Registered Education Savings Plans (RESPs)

RESPs are registered accounts that enable you to make contributions now towards the cost of a child's future education. Unlike an RRSP, your contributions are not tax deductible but the funds grow tax-sheltered until paid out to the beneficiary.

Below are the features of RESPs, including the Canada Education Savings Grant introduced in the federal budget on February 24th, 1998 and the federal budget changes introduced in 2007:

Contributions:

- Contributions are $2,000 per year from 1998 (or the year of the child's birth, whichever is later) to 2006 inclusive, then $2,500 contributions for 2007 onward.
- You can contribute up to 21 years to a lifetime maximum of $50,000 per beneficiary
- No contribution carry forwards
- No tax deduction for contributor
- Amounts contributed above $5,000 in a given year will not attract grant for years 2007 onward

Canada Education Savings Grant (CESG)

- The government will contribute up to 20% of the first $2,000 of annual RESP contributions made after Jan 1, 1998 to 2006 (up to a maximum of $4,000 contributions per year) and then from 2007 onward 20% per $2,500 (up to a maximum of $5,000 contributions per year), to a maximum of $400 grant per year from 1998 to 2006 and then from 2007 onward of $500 grant per year, per beneficiary aged 17 and under. Maximum grant is $800 per year from 1998 to 2006 and $1,000 from 2007 onward.
- Government will contribute up to the annual maximum of $1,000 in grant, assuming there is sufficient carry forward grant entitlement, regardless of what year the "grant room" went unused.
- Lifetime maximum CESG contributions continue to be $7,200 per beneficiary
- Contributions for beneficiaries aged 16 and 17 will only receive a CESG subject to certain stipulations
- CESG room may be carried forward until the beneficiary turns 17
- The beneficiary must have a SIN to receive the CESG

Education Assistance Payments

- Any income/growth earned on the contributions may be paid out to the beneficiary once they are attending a recognized post-secondary institution
- CESG can be included in the payment
- EAPs are taxed in the hands of the beneficiary, who reports it as "other income" on their tax return

Withdrawals

- Contributions can be withdrawn at any time by the contributor tax-free, but restrictions may apply on future CESG payments

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Maturity	• RESPs mature after 25 years • All contributions will be returned tax-free to the contributor • Any income that has not been paid out to the beneficiary can be returned to the contributor by either a) transferring up to $50,000* into an RRSP or b) having it taxed at marginal rate plus a surtax
If a Beneficiary does not pursue higher education	• In a family plan, you can designate another beneficiary • Any unused CESG must be repaid to government

* This transfer can be made to the contributor's RRSP or a spousal RRSP. Contributor must have sufficient contribution room available.

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