-CESG and CLB are examined separately in Sections 4.4 and 4.5.
[20] Family income in 2012 is used to determine A-CESG eligibility in 2014.

Families with incomes above the highest A-CESG income threshold ($87,908 for 2012 income) account for about half of CESP expenditures, even though they account for only a third of families with children less than 18. Families with incomes above $125,000 account for 32% of CESP expenditures, even though they account for only 17% of families with children less than 18. In terms of dollars, this represents $224 million in grants going to families with incomes above $125,000 in 2012 (or $358 per family in this income group in the Canadian population). By comparison, CESP expenditures for families from other income groups represented between $100 and $200 per family in other income groups in the Canadian population. Even among families who own an RESP, average CESP expenditures were higher for families with incomes above $125,000 at $506 per family.[21] Families with RESPs from other income groups averaged grants of $350 to $400 per family.

Figure 2 – CESP Expenditures for Families Living with Children under 18 with Incomes above the A-CESG Threshold (1999-2012)



Source: 1% sample of families living with children (linked CRA-CESP database), 545,274 observations in 1999-2012. Annual A-CESG thresholds are used, which are also CCTB thresholds. For years before the introduction of the A-CESG, CCTB thresholds are used. CESP costs (and %) only take into account expenditures for subscriber parents that are living with their children.

Figure 2 shows that historically, families with incomes above the highest A-CESG threshold ($87,908 for 2012 income) have always accounted for more than half of CESP

[21] CESP expenditures for a family with an RESP can exceed $500 as families can have more than one child. Subscribers can also use CESG contribution room carried over from previous years.

expenditures, and reached expenditures of $358 million in 2012. Since 1998, and including after the introduction of the A-CESG and CLB in 2005, this share of expenditures has trended downwards and is now at 51% in 2012.[22] Overall, CESP expenditures have increased every year since its inception in 1998. Mirroring this, CESP expenditures for families with income above the highest A-CESG threshold have increased every year ($213 million in 2005 and climbing to $358 million in 2012). CESP expenditures for families with income above $125,000 increased from $125 million to over $224 million during the same period.[23]

4.2 A-CESG and CLB take-up

Close to 70% of families living with their children are eligible for the A-CESG (i.e. their family income is below the threshold), as shown in Table 5. However, most families do not receive it. A-CESG take-up[24] was 18.8% in 2012 even though 28.4% of eligible families made a contribution and received the basic CESG. This implies that 9-10% of eligible families made RESP contributions in 2012 but did not get the A-CESG because they were not registered for this incentive at their financial institution.[25] In other words, about one-third of families eligible for the A-CESG who received the basic CESG[26] in 2012 did not receive the A-CESG.[27]

The A-CESG take-up is higher than it was in 2006 when it was 5.4%. In 2006, 15.3%[28] of eligible families made RESP contributions and received the basic CESG but did not receive the A-CESG. This means that about 75% of A-CESG eligible families who

[22] Since the A-CESG was introduced in 2005, the weight of families above the A-CESG threshold increased from 30.4% in 2005 to 33.0% in 2011. The weight for families with income above $125,000 increased from 8.2% in 2005 to 15.6% in 2011.

[23] CESP costs in this paper only take into account expenditures for subscriber parents that are living with their children. Expenditures for other types of subscribers (e.g. grandparents) are not available in the sample. Costs accounted for in this paper represent over 85% of CESP expenditures. See Section 3 for more details.

[24] The A-CESG take-up of families with children is defined as the percentage of families with children who received the A-CESG in their RESP among all families with children that are eligible for the A-CESG. Note that this does not take into account A-CESG received in RESPs owned by other types of subscribers (e.g. grandparents) for these children. Families eligible for the A-CESG are families whose adjusted family income, defined in the data section, is below the income threshold. To reflect CESP rules, those with grant repayments since 2004 (i.e. withdrawal of contributions before PSE) are not eligible for A-CESG in the next two years.

[25] To receive the A-CESG, RESP account holders (or the primary care-giver of the child if applicable) must sign an application form including an information-sharing agreement to allow ESDC to be able to verify their eligibility for CESP income-tested incentives with CRA. Note that some financial institutions do not offer the A-CESG and/or the CLB.

[26] Families who received the basic CESG in 2012 made RESP contributions and were not affected by the 16/17 year-old rule. The 16/17 year-old rule requires minimum RESP contributions before the child reaches16 years old to qualify for the CESG at ages 16 and 17.

[27] In 2012, 30.9% of eligible families who made an RESP contribution were not registered for the A-CESG.

[28] This figure is calculated by subtracting column 3 from column 4, in Table 4 (20.7 - 5.4 = 15.3).

received the basic CESG in 2006 did not receive the A-CESG.[29] Note that it is possible that some of these children received the A-CESG in the RESP of another relative.

Table 5 – Families Eligible for A-CESG and A-CESG Take-up

	% families eligible for A-CESG	A-CESG take-up	Basic CESG take-up among A-CESG eligible	RESP take-up among A-CESG eligible	% who did not receive A-CESG among A-CESG eligible families who received basic CESG[28]
2005	71.4%	2.9%	19.4%	25.1%	85.2%
2006	70.5%	5.4%	20.7%	26.6%	73.9%
2007	69.8%	8.1%	22.2%	28.4%	63.6%
2008	68.2%	10.9%	23.3%	30.2%	53.1%
2009	69.3%	12.7%	24.2%	32.0%	47.5%
2010	67.8%	14.8%	25.4%	33.4%	41.9%
2011	68.8%	16.8%	26.7%	35.6%	37.3%
2012	69.1%	18.8%	28.4%	37.8%	33.8%

Source: 1% sample of families living with children (linked CRA-CESP database), 312,262 observations in 2005-2012.

A-CESG take-up has increased every year, rising from 2.9% in 2005 when the program was introduced to 18.8% in 2012. During the same period, RESP take-up among A-CESG eligible families also increased, rising from 25.1% to 37.8%.

About 38% of families with children under 18 are eligible for the NCBS each year, as indicated in Table 6.[30] Among these, those with children born since January 1st 2004 are eligible for the CLB. In 2012, 22.9% of all families with children were eligible for the CLB. The percentage of families eligible for the CLB will likely continue to rise as the program matures and eventually include all families eligible for the NCBS with children younger than 16 years of age. In 2012, only families with children younger than 9 years old could be eligible for the CLB.

[29] This figure (found in the last column of Table 4) was calculated as: (the number of A-CESG eligible families who received the basic CESG – the number of families who received the A-CESG) / the number of A-CESG eligible families who received the basic CESG.
[30] NCBS data were not available for years 2005 and 2006.

Table 6 – Families Eligible for CLB and CLB Take-up

	% of families with children receiving NCBS	% of families with children eligible for CLB	CLB take-up	RESP take-up among CLB eligible	% of CLB eligible families with an RESP who did not get the CLB
2007	37.1%	11.9%	13.1%	23.7%	44.9%
2008	36.3%	14.0%	17.6%	26.5%	33.8%
2009	37.3%	16.6%	18.9%	28.0%	32.6%
2010	38.1%	19.4%	21.4%	30.0%	28.9%
2011	38.2%	21.3%	23.3%	32.0%	27.0%
2012	37.6%	22.9%	25.9%	33.9%	23.5%

Source: 1% sample of families living with children (linked CRA-CESP database), 234,234 observations in 2007-2012.

The CLB take-up rate was 25.9% in 2012, even though 33.9% of eligible families had an RESP.[31] This implies that 8.0% of families eligible for the CLB did not receive it because they have not registered for this incentive at their financial institution (as in the case of the A-CESG) even though they have an RESP. In other words, 23.5% of CLB eligible families with an RESP did not get the CLB in 2012 (although it is possible that some of these children received the CLB in the RESP of another relative).

4.3 Families Temporarily vs. Permanently in Low Income

The lowest A-CESG threshold will be used as an indicator of low income in this paper[32], even though technically many of these families would not be below one of Statistics Canada's low-income measures.[33] By definition, these families are eligible for the

[31] The CLB take-up of families provided here is only an estimate and is the most precise possible using this data. It is calculated as the number of families receiving the CLB in a calendar year (Jan. to Dec.) divided by the number of families that are eligible during the CLB payment year (July to June). The payment year for CLB and the NCBS spans from July to June and is based on income in the preceding calendar year. CLB eligibility is determined using receipt of NCBS during the corresponding payment year (July to June) and the presence of children born since January 1st 2004 in the household. Note that this does not take into account CLB received in RESPs owned by other types of subscribers (e.g. grand-parents) for these children. This calculation assumes families receive their CLB payments in the last 6 months of the year, which is the case for most CLB payments but not all. The first CLB payment for a child can be received at any time of the year however subsequent payments are processed after mid-year (the beginning of the new payment year). It is implicitly assumed that there are as many CLB payments received during the January to June period from one year to the next that cancel each other out.

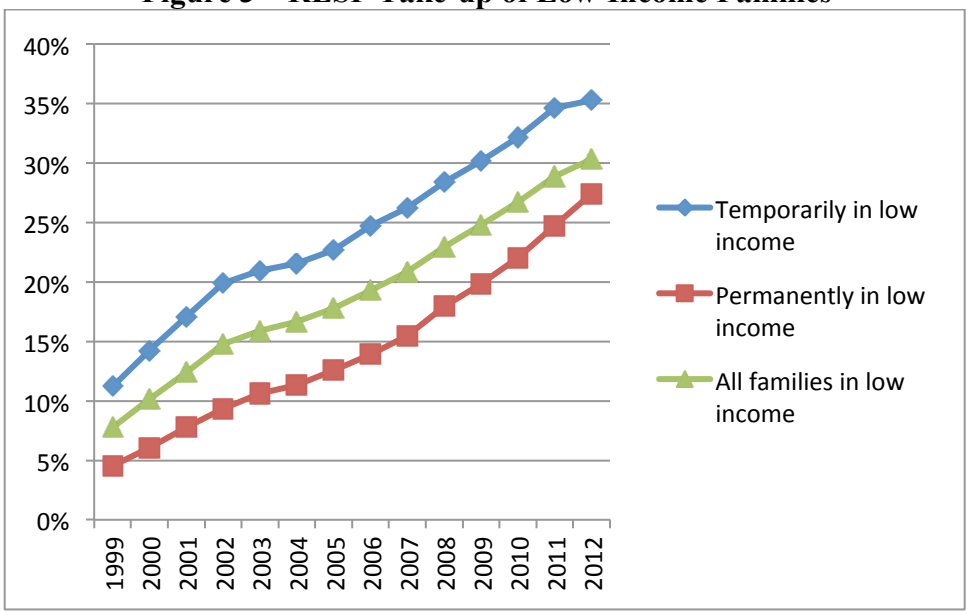
[32] For years before the introduction of the A-CESG, the CCTB base threshold will be used. The A-CESG and CCTB base thresholds are identical since the introduction of the A-CESG.

[33] There is no official measure of low income in Canada. Statistics Canada publishes many measures of low income including the Low Income Cut-offs (LICOs) and the Low income measures (LIMs). These measures are similar to the lowest income threshold for A-CESG, giving access to the highest grant level (40%). For example, for 2011 income, the lowest A-CESG threshold is $43,561 while the before-tax LIM was $45,440 for households of 4 persons and the before-tax LICO was $43,292 for households of 4 persons living in Census Metropolitan Areas (CMAs) of 500,000 people or more. However, it is important to note that the A-CESG uses a different definition of income than the LICO and LIM. Instead of using total

maximum A-CESG grant (40%) and are eligible for the CLB if they have children born since January 1st 2004.

Figure 3 presents the historical evolution of RESP take-up rates of families with children who are permanently in low income or temporarily in low income.[34] Take-up rates for both groups have increased every year since 1999, and reached 27.4% among families permanently in low income and 35.3% for families temporarily in low income in 2012. The difference between the two groups has remained quite steady throughout the years at about 8 to 10 percentage points.

Figure 3 – RESP Take-up of Low-Income Families



Source: 1% sample of families living with children (linked CRA-CESP database), 545,274 observations in 1999-2012.

Table 7 shows how families with RESPs from these groups differ in terms of contributions made and grants received in 2012. Families with RESPs who were permanently in low income had a higher contribution rate but made smaller contributions on average. Correspondingly, they received a lower amount of the basic CESG but they received more grants overall, as they were more likely to receive the CLB than families with RESPs who were temporarily in low income. Families with RESPs who were permanently in low income were more likely to have younger children born since 2004 and to have also been in low income in previous years (children's year of birth and family income in previous years determines CLB eligibility in 2012). Cumulative lifetime

---

family income, eligibility for A-CESG is determined by using adjusted net family income. Moreover, the A-CESG income threshold does not vary with family size. Thus, the A-CESG income threshold is most often higher than cited measures of low income.

[34] Permanently is defined as always below the threshold in the database, while temporarily is defined as those who are below the threshold in some years but not all. Each group represents about half of low income families each year.

contributions were almost twice as high for those temporarily in low income, as they had years of higher income in the past where it was easier to contribute to their RESP.

Table 7 – Contributions and Grants of Families with an RESP who were in Low Income in 2012

	% RESP holders that contributed	Avg. contribution	Avg. basic CESG	Avg. A-CESG	Avg. CLB	Avg. CESP grant	Cumulative contributions
Permanent low income	72.6%	1,211	230	63	189	449	6,025
Temporary low income	67.2%	1,316	254	49	109	374	10,885
All (low income)	70.3%	1,256	240	57	154	417	8,130

Source: 1% sample of families living with children (linked CRA-CESP database), 545,274 observations in 1999-2012.

4.4 Effect of the A-CESG

This section examines the effect of the A-CESG on RESP take-up and on annual contributions. As described in Section 2, the A-CESG offers an additional 10% or 20% grant on the first $500 in contributions for children from low- and middle-income families. Therefore, the A-CESG can amount to an extra $50 for children from middle-income families and $100 for children from low-income families per year.

In a previous paper, ESDC (2013b) showed that annual contributions increased by $233 following the introduction of the A-CESG, among beneficiaries that were registered and regularly eligible for the A-CESG and had an RESP opened before this measure was put in place.[35] The paper used a difference-in-difference technique to compare this group to beneficiaries that were never registered and/or never eligible for the A-CESG. The paper also showed that this group of A-CESG recipients received contributions more regularly to their RESP, and their probability of receiving contributions in a given year increased by 12.2 percentage points following the introduction of the A-CESG.

To go one step further, this paper examines the effect of the A-CESG on contributions among all A-CESG eligible families, instead of only among beneficiaries who registered for the A-CESG and had an RESP opened before the A-CESG was put in place.[36] Results are not as conclusive in the current paper.

To begin the analysis, Table 8 presents the historical evolution of RESP contributions, for three groups of families: families with income below the lowest A-CESG threshold,

[35] Note that an indicator for A-CESG eligibility was available for beneficiaries registered for the A-CESG in the data used for ESDC (2013b).

[36] It was not possible to examine the effect of the A-CESG on the frequency of contributions in this paper because of the sample used. The sample did not include information on A-CESG registration in years families did not contribute to their RESP.

families with income between both A-CESG thresholds and families with income above the highest A-CESG threshold. RESP contributions in the table are adjusted for inflation and are presented in 2012 dollars. The A-CESG thresholds were $42,707 and $85,414 for 2012 RESP contributions.

The table shows that contributions increased only up to 2005 for the low-income group (by modest amounts), before going on a downward trend. In 2012, average contributions were $200 lower than they were in 2004 (before the A-CESG was put in place). For middle-income families, contributions have not increased significantly since 2004, having an uneven path until 2009 before going on a downward trend. In 2012, contributions were $45 lower than they were in 2004. Even high-income families saw a slight decrease in contributions from 2004 to 2012. Note that in 2007, annual CESG contribution room was increased from $2,000 to $2,500. The table shows a momentary increase in contributions following this change in policy among middle and high-income families. Overall, results in Table 8 suggest that the A-CESG did not increase RESP contributions.

Table 8 – Average RESP Contributions ($2012) by Family Income Group (For those with RESP contributions>0)

Family income in year t-2	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
$0 - 42,707*	1,916	1,973	1,994	2,005	1,974	1,935	1,836	1,881	1,861	1,771
$42,708* - 85,414*	1,965	2,025	2,027	2,001	2,044	1,979	2,035	1,996	1,954	1,980
$85,415* +	3,014	3,045	2,935	2,911	3,026	2,959	3,082	3,020	2,906	2,935
All families	2,418	2,448	2,420	2,416	2,475	2,419	2,461	2,441	2,360	2,348

Source: 1% sample of families living with children (linked CRA-CESP database), 389,729 observations in 2003-2012. * Annual A-CESG thresholds are used, which are also CCTB thresholds. For years before the A-CESG, CCTB thresholds are used. A-CESG eligibility is based on income in year t–2.

Table 9 compares families who contributed to their RESP and received the A-CESG to A-CESG eligible families who contributed to their RESP but did not receive the A-CESG (among families contributing to their RESP, the proportion of A-CESG eligible families who received the A-CESG increased from 14.6% in 2005 to 65.5% in 2012).[37] All else being equal, one would expect higher RESP contribution amounts from families receiving the A-CESG given the higher grant rate they get (compared to A-CESG eligible families who contributed to their RESP but did not receive the A-CESG). If this does in fact happen, this would suggest that the higher grant rate leads to higher contribution amounts.

Overall, from 2005 to 2008, families who received the A-CESG had higher contributions than A-CESG eligible families who did not receive the A-CESG, but they had lower

[37] Proportions and other figures in Table 8 exclude families with grant repayments since 2004 (.i.e. withdrawal of contributions before PSE), as these families are then disqualified for the A-CESG during the next two years.

contributions in 2009, 2011 and 2012.[38] For most years, the difference between the averages of the two groups is less than $100.[39]

The patterns are similar for those eligible for the 20% A-CESG and those eligible for the 10% A-CESG. However, among A-CESG eligible families who contributed to their RESP in 2012, a higher percentage received the A-CESG among those eligible for the 20% A-CESG than among those eligible for the 10% A-CESG (71.9% vs. 60.6%). This was also the case in previous years even though the proportion receiving the A-CESG has increased every year for both groups. As discussed in Section 4.1, some families do not receive the A-CESG because they did not complete the registration form at their financial institution for the A-CESG.

Table 9 – RESP Contributions of Families Eligible for A-CESG and Contributing in a Given Year

	Eligible for 20% A-CESG			Eligible for 10% A-CESG			Eligible for A-CESG (10% or 20%)		
	Average contribution		% Received A-CESG	Average contribution		% Received A-CESG	Average contribution		% Received A-CESG
	Received A-CESG	Did not receive A-CESG		Received A-CESG	Did not receive A-CESG		Received A-CESG	Did not receive A-CESG	
2005	1,951	1,716	18.0%	1,717	1,796	12.4%	1,828	1,766	14.6%
2006	1,918	1,760	30.4%	1,758	1,807	22.4%	1,834	1,789	25.7%
2007	1,855	1,787	42.5%	1,863	1,888	31.5%	1,859	1,851	36.0%
2008	1,878	1,753	53.9%	1,898	1,837	41.0%	1,888	1,807	46.4%
2009	1,774	1,676	59.6%	1,881	1,923	46.7%	1,830	1,837	52.0%
2010	1,844	1,732	65.0%	1,943	1,886	52.3%	1,896	1,832	57.7%
2011	1,834	1,867	69.1%	1,915	1,947	56.7%	1,876	1,919	62.1%
2012	1,776	1,794	71.9%	1,937	2,074	60.6%	1,860	1,975	65.5%
Avg.	1,832	1,757	53.7%	1,896	1,882	41.6%	1,865	1,837	46.7%

Note that each year, over 99% of these families received the CESG. The remainder was most likely disqualified because they did not have enough contributions before their child turned 16 years old.
Source: 1% sample of families living with children (linked CRA-CESP database), 49,507 observations with contributions and eligible for A-CESG.

Next, in Table 10, families with income levels just below each A-CESG income threshold are compared to those with income just above the threshold. The top part of the table examines families near the lowest threshold[40], while the bottom part of the table

[38] One possible explanation is the following. It is possible that in the first years of the A-CESG, those who registered for the A-CESG were more likely to be RESP participants that made the effort to go back to their financial institution to sign the form to register for the A-CESG rather than new beneficiaries who registered when they opened their RESP. This first group is likely more financially informed. In later years, A-CESG participants are more likely participants that registered when they opened their RESP.
[39] As the A-CESG is only paid on the first $500 in annual RESP contributions for each beneficiary, lower levels of contributions were also compared. About 19% of families in each group made contributions of $500 or less in 2012, among which the average contribution was $290 for both groups. Figures were similar for previous years. Therefore, there was no difference in contributions either, when lower amounts of contributions were examined.

Table 10 – RESP Take-up and Average Contributions of those with Contributions in Year (2005-2012)

Lowest A-CESG threshold									
With family income …	within $500 of lowest A-CESG grant limit			within $1,000 of lowest A-CESG grant limit			within $2,000 of lowest A-CESG grant limit		
	Below limit	Above limit	Diff.	Below limit	Above limit	Diff.	Below limit	Above limit	Diff.
RESP take-up (%)	32.3	34.2	-0.9	33.2	34.0	-0.8	32.8	33.7	-0.9
Contributions of those with RESPs ($)	1,716	1,701	-15	1,874	1,766	+108	1,827	1,773	+54
Contributions of those registered for A-CESG ($)	1,771	1,795	-24	1,924	1,962	-38	1,846	1,847	-1
Contributions of those not registered for A-CESG ($)	1,664	1,615	+49	1,822	1,563	+259	1,808	1,703	+105
Highest A-CESG threshold									
With family income …	within $500 of highest A-CESG grant limit			within $1,000 of highest A-CESG grant limit			within $2,000 of highest A-CESG grant limit		
	Below limit	Above limit	Diff.	Below limit	Above limit	Diff.	Below limit	Above limit	Diff.
RESP take-up (%)	45.2	47.8	-2.6	45.1	46.5	-1.4	45.9	45.8	+0.1
Contributions of those with RESPs ($)	1,812	2,040	-228	1,844	1,959	-115	1,940	1,969	+29
Contributions of those registered for A-CESG ($)	1,828	2,524	-696	1,691	2,244	-553	1,923	2,107	-184
Contributions of those not registered for A-CESG ($)	1,800	1,690	+110	1,943	1,775	+168	1,951	1,885	+66

Source: 1% sample of families living with children (linked CRA-CESP database), 18,342 observations with income within $2,000 of A-CESG thresholds.

examines families near the highest threshold. Again, one would expect families with incomes just below a threshold would have higher contributions given the higher grant

[40] Families with income below the lowest A-CESG threshold are also eligible for the CLB if they have children born since 2004 and they registered for this incentive. Some families can still receive the CLB if they have income above the lowest A-CESG threshold, as both incentives are not based on the same income year and the CLB threshold varies with family size. Given this, some of the results on the effect of the A-CESG in this section could be affected by the CLB. However, the CLB should not affect contribution amounts as the CLB does not vary with the amount of contributions.

rate they get (e.g. 20% A-CESG vs. 10% A-CESG).[41] However, given the small dollar amounts involved (i.e. maximum of $100 extra vs. maximum of $50 extra per year per child), that the grant is only paid on the first $500 in contributions per child, and that people do not all know whether or not they are even eligible for the extra grant at the time of deciding on contributing to an RESP, it is not expected that there would be a significant impact on RESP contribution amounts. The impact of the A-CESG might be limited to RESP take-up.

Families with income just below the lowest A-CESG threshold (within $1,000 of the threshold) had a slightly lower RESP take-up rate than those with income just above the threshold (33.2% vs. 34.0%). Among those with contributions in a given year, families just below the lowest threshold had higher contributions ($1,874 vs. $1,766).[42] This was not the case among families that were registered for the A-CESG ($1,924 vs. $1,962) but was the case among families that were not ($1,822 vs. 1,563).[43]

Overall, findings are not robust and do not support the fact that higher grant rates on the first $500 in contributions lead to higher contributions on average or higher RESP take-up, for families with income near the lowest A-CESG threshold. Findings are not robust either for families with income near the highest A-CESG threshold (see bottom part of Table 10).

To go one step further, Tables 11 and 12 examine families near the A-CESG thresholds using regression analyses. With the help of a regression discontinuity design (RDD), families with incomes just below the A-CESG income threshold are compared to families just above the threshold. RDDs are widely used in program evaluation to assess the effect of a program.[44]

Table 11 examines families near the lowest A-CESG threshold. Families below the threshold can receive the 20% A-CESG on their first $500 in annual contributions, while those above the threshold can only receive the 10% A-CESG. The regressions examine the effect of this higher grant on: 1) the RESP take-up rate among the whole sample; and then 2) the amount of contributions among those who have an RESP, have contributed to their RESP in the year and are registered for the A-CESG. Three samples are examined in turn: families with income within $1,000 of the income threshold, families within $500, and families within $2,000 of the income threshold. None of the results are

[41] Even though the incomes of the two groups are fairly similar, those with incomes above the threshold have slightly more disposable income to contribute to their RESP.
[42] This was not the case for those with incomes within $500 of the lowest A-CESG threshold.
[43] Families registered for the A-CESG are defined as families for whom the grant match rate was determined after CRA income verification (20%, 30% or 40% grant). Only families registered for the A-CESG can have their grant match rate determined by CRA income verification, as these families have given their consent for this. Families not registered for the A-CESG have not given this consent, and therefore automatically receive the default 20% grant rate.
[44] The RDD methodology is widely used in program evaluation. It uses eligibility rules of a program to compare a treatment group to a similar group that was not eligible for the program. By comparing individuals just above the cut off to individuals just below the cut off, the only difference between the two groups that remains is their eligibility for the program.

statistically significant. Coefficients measuring the effect of the higher grant match rate are sometimes positive, sometimes negative, with no clear pattern. [45]

Table 11 – Effect of receiving a 20% A-CESG instead of a 10% A-CESG on first $500 in RESP Contributions (2005-2012)

With family income …	within $1,000 of lowest A-CESG grant limit		within $500 of lowest A-CESG grant limit		within $2,000 of lowest A-CESG grant limit	
	Specification (1)	Specification (2)	(1)	(2)	(1)	(2)
RESP take-up (%)	-0.008 (0.013)	-0.006 (0.013)	-0.010 (0.019)	-0.010 (0.019)	-0.009 (0.009)	-0.010 (0.009)
Obs.	5,061	4,981	2,497	2,461	10,223	10,084
Contributions ($)	-10 (150)	9 (148)	-19 (177)	-149 (179)	-12 (96)	15 (92)
Obs.	670	663	314	312	1,309	1,300

*, **, *** indicate statistically significant at the 1%, 5% and 10% levels respectively. Robust standard errors are indicated in brackets. Specification 1 does not include any other variables. Specification 2 includes other variables listed in Appendix A.
Source: 1% sample of families living with children (linked CRA-CESP database), 10,223 observations with income within $2,000 of lowest A-CESG threshold in 2005-2012.

In Table 12, families near the highest A-CESG threshold are examined. Families below the threshold can receive a 10% A-CESG on their first $500 in annual contributions, while those above the threshold can only receive the basic CESG. Again, the regressions examine the effect of this higher grant on: 1) the RESP take-up rate among the whole sample; and then 2) the amount of contributions among those that have an RESP, have contributed to their RESP in the year and are registered for the A-CESG. The regressions also examine three samples in turn: families with income within $1,000 of the income threshold, families within $500, and families within $2,000 of the income threshold. Results are not robust. Coefficients measuring the effect of the higher grant match rate were almost always negative and were not statistically significant. Results could be driven by the small income differences between the groups, rather than by the higher grant rate. Estimates were positive but also not statistically significant for families not registered for the A-CESG (i.e. not getting the A-CESG) – these results are presented in Appendix A. [46]

Again, with these regression results it is not possible to conclude that the A-CESG has an effect for families with income close to the two A-CESG income thresholds. Overall, the preceding analysis in this sub-section could not uncover any evidence of the A-CESG increasing RESP take-up or RESP contributions. There are many different reasons that could explain this.

[45] For robustness, a sample of families not registered for the A-CESG (not getting the A-CESG) with income within $1,000 of the lowest A-CESG threshold is examined in Appendix A, with similar results. More details on regressions can be found in Appendix A.
[46] For robustness, a sample of families not registered for the A-CESG (i.e. not getting the A-CESG) with income within $1,000 of the highest A-CESG threshold is examined in Appendix A, with similar results. More details on the regressions can be found in Appendix A.

Even though many families are informed about the CESP, it is not clear that people know which income year is used to determine A-CESG eligibility and what the precise income thresholds are.[47] Thus, it is unsurprising not to find a significant effect on contributions by comparing families just below and above the A-CESG income thresholds.

Table 12 – Effect of receiving a 10% A-CESG instead of no A-CESG on first $500 in Annual RESP Contributions (2005-2012)

With family income …	within $1,000 of highest A-CESG grant limit		within $500 of highest A-CESG grant limit		within $2,000 of highest A-CESG grant limit	
	Specification (1)	Specification (2)	(1)	(2)	(1)	(2)
RESP take-up (%)	-0.015 (0.016)	-0.006 (0.016)	-0.027 (0.022)	-0.021 (0.022)	0.001 (0.011)	0.007 (0.011)
Obs.	4,037	3,993	2,033	2,013	8,119	8,023
Contributions ($)	-511 (182)	-444 (165)	-679 (300)	-427 (249)	-155 (124)	-118 (116)
Obs.	570	569	300	300	1,146	1,141

*, **, *** indicate statistically significant at the 1%, 5% and 10% levels respectively. Robust standard errors are indicated in brackets. Specification 1 does not include any other variables. Specification 2 includes other variables listed in Appendix A.
Source: 1% sample of families living with children (linked CRA-CESP database), 8,119 observations with income within $2,000 of highest A-CESG threshold in 2005-2012.

This section also compared people who receive the A-CESG and eligible people who contribute to their RESP but do not receive it. It is not clear if people really know that they do not receive the A-CESG if they are eligible, which is one of the assumptions for comparing the two groups. If people do not know, one should not expect to find an effect by comparing the two groups. Anecdotal evidence supports the fact that some eligible people do not know that they do not receive the A-CESG, but it is difficult to assess. The other supporting evidence is that some people are not claiming free money (A-CESG on contributions they made), which seems to indicate that they do not know that they do not receive it (even if the amount involved is very small).

Finally, results from a previous paper (ESDC, 2013b) indicated an increase in contributions for those who had an RESP before the A-CESG was put in place and made the effort to register for this incentive at their financial institution afterwards. However, these people might not be representative of the whole population of RESP participants. As indicated in ESDC (2014), only 14.6% of beneficiaries with RESPs opened before 2005 and who received the basic CESG in 2011 also received the A-CESG. Among those who had RESPs opened afterwards the proportion was 41.1%. Therefore, most people who opened an RESP before the A-CESG was put in place did not make the effort to go back to their financial institution to sign a form to register for the A-CESG. The

[47] As A-CESG eligibility is based on income two years ago (e.g. eligibility in 2012 is based on 2010 income), parents would also need to remember their income two years ago.

ones who did go back are likely more informed, perhaps more financially inclined than the typical RESP participant. In any case, they are probably not representative of the population of RESP participants. Therefore, the positive results in ESDC (2013b) are probably only valid for this specific group of RESP participants (those who had an RESP opened before the A-CESG was put in place and made the effort to go back to the bank to register for this new incentive).

After examining the historical evolution of RESP contributions among low-, middle- and high-income families, the paper compared eligible families who receive the grant to eligible families who contribute to their RESP but do not receive the grant. It compared families with income just above and just below the two A-CESG income thresholds, using descriptive statistics and regression analyses. Overall, findings were not robust and were not able to show that the A-CESG increases RESP take-up and contributions.

4.5 Effect of the CLB

This section examines the effect of the CLB on RESP take-up and on RESP contributions. As only children born since January 1st 2004 are eligible for the CLB, the analysis compares families with children born just before the threshold (not eligible for the CLB) to families with children born just after the threshold (eligible for the CLB) to examine the effect of the CLB on RESP take-up. Only families eligible for the NCBS will be used for the comparison as these are the families who would be eligible for the CLB.[48]

Families with a child born within 6 months of January 1st, 2004 are used as the sample for the main results.[49] However, two smaller samples are also used to ensure the results are robust (families with a child born within 4 months of January 1st 2004 and families with a child born within 2 months of January 1st 2004). The analysis begins by examining RESP take-up among each group and then uses a Regression Discontinuity Design (RDD) around the date of birth of the child to examine the effect of the CLB.

Table 13 shows that NCBS families with a child born just after January 1st 2004 had higher RESP take-up rates than those with a child born just before January 1st. In the main sample, the difference was 6.9 percentage points (35.3% vs. 28.4%). In the two smaller samples, the difference was similar.

In Table 14, the analysis goes one step further and uses an RDD. Results were statistically significant and confirmed the findings above. The main estimate shows that by 2012, the CLB had increased the RESP take-up of eligible families with a child between 8 and 9 years old by 8.3 percentage points. The 95% confidence interval shows that there is a 95% chance that this effect is between 3.5 and 13.1 percentage points. Results using the smaller samples also confirmed this effect.

[48] Section 2 discussed eligibility criteria for the CLB.
[49] Families with more than one child born within 6 months of January 1st 2004 are not used as some have children born before and after January 1st.

Table 13 – RESP Take-up Rates of Families Receiving the NCBS with a Child Born Within 6 Months of Jan 1st 2004

RESP take-up rate (%)	Born within 6 months of January 1, 2004	Born within 4 months	Born within 2 months
If born just after Jan 2004	35.3	36.9	37.6
If born just before Jan 2004	28.4	29.0	29.6
Difference	6.9	7.9	8.0
Sample size	1,382	930	432

Source: 1% sample of families living with children (linked CRA-CESP database), 1,382 observations in 2012 with only one child (who was born within 6 months of Jan 1st 2004 and receiving the NCBS).

At the bottom of Table 14, the effects of the CLB on annual contributions and on cumulative contributions in 2012 are examined for these same families. Results were not statistically significant, therefore we could not determine if the effect of the CLB on annual contributions and cumulative contributions was positive, negative or null.[50]

Table 14 – Effect of the CLB on RESP Take-up and Contributions in 2012 (Among Families with a Child between 8 and 9 Years Old)

Sample width	Born within 6 months of January 1, 2004			Born within 4 months	Born within 2 months
	effect	95% confidence interval	Sample mean of those born in 2003	effect	effect
RESP take-up	0.083* (0.025)	0.035 to 0.131	28.4	0.108* (0.030)	0.122* (0.045)
Annual contributions	307 (615)	-902 to 1,516	1,485	322 (649)	938 (857)
Cumulative contributions	1,095 (3,631)	-6,042 to 8,232	9,990	2,827 (4,014)	2,198 (6,571)
Sample size	1,336		742	901	416

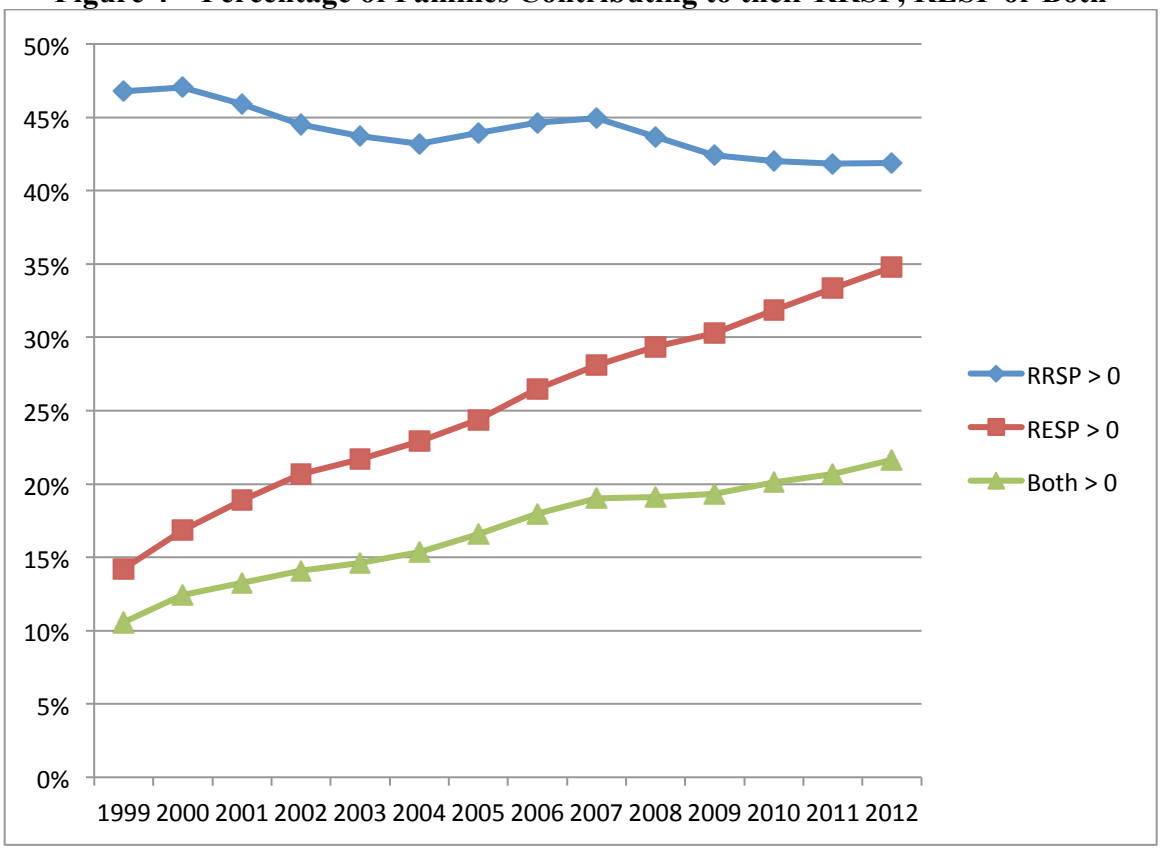
*, **, *** indicate statistically significant at the 1%, 5% and 10% levels respectively. Robust standard errors are indicated in brackets.
Source: 1% sample of families living with children (linked CRA-CESP database), 1,382 observations in 2012 with one child born within 6 months of Jan 1st 2004 and receiving the NCBS.

[50] More details on the regressions can be found in Appendix A.

4.6 RESP and RRSP Contributions

Families face competing priorities when choosing reasons to save for, including choosing between saving for retirement, the PSE of their children or both. One of the ways to examine this issue is to look at families' contributions to RRSPs and RESPs.

Figure 4 – Percentage of Families Contributing to their RRSP, RESP or Both



Source: 1% sample of families living with children (linked CRA-CESP database), 545,274 observations in 1999-2012.

Figure 4 presents the percentage of families with children who contributed to their RRSP, their RESP and to both in the indicated year. Historically, the proportion of families contributing to their RRSP has decreased from 46.8% in 1999 to 41.9% in 2012.[51] During that time, the proportion contributing to their RESP increased from 14.2% in 1999 to 34.8% in 2012. The proportion of families contributing to both their RRSP and their RESP also increased, from 10.6% in 1999 to 21.6% in 2012. By examining the distance between the lines, one can see the majority of those who contribute to their

[51] The RRSP contribution rates reported above are per family and not per individual tax filer as usually reported. For example, Statistics Canada reports that in 2012, 23.7% of individual tax filers contributed to their RRSP (The Daily, Statistics Canada, http://www.statcan.gc.ca/daily-quotidien/140325/dq140325b-eng.htm). By comparison, in the sample used for this paper, 32.8% of individual tax filers contributed to their RRSP in 2012. One would expect these two figures to be different given that some groups of tax filers are less likely to contribute to an RRSP (e.g. seniors and/or students) than parents with children.

RESP also contribute to their RRSP. However, only since 2012 are half of those who contribute to their RRSP also contributing to an RESP.

Table 15 examines RRSP and RESP contributions in 2012 for each income group. The proportion of families contributing to their RRSP, to their RESP and to both, increases with income. In addition, amounts contributed also increase with income. For each income group, families that contribute to both have higher average RRSP and RESP contributions than families who only contribute to one of these vehicles. This suggests that saving is a higher priority for families who contribute to both.

Table 15 – RRSP and RESP Contributions by Income Group in 2012

Family income	% made RRSP deposit	RRSP deposit if > 0 ($)	% made RESP deposit	RESP deposit if > 0 ($)	% made both	RRSP deposit if both > 0 ($)	RESP deposit if both > 0 ($)
$0 - 24,999	5.0	2,105	16.8	1,748	1.8	2,197	1,871
$25,000 - 43,953	23.4	3,466	28.1	1,824	9.2	4,333	1,835
$43,954 - 87,907	46.0	4,204	36.4	1,951	20.9	4,800	2,023
$87,908 - 124,999	63.9	6,174	46.1	2,227	34.3	6,706	2,277
$125,000 +	74.7	12,491	56.1	3,387	45.5	12,999	3,480
Total	41.9	7,142	34.8	2,348	21.6	8,198	2,602

Source: 1% sample of families living with children (linked CRA-CESP database), 38,867 observations in 2012.

Next, Table 16 examines if families change their RRSP contributions in the year they open their RESP. More families increase, rather than decrease, their RRSP contributions in the year they open an RESP (34.5% vs. 25.7%). The average change in RRSP contributions in the year a family opens an RESP is an increase of $495, which is higher than the typical change in RRSP contributions in a year ($86).

After examining RRSP and RESP contributions, results in this section do not suggest that families decreased their RRSP contributions in order to make RESP contributions.

Table 16 – Change in RRSP Contributions following opening of RESP

	Change in RRSP contribution in year opened an RESP				Change in RRSP contribution (all)			
	% with increase	% with no change	% with decrease	Average change ($)	% with increase	% with no change	% with decrease	Average change ($)
2000	41.1	28.2	30.7	900	27.6	49.9	22.5	201
2001	35.9	34.8	29.3	196	25.5	50.6	23.9	-60
2002	35.4	34.1	30.5	132	23.3	52.7	24.0	-163
2003	37.1	38.0	24.8	759	24.6	53.9	21.4	134
2004	37.0	35.8	27.3	728	24.6	54.7	20.7	125
2005	38.1	39.6	22.3	756	25.0	55.2	19.8	191
2006	34.9	42.3	22.8	686	25.6	54.7	19.6	216
2007	34.2	40.5	25.3	129	25.5	53.5	21.0	158
2008	30.4	45.3	24.3	60	23.7	54.1	22.2	-58
2009	30.4	43.0	26.6	818	21.8	56.0	22.2	24
2010	31.3	45.0	23.8	557	22.9	57.8	19.3	118
2011	28.6	49.4	22.0	121	22.1	57.7	20.2	70
2012	32.0	46.3	21.7	719	23.8	57.1	19.1	174
Total	34.5	39.8	25.7	495	24.3	54.5	21.2	86

Source: 1% sample of families living with children (linked CRA-CESP database), 545,274 observations in 1999-2012.

5. Conclusions

This paper used linked CRA and CESP administrative data to provide an overview of how CESP participation and program expenditures vary by income group. 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 subjects listed below.

RESP Take-up and CESP program expenditures by income group

Almost half of families with children had an RESP in 2012. The continued upward trajectory in overall RESP take-up rates suggests that take-up will continue to increase in the near future.

RESP take-up in 2012 varied significantly by family income, registering 70.1% for families with income above $125,000, but more than twice as low (25.2%) for families with income below $25,000. Despite this wide difference, RESP take-up rates have increased every year for all income groups. However, even though the RESP take-up rate has continually increased among low-income families, the gap in take-up rates has not narrowed with RESP take-up rates among middle- and high-income families, even after the introduction of the A-CESG and the CLB in 2005. That being said, it is clear that the efforts of the CESP since 1998 continue to have a sustained impact on leading increasingly more low- and middle-income families to save for PSE using RESPs.

This paper examined the distribution of CESP expenditures among families where the parent(s) live with their children (which account for about 85% of CESP expenditures). With their higher RESP take-up rate and contributions, families with incomes above the highest A-CESG income threshold ($87,908 in 2012) accounted for about half of all CESP expenditures (among the 85% of CESP expenditures considered), while families with incomes above $125,000 accounted for 32%. In dollar terms, this represented $224 million in grants going to families with incomes above $125,000 in 2012.

A-CESG and CLB take-up

A-CESG take-up among all families in Canada eligible for the A-CESG was 18.8% in 2012 even though 28.4% of all A-CESG eligible families made an RESP contribution and received the basic CESG in 2012 (i.e. 9.6% were not registered for this incentive at their financial institution). However, it is possible that some of these children received the A-CESG in the RESP of another relative.

CLB take-up among all families in Canada eligible for the CLB was 25.9% in 2012 even though 33.9% of these families had an RESP (i.e. 8% were not registered for this incentive at their financial institution). Again, it is possible that some of these children received the CLB in the RESP of another relative.

Families temporarily vs. permanently in low income

RESP take-up rates reached 27.4% among families permanently in low income and 35.3% for families temporarily in low income in 2012, increasing every year since 1999. The difference between the two groups has remained quite steady throughout the years at about 8 to 10 percentage points.

In 2012, families permanently in low income were more likely to make an RESP contribution, if they had an RESP, but made smaller contributions on average. Correspondingly, they received a lower amount of the basic CESG but they received more grants overall as they were more likely to be registered for the CLB and receive it than families who were temporarily in low income.

The effect of the A-CESG

This study examined the evidence regarding the effect of the A-CESG on RESP take-up and on the level of RESP contributions. However, the analysis failed to uncover a significant effect. After examining the historical evolution of RESP contributions among low-, middle- and high-income families, the paper compared eligible families who receive the grant to eligible families who contribute to their RESP but do not receive the grant. It compared families with income just above and just below the two A-CESG income thresholds, using descriptive statistics and regression analyses. Overall, findings were not robust and were not able to show that the A-CESG increases RESP take-up and contributions.

The effect of the CLB

As only children born since January 1st 2004 are eligible for the CLB, the analysis compared families with children born just before the threshold (not eligible for the CLB) to families with children born just after the threshold (eligible for the CLB) to examine the effect of the CLB using a regression discontinuity design. Results showed that by 2012, the CLB had increased the RESP take-up of eligible families with a child between 8 and 9 years old by 8.3 percentage points. However, the analysis failed to uncover a significant effect on annual contributions or on cumulative contributions.

RESP and RRSP contributions

There is no evidence to suggest that families decreased their RRSP contributions in order to make RESP contributions.

6. Bibliography

Angrist, J. D. and J.-S. Pischke (2009), "Chap.8: Nonstandard Errors Issues", In "Mostly Harmless Econometrics", Princeton University Press.

ESDC (2014), "Canada Education Savings Program and Family Savings".

ESDC (2003), "Formative Evaluation of the Canada Education Savings Grant".

ESDC (2009), "Formative Evaluation of the Additional Canada Education Savings Grant and Canada Learning Bond", http://www.esdc.gc.ca/eng/publications/evaluations/learning/2009/november.shtml

ESDC (2012), "Saving for PSE: Findings from the Canadian Financial Capability Survey".

ESDC (2013a), "Registered Education Saving Plans: Participants, Take-up and Trend".

ESDC (2013b), "Registered Education Saving Plans: Saving Habits".

King, A.J.C. and al. (2009), "Who doesn't Go to PSE", Report for Colleges Ontario, Queen's University.

Lee, D. S. and T. Lemieux (2010), "Regression Discontinuity Designs in Economics", Journal of Economic Literature, vol. 48, June, p.281-355.

Shaienks, D. and T. Gluszynski (2009), "Education and Labour Market Transitions in Young Adulthood", Statistics Canada.

Appendix A

Table A1 – Regression Results for Families within $1000 of the A-CESG Income Thresholds (2005-2012)

	Within $1,000 of lowest threshold			Within $1,000 of highest threshold		
	Main results (40% vs. 30% grant)		Among those not registered for A-CESG (20% grant)	Main results (30% vs. 20% grant)		Among those not registered for A-CESG (20% grant)
Dependent variable	RESP take-up (%)	Contributions ($)	Contributions ($)	RESP take-up (%)	Contributions ($)	Contributions ($)
Higher grant level	-0.006 (0.013)	9 (148)	171 (127)	-0.006 (0.016)	-444* (165)	179 (115)
Family income ($1000)	0.001* (0.0003)	4.3 (3.2)	1.1 (2.7)	0.0002** (0.0001)	8.2** (3.2)	8.9* (3.4)
Children born before 2004	-0.006 (0.008)	529* (181)	260* (93)	0.004 (0.011)	442* (123)	467* (130)
Children born since 2004	0.021*** (0.012)	203 (156)	-10 (140)	0.070* (0.015)	306 (199)	392* (137)
Age:						
Less than 30	(reference)	(reference)	(reference)	(reference)	(reference)	(reference)
30-39	0.111* (0.021)	443* (151)	455** (188)	0.117* (0.031)	466* (160)	816* (197)
40-49	0.106* (0.023)	1062* (269)	579* (205)	0.109* (0.033)	1,251* (388)	1136* (232)
50-59	0.163* (0.034)	1234** (481)	591** (295)	0.175* (0.044)	1,494* (486)	1484* (306)
60+	-0.136* (0.051)	missing	-80 (388)	-0.037 (0.204)	missing	missing
Single parent	-0.123* (0.015)	-180 (240)	-167 (152)	-0.144* (0.026)	324 (398)	98 (271)
# Years RESP open	---	-44 (27)	-16 (24)	---	-34 (26)	-87* (19)
Constant	0.146* (0.037)	-166 (541)	681** (326)	0.354* (0.051)	-374 (542)	-652 (423)
# obs.	4,981	663	669	3,993	569	886

*, **, *** indicate statistically significant at the 1%, 5% and 10% levels respectively. Robust standard errors are indicated in brackets. Regressions also include annual fixed effects and fixed effects for the following regions: Atlantic, Quebec, Ontario, Prairies, BC and others.
Source: 1% sample of families living with children (linked CRA-CESP database), 8,974 observations without missing values and with income within $1,000 of A-CESG thresholds in 2005-2012.

Probit and logit regressions were also used for robustness of the RESP take-up results.

Table A2 – Regression Results: Effect of the CLB on RESP Take-up, Annual Contributions and Cumulative Contributions (Among Families with a Child between 8 and 9 Years Old)

Dependent variable	RESP take-up (%)	Annual contributions ($)		Cumulative contributions ($)	
		First stage	Main results	First stage	Main results
CLB effect	0.083* (0.025)	---	307 (615)	---	1,095 (3,631)
Children	-0.023** (0.009)	0.018 (0.022)	104 (100)	0.018 (0.022)	987 (719)
Single parent	-0.146* (0.027)	-0.030 (0.049)	-939* (169)	-0.030 (0.049)	-4,793* (1,015)
Family income ($1000)	0.003* (0.001)	-0.001 (0.001)	-2.5 (3.6)	-0.001 (0.001)	-10.1 (23.5)
Age:					
Less than 30	(reference)	(reference)	(reference)	(reference)	(reference)
30-39	0.065*** (0.035)	0.079 (0.094)	576** (291)	0.079 (0.094)	2,130 (2,021)
40-49	0.108* (0.117)	-0.040 (0.099)	671** (294)	-0.040 (0.099)	2,846 (1,906)
50-59	0.117 (0.083)	-0.151 (0.140)	694 (531)	-0.151 (0.140)	6,451 (4,776)
60+	-0.023 (0.120)	-0.388* (0.094)	-367 (409)	-0.388* (0.094)	1,770 (2,416)
# Years RESP open	---	-0.030* (0.007)	-23 (43)	-0.030* (0.007)	1,115* (236)
Constant	-0.021 (0.058)	0.544* (0.129)	1,189** (586)	0.544* (0.129)	697 (3,513)
Born in 2004	---	0.291* (0.046)	---	0.291* (0.046)	---
# obs.	1,336	427	427	427	427

*, **, *** indicate statistically significant at the 1%, 5% and 10% levels respectively. Robust standard errors are indicated in brackets. Regressions also include annual fixed effects and fixed effects for the following regions: Atlantic, Quebec, Ontario, Prairies, BC and others.
Source: 1% sample of families living with children (linked CRA-CESP database), 1,382 observations in 2012 with one child born within 6 months of Jan 1st 2004 and receiving the NCBS.

Regression results were robust to different specifications (not all presented here). Since not all CLB-eligible beneficiaries in the sample had applied for the CLB, a "fuzzy" regression discontinuity design was used to estimate the effect on annual and cumulative contributions.[52] In practical terms, this means that in the regressions, CLB receipt is

[52] Following Lee and Lemieux (2010), a two-stage least squares regression is used, where the treatment variable is instrumented using program eligibility criteria. They suggest this approach as a solution to imperfect program take-up in the sample. In technical terms, the treatment variable (CLB receipt) is instrumented using the date of birth (dummy for pre- or post- January 1st, 2004). The standard assumption

instrumented using a dummy variable indicating if the RESP beneficiary is born on or after January 1st, 2004. This methodology allows a comparison of CLB recipients and non-recipients, and an examination of the differences in their RESP saving behavior. First-stage regression results are presented above. Other variables included in the regressions are: number of children, indicator for single parent, family income (in thousands of dollars), age of PCG (default is mother), number of years with an RESP and dummy variables for each Canadian region.[53]

---

of instrumental variable techniques is that the instrument is not correlated with the dependent variable other than through the instrumented variable.

[53] For robustness, the standard errors of the regressions were also computed using a clustered estimation technique (clustered of 29 different regions), following Angrist and Pischke (2009). These standard errors were similar to the ones presented here, therefore enhancing the confidence in the results presented.