



About Registered Education Savings Plans (RESPs)

Post-secondary education is an important investment in your child's future. It helps today's youth develop valuable academic and life skills in pursuit of a career, special interest, or hidden talent. However, when you factor in the rising costs of living with tuition increases, a post-secondary education can be an expensive endeavour. Planning for these educational expenses today will help reduce some of the financial pressures of tomorrow.

What is a Registered Education Savings Plan?

An RESP is an investment plan designed to help you save money for your child's post-secondary education. You can open a plan for your child, grandchild, young friend or family member. It allows you to make contributions until the funds are needed to pay for post-secondary expenses. RESP contributions are not tax deductible; however, income and growth remain tax sheltered until withdrawn. In addition, you may be eligible for the Canada Education Savings Grant (CESG).

You may contribute any annual amount up to a lifetime limit of \$50,000 per child. To encourage long-term savings, contributions can be made to your RESP for 31 years but the account must be terminated by the 35th anniversary of the plan.

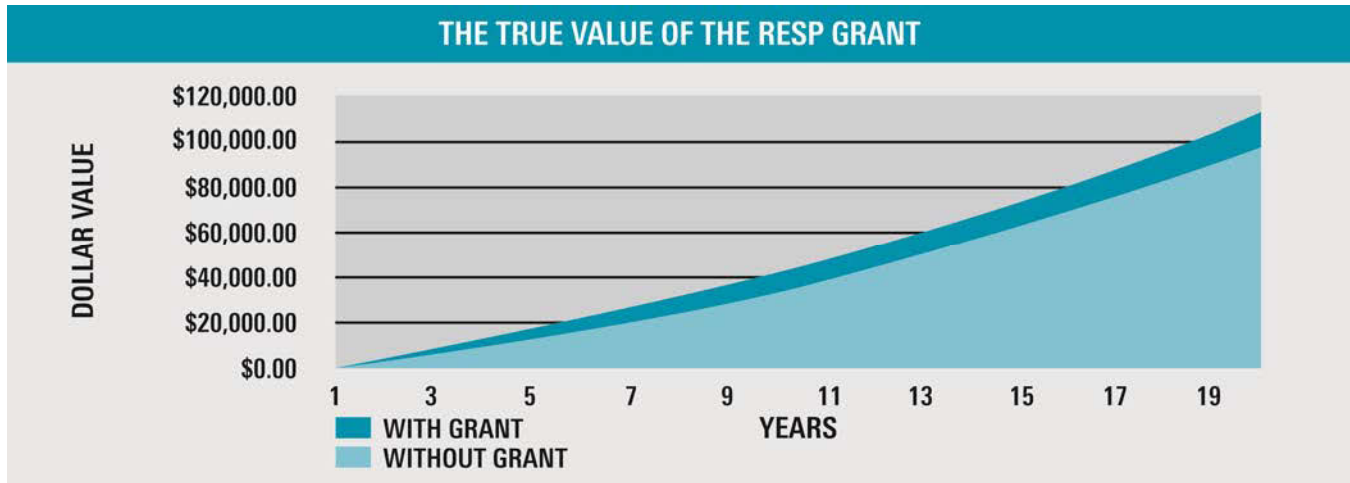
When your child uses the funds towards a post-secondary education, withdrawals are taxable under the child's name. Since most students have minimal income, the combination of low tax and large education credits typically result in negligible tax owing. This income is known as an Educational Assistance Payment (EAP).

While you do not receive a tax deduction on contributions to an RESP, these contributions result in a larger education fund for your child compared to investing within a non-registered account.

What is the Canada Education Savings Grant?

In 1998, the Government introduced the Canada Education Savings Grant (CESG) to provide an attractive incentive to save for your child's future education. The CESG entitles each child to receive a 20 per cent grant on the first \$2,500 of your contribution each year to a maximum of \$500 per year, or \$7,200 over a lifetime¹ (*effective in 2007, the annual grant room increased to a maximum of \$1,000 per year for those who have accumulated unused contributions from previous years*). The CESG is not included in determining the annual or lifetime contribution limits. Every child up to and including age 17 is eligible to receive the grant.

¹ Please note that this dollar amount is subject to change each year. Please refer to the Government of Canada's CanLearn website for more information.



The above chart illustrates the value-added benefit of the CESG. Assuming annual contributions of \$2,500, earning six per cent per annum for 20 years, the CESG would provide an extra \$16,083.16 in assets.

By offering a grant, the Federal Government encourages Canadian families to use RESPs as a savings vehicle. It may be difficult to contribute to an RESP while you are trying to maximize your own RRSP contributions or pay off debt, but the CESG makes it a worthwhile investment to consider.

Is Your Child Age 16 or 17?

He or she will only be eligible to receive the grant if:

Contributions of \$100 have been made in any four years prior to December 31 of the year in which they turn 15.

OR

Total contributions to your RESP are greater than or equal to \$2,000 before or on December 31 of the year in which your child turns 15.

RESPs are not eligible for the CESG beyond the year in which your child turns 17.

Expanding the Gift of Knowledge with the Odlum Brown RESP

Education is a valuable investment. With a focus on capital preservation and superior long-term returns, the Odlum Brown RESP helps you take advantage of a broad range of investments. Using objective and value-based research, your child’s RESP will be guided by Odlum Brown’s highly-trained and professional Investment Advisors or Portfolio Managers. The Odlum Brown RESP gives you the flexibility to adjust your investments to changing market conditions and make investment decisions that match your risk tolerance and objectives. To help you track the progress of your RESP, you will receive an account statement for each month there is any account activity and in any event, on a quarterly basis.

A quality education will ensure that your child is equipped with the tools necessary to succeed. Investing in an RESP is an investment in your child's future. The sooner you start, the more time your child's RESP has to grow.



Frequently Asked Questions Regarding RESPs

Do I need a SIN number for my child in order to open an RESP?

Yes. It is necessary to have a social insurance number for your child if you want to receive the Canadian Education Savings Grant. You can apply at your local Service Canada office.

Who can contribute to an RESP?

The person making contributions to an RESP is known as the subscriber. The subscriber designates a beneficiary who will use the RESP money for post-secondary school expenses.

In a Family Plan, the subscriber must be related to the child or beneficiary by blood or adoption. This includes your son or daughter, grandchildren, brother or sister. With a Non-Family Plan the beneficiary does not have to be related to the subscriber by blood or adoption. Nieces and nephews qualify under this plan.

What is the difference between a Family Plan and a Non-Family Plan?

In a Family Plan, you can name more than one beneficiary but they must be related to you by blood or adoption. In a Non-Family Plan, you are limited to only one beneficiary but this person does not have to be related to you by blood or adoption. The Family Plan provides some flexibility because in the event that a child decides to not pursue post-secondary education, the RESP amount can be used towards another child.

Is there a foreign content limit on RESPs?

No. There is no foreign content limit on RESPs.

Is there a carry forward provision on unused grant room?

You can carry forward unused CESG room. Effective in 2007, the annual grant room increased to a maximum of \$1,000 per year based on a \$5,000 contribution for those who have accumulated unused contributions from previous years.

Are there any penalties for over-contributions to an RESP?

Yes. Over-contributions in excess of the \$50,000 lifetime limit are subject to a penalty tax of one per cent per month as long as the excess remains in the plan.

Can I withdraw the RESP funds at any time?

RESP contributions are made with after-tax dollars and therefore can be removed at any time but this should be avoided in order to maximize the final value of the plan. Any withdrawals made may restrict future CESG payments. Please note there is an EAP threshold limit of \$20,000 per beneficiary, indexed annually by the Consumer Price Index.

What can I use the RESP money for?

Your child must be enrolled in a qualifying education program at a designated institution. Almost all full-time and some part-time post-secondary educational institutions are eligible. There are restrictions on the use of the RESP money. The Education Assistance Payment (EAP) may be used towards education expenses in Canada or abroad which includes tuition, books, accommodation, some transportation and general living expenses.



What happens if my child does not pursue post-secondary education?

It is wise to have a contingency plan if your child does not pursue post-secondary education. Family plans are more flexible since you can name more than one beneficiary. Therefore, if one child does not pursue a university education, another child can use the money and up to \$7,200 of the CESG. Any excess grant money would have to be repaid to the government.

In a Non-Family Plan, you have the opportunity to designate a replacement beneficiary. The replacement beneficiary must be under 21 years of age and a brother or sister of the former beneficiary. If these two conditions are not met, all the CESG money must be repaid.

What if I do not name another child as the beneficiary?

If your child does not attend a university or college and you do not name another beneficiary, you can transfer the accumulated RESP growth (up to \$50,000 of your earnings) to your RRSP, provided the RESP has been open for at least 10 years, you have sufficient contribution room, and the beneficiary is over 21 years of age. If you collect accumulated income payments (AIPs), you will be taxed at your normal tax rate, plus a surtax of 20 per cent. In both cases, the CESG would have to be repaid in full.

What if I set-up an RESP for a child and the child dies and I do not name another beneficiary?

You can transfer income from the RESP to an RRSP. The requirement for the plan to have been in existence for 10 years and for the beneficiary to be over 21 years of age may be waived. The subscriber could make a withdrawal of an accumulated income payment (AIP).

What happens if a subscriber dies?

The legal representative for the deceased will complete a change of subscriber form and designate a new subscriber.

Can an RESP have joint subscribers?

Only spouses can open an RESP as joint subscribers.

Can I transfer an existing RESP to an Odlum Brown RESP?

Yes. You can transfer an existing RESP to an Odlum Brown RESP if:

- The transfer includes all the property in the plan.
- The beneficiaries are the same.
- The RESP meets current registration requirements.

If you would like to transfer your child's RESP to Odlum Brown, please contact your Investment Advisor or Portfolio Manager.

Does Odlum Brown charge a fee to administer the plan?

An annual administration fee of \$120 is charged per client (annuitant) for all registered plan accounts.

Is this fee tax deductible?

No. The annual RESP fee is not tax deductible.

Be sure visit Canada Revenue Agency's website for the most updated information about RESPs. If you have any other questions on this or any other financial matter, please contact your Odlum Brown Investment Advisor or Portfolio Manager.