RESP Fast Facts

AGF SOUND CHOICES

A Registered Education Savings Plan (RESP) is a tax-sheltered investment plan that can help families save for their children's post-secondary education.

Key Terms

Beneficiary. The student using the RESP for funding their post-secondary education

Subscriber. The person who opens an RESP on behalf of the beneficiary

Key Facts

- To open an RESP, you will need the child's Social Insurance Number
- At the time the RESP is opened, the child must be a resident of Canada
- Lifetime contribution limit for each beneficiary is $50,000.[1] There is no annual limit
- Contributions made to an RESP are not tax-deductible but grow tax free
- The beneficiary, who will typically have little income as a student, will likely pay minimal or no tax on the withdrawal

Why Invest Inside an RESP vs. a Non-Registered Account

When you save 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.

Add that to the benefit of tax-sheltered compounding growth and you have a pretty compelling case to choose an RESP.

Tale of two families saving for their child's education

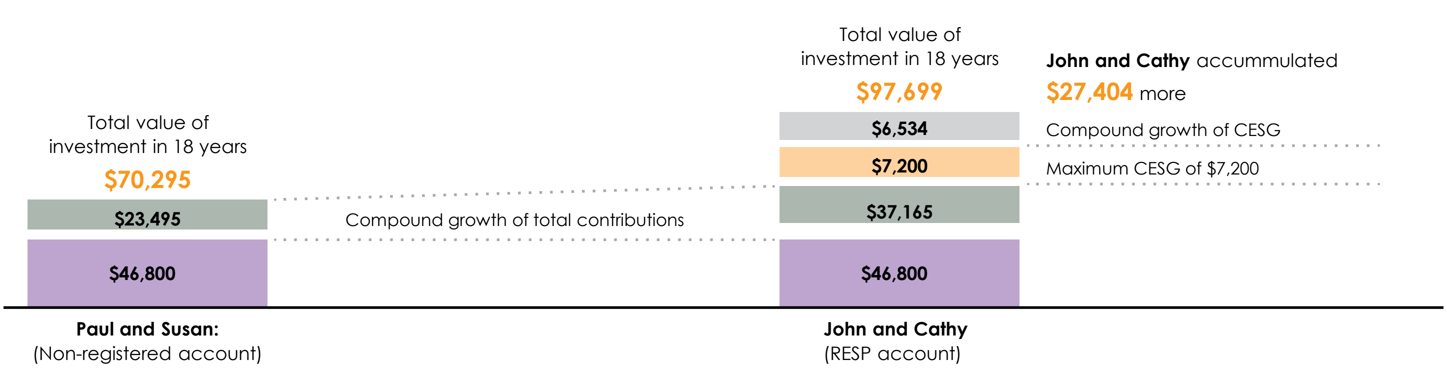
Paul and Susan: (Non-registered account)

- Invested $100 bi-weekly into a non-registered account
- This investment doesn't qualify for the CESG

John and Cathy: (RESP account)

- Invested $100 bi-weekly into an RESP
- This investment qualifies for the CESG (20% of their monthly contributions)

$27,404 more



Source: AGF Investments Inc. Performance returns presented are hypothetical and for illustrative purposes only. It does not represent actual performance nor does it guarantee future performance. The rate of return shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values or returns. Assumptions were made in the calculation of these returns including that 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 17th 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. Any taxes due, trading costs and other fees associated with the portfolios are not included and trading prices and frequency implicit in the hypothetical performance may differ from what may have actually been realized at the time given prevailing market conditions.

AGF®

What You Need to Know

Plan Types

Family RESP

- Can have one or more beneficiaries who are relatedby blood or adoption to the subscriber(s)
- Beneficiary must be under age 21 to be added to the plan
- CESG and income are shared by all beneficiaries in the plan

Individual RESP

- Can only have one beneficiary who does not have to be related to the subscriber
- No age limit for the beneficiary to be added to the plan

Government Grants[2]

Canada Education Savings Grant (CESG)

Net Annual Household Income	Basic grant on a contribution of $2,500 or more	Additional grant	Annual maximum grant
$57,375 or less	20% up to $500	20% or $100	$600
$55,867 - $114,750	20% up to $500	10% or $50	$550
$114,750 or more	20% up to $500	N/A	$500

- Annual maximum of $1,000 if carry-forward 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[3]

Canada Learning Bond (CLB)

- Eligibility is based, in part, on the number of qualified children and the adjusted income of the primary caregiver
- $500 initial bond plus $100 per eligible year up to age 15 of the beneficiary
- Must apply before the beneficiary turns 21
- Canadians 18-20 can apply for their own CLB

When the Child Goes to Post-Secondary Education:

There are two types of withdrawal options:

1. Education Assistance Payment (EAP)

An EAP may consist of earnings or "accumulated income" and the grant itself. When withdrawn, this money is taxed in the hands of the beneficiary. Proof of enrolment in a post-secondary institution is required.

EAP Withdrawls:

(a) full-time students – $8,000 for the first 13 consecutive weeks
(b) part-time students – $4,000 every 13 weeks

2. Post-secondary Education (PSE) Withdrawal

A Post-secondary Education (PSE) Withdrawal is a withdrawal of contributions made by the subscriber while a beneficiary is eligible to receive EAPs. The subscriber may withdraw their contributions without repaying any grant amounts.

RESP total account value

Income earned from contributions & grant	CESG principal	Investment principal
EAP		Post-secondary Education (PSE) Withdrawal

Opting Out of Post-Secondary Education

If the beneficiary decides not to pursue a post secondary education, the subscriber has several options, including:

- **Name a new beneficiary.** The former and new beneficiaries must be under the age of 21 and related to the subscriber. All grant money will be transferred to the new beneficiary.
- **Transfer the earned income.** The subscriber may transfer up to $50,000 of the earned income into an RRSP or a Spousal RRSP (if their contribution limit has room). All grant money is returned to the Government of Canada.
- **Withdraw the money.** While grant money will be returned to the government, the money earned on the grant remains with the subscriber.

Provincial grants are also available. To find out if your province has education grants, contact your financial advisor or visit AGF.com/RESP.

[1]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. [2]Additional CESG & CLB can only be paid if all beneficiaries of the Family RESP are siblings. [3]Special rules apply to beneficiaries aged 16 & 17.

Publication date: December 13, 2024.

SOL214 08-23-E

20241213-4085664