

# Give the gift of opportunity

Putting a child through higher education is one of the biggest costs families can face. **AGF can help.**

A post-secondary education can be the key to unlocking life's opportunities. However, as the cost of living increases over time, so do educational expenses at post-secondary institutions. Financing these costs may be difficult if you start late, especially if you have more than one child. With an AGF Registered Education Savings Plan (RESP), you can start saving today to fund tomorrow's liabilities of three to six years of post-secondary education.

## WHY INVEST INSIDE AN RESP VS. A NON-REGISTERED ACCOUNT

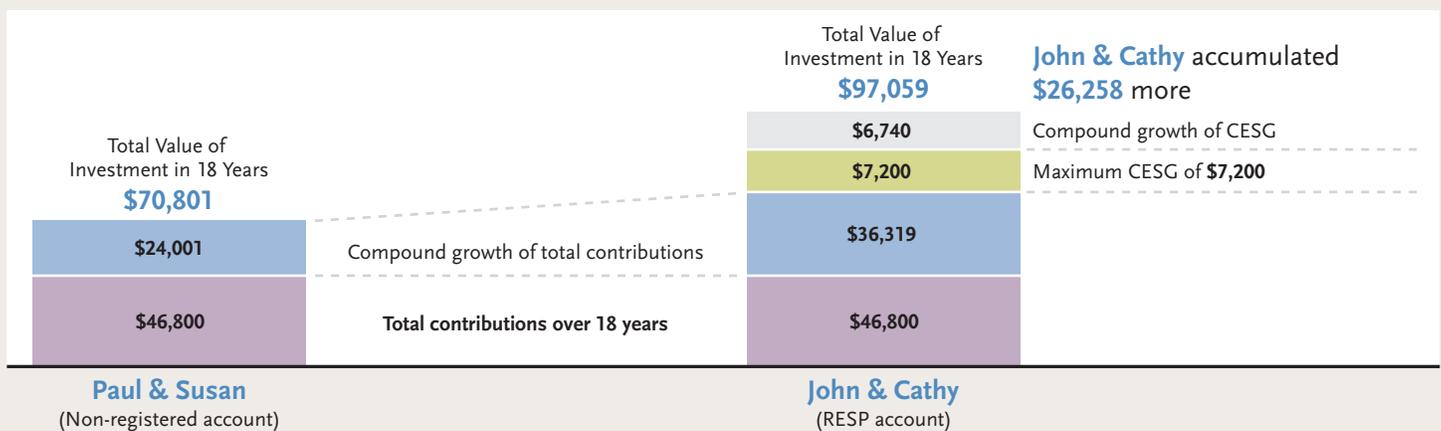
Unlike investing outside an RESP, when you save for your children's education within an RESP, the Government of Canada will match a percentage of your own contributions by depositing the Canada Education Savings Grant (CESG) directly into the RESP. Match that to the benefit and potential of tax-sheltered long-term compound growth and you have a pretty compelling case to plan ahead.

## Tale of two families

**Paul and Susan** invested \$100 bi-weekly into a non-registered account to save for their child's education. After 18 years the value of their investment, which was not tax-sheltered, grew to **\$70,801**.

**John and Cathy**, on the other hand, chose to invest \$100 bi-weekly into an RESP. They also received the CESG (20% of their monthly contributions) from the Government of Canada. After 18 years, the total value of their RESP grew to **\$97,059**.

For both families, their out-of-pocket contributions totalled **\$46,800**. However, by taking advantage of the **\$7,200 CESG** and the tax-sheltered benefits of compound growth, **John and Cathy** were able to accumulate an additional **\$26,258**.



Both examples are based on bi-weekly contributions of \$100 (for a total of \$2,600 over 12 months) and exclude fees. For the RESP example, John and Cathy received the Canada Education Savings Grant of 20% of contributions to a maximum of \$500 per year. Paul and Susan invested in a non-registered account that consisted of only interest earnings and assumes a marginal tax rate of 40%. Paul and Susan paid taxes on their non-registered investment at the beginning of the 17<sup>th</sup> week each year except the first year. Growth of investments for both families is based on the assumption of a 6% average annual compound rate of return over 18 years. The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values or returns on investments. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated.

Source: AGF Investment Operations

# What you need to know about RESPs

## KEY FACTS

- Lifetime contribution limit for each beneficiary is \$50,000
- Grants and income grow tax-free in an RESP until withdrawn and are taxed in the hands of the beneficiary

## PLAN TYPES

### Family RESP

- Can have one or more beneficiaries who are related by blood or adoption to the subscriber(s)
- Beneficiary must be under age 21 to be added to the plan
- Ideal for families with more than one child as the CESG and income are shared by all beneficiaries in the plan\*

### Individual RESP

- Can only have one beneficiary who may or may not be related to the subscriber
- No age limit for the beneficiary to be added to the plan
- Recommended for: single-child families, families with large age differences between children and subscribers who wish to set up an RESP for someone to whom they are not related

## GOVERNMENT GRANTS†

### Canada Education Savings Grant (CESG)

NET ANNUAL HOUSEHOLD INCOME	BASIC GRANT ON A CONTRIBUTION OF \$2,500 OR MORE	ADDITIONAL GRANT	ANNUAL MAXIMUM GRANT
\$44,701 or less	20% up to \$500	20% or \$100	\$600
\$44,902 – \$89,401	20% up to \$500	10% or \$50	\$550
\$89,402 plus	20% up to \$500	N/A	\$500

- Annual maximum of \$1,000 if catch-up room is available
- \$7,200 lifetime maximum per beneficiary
- Beneficiaries are eligible up to the end of the calendar year in which they turn 17††

### Canada Learning Bond (CLB)

- For beneficiaries born on Jan. 1, 2004 or later, whose primary caregiver receives the National Child Benefit Supplement
- \$500 initial bond plus \$100 per eligible year up to age 15 of the beneficiary
- Must apply before the beneficiary turns 21

### Alberta Centennial Education Savings Plan (ACES)

- Jul. 31, 2015: Closed to new applications
- Jan. 1, 2016: Any ACES amounts remaining in an RESP convert to accumulated income – not taxable while it remains in the RESP

### B.C. Training and Education Savings Grant (BCTESG)

- \$1,200 one-time grant to eligible children born on Jan. 1, 2007 or later
- Must apply between the beneficiary's 6<sup>th</sup> and 9<sup>th</sup> birthdays
- Application deadlines have been extended for beneficiaries born prior to Aug. 15, 2009

### Quebec Education Savings Incentive (QESI)

NET ANNUAL HOUSEHOLD INCOME	BASIC GRANT ON A CONTRIBUTION OF \$2,500 OR MORE	ADDITIONAL GRANT	ANNUAL MAXIMUM GRANT
\$41,935 or less	10% up to \$250	10% or \$50	\$300
\$41,936 – \$83,865	10% up to \$250	5% or \$25	\$275
\$83,866 plus	10% up to \$250	N/A	\$250

- Annual maximum of \$500 if catch-up room is available
- \$3,600 lifetime maximum per beneficiary
- To be eligible, beneficiaries must be less than 18 years old and a Quebec resident as of Dec. 31 of the applicable year††

### Saskatchewan Advantage Grant for Education Savings (SAGES)

- Equal to 10% of annual contributions made since January 1, 2013, up to a maximum of \$250 per beneficiary per year (maximum of \$500 if catch-up room is available)
- \$4,500 lifetime maximum per beneficiary
- Beneficiaries are eligible up to the end of the year in which they turn 17 as long as they are a resident of Saskatchewan at the time of contribution††

AGF offers both Family and Individual RESPs, which have many advantages over Scholarship Trust Plans, including more diversified investment options, increased flexibility, portability and fewer restrictions. AGF does not charge account opening or administration fees\*\* on RESPs.

**Speak to your financial advisor to determine which plan type best suits your personal situation.**

\*Additional CESG, CLB, BCTESG, QESI and SAGES can only be paid if all beneficiaries of the Family RESP are siblings. \*\*Regular fees applicable to mutual funds still apply. †Payments made to an RESP under the Canada Education Savings Act or under a designated provincial program are not included when determining if the lifetime contribution limit has been exceeded. ††Special rules apply to beneficiaries aged 16 and 17.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rate of return is the historical annual compounded total return including changes in share value and reinvestment of all dividends or distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Publication date: August 26, 2015.