

# Registered Education Savings Plan (RESP)

## WHAT IS OSAP?

An RESP is government-assisted investment vehicle that helps families to save for a child's education. A key incentive of the plan is the federal government's Canada Education Savings Grant (CESG) which is equal to 20% of the annual amount contributed, up to a maximum of \$500 per year for each child under the age of 18. To get the maximum CESG for a child, \$2,500 would have to be contributed to the RESP each year. The lifetime maximum CESG amount is \$7,200 per child. There can be additional CESG amounts where child's family net income is less than \$87,907.

Although there is no limit on how much can be contributed to an RESP in one year, there is a lifetime limit of \$50,000 per child.

Funds within an RESP grow and compound on a tax-free basis until withdrawn, normally when the child is enrolled in a full-time post-secondary program. Withdrawals will be a combination of tax-free and taxable income for the student (see sidebar).

An RESP can be a valuable tool to help mitigate rising post-secondary costs. A recent report by TD Economics estimated that a child born in 2011 can expect to pay \$139,380 for their post-secondary education if they live away from home.

## ABOUT RESP WITHDRAWALS:

Funds withdrawn from an RESP will typically be a combination of both taxable and non-taxable income. Your contributions are received tax-free, while the taxable portion of the withdrawal is included in the student's tax return for that calendar year.

Taxable withdrawals have two components:

- Educational Assistance Payments (EAPs). These are essentially the government grants.
- Accumulated Income Payments (AIPs). This is the investment income earned in the plan.

You can withdraw any amount of contributions, but the maximum EAP amount is limited to \$5,000 during the first 13 consecutive weeks of enrollment. After that, you can withdraw any amount that is needed to fund your education at that point in time.

**"A Child going to university in 18 years time will face a total outlay for a 4-year degree of \$102,286 for students living at home and \$139,380 for students living away"**

*"Post-Secondary Education is the Best Investment You Can Make"*

***Consult your accountant, financial planner, or investment manager to determine what strategies are best for you.***

**You have the vision. We have the focus.**

For more information on how to preserve your wealth and successfully plan for your future, please contact us.

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