

## **Investing in Futures: An Independent Living Approach to Education Savings Incentives**

*by John Mossa*

In spring of 2007, Independent Living Canada (ILC) launched **Investing in Futures: An Independent Living Approach to Education Savings Incentives**.<sup>1</sup>

It is a three year national project that will support member Independent Living Resource Centres (ILRCs) like CILT to provide post-secondary education and savings resources, tools and supports to parents with disabilities as well as the parents of children with disabilities.

### **Investing in Futures has three specific Project Objectives:**

- To promote and facilitate methods of post secondary savings to parents with disabilities and parents of children with disabilities;
- To design and implement a national outreach, training, and awareness campaign on the educational savings plan initiative to be delivered through member ILRCs across Canada; and
- To facilitate diverse partnerships at the local, regional, and national level

The project will enable participants to take advantage of existing government education and savings incentives such as the Registered Educational Savings Plans (RESPs), Canada Educational Savings Grants, and the Canada Learning Bonds.

This project aims to ensure that interested individuals have access to financial institutional services and financial literacy programs that will enable long-term educational savings.

ILC has developed seven information sheets which can be downloaded at <http://www.ilcanada.ca/article/information-sheets--391.asp>

Below, I have summarized the seven information sheets.<sup>2</sup>

### **Information Sheet 1: Registered education Savings Plan**

A Registered Education Savings Plan (RESP) is an effective way for family and/or friends to save toward a child's education. It offers tax benefits and allows you to take advantage of special grants. There are different kinds of plans to choose from, so it is wise to shop around.

#### **There are different kinds of RESPs:**

- Individual plans

- Family plans
- Pooled Funds / Scholarship Trust Plans

**Here are the benefits of RESPs:**

- No taxes are charged on the interest earned while it is in the RESP plan so your money will grow faster.
- No Bank Account: You don't need to have a bank account to open up an RESP.
- No Money to put in a Plan: You do not need to deposit any money into a plan to potentially qualify for the \$2,000 Canada Learning Bond.

**Easy access to Government Grants:**

- Opening an account could qualify you for the Canada Learning Bond (\$500 in the first year and then \$100 annually for fifteen years).
- Making a deposit could qualify you for up to \$500 in Canada Education Savings Grants.
- Residents of Alberta can qualify for up to \$800 Alberta Centennial Education Savings Plan.

**Where do I open an RESP?**

You can open an RESP through banks, credit unions, mutual fund companies, investment dealers and scholarship plan dealers

**What do I need to open an RESP?**

Birth Certificate for your Child

If your child was not born in Canada, a citizen certificate or a permanent resident card is acceptable. Social Insurance Number for you and the child

Only \$1 is needed to open an RESP

**How do I apply for a social insurance number?**

Visit your local Service Canada Centre or go to [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

**How do I apply for a birth certificate?**

Differs from Province to Province: check with your local ILRC or your provincial government.

**How Do I Get Started? Solutions**

- Get a Birth Certificate for your child and Social Insurance Number Cards.
- Go to financial institution of your choice (bank, credit union, or group plan dealer).
- Be informed and ask questions.
- Bring one Looney (\$1) with you to open the account.

- Contact John Mossa at CILT for more information and assistance at (416) 599-2458 ext.238, TTY (416) 599-5077 and/or by e-mail at [ilskills@cilt.ca](mailto:ilskills@cilt.ca)

## **Information Sheet 2: Types of Registered Education Savings Plans**

An RESP is a special savings plan that can help you, your family, or friends save for a child's education after high school. There are 3 basic types of Registered Education Savings Plans (RESPs): 1) Individual Plans, 2) Family Plans and 3) Group Plans.

**Individual Plans:** Any one can open an individual RESP and anyone can contribute to it. This includes parents, grandparents, aunts, uncles and friends. You can even contribute to an individual plan for yourself.

**Family Plans:** Can have one or more beneficiaries (student), but each beneficiary must be related to the contributor. The beneficiaries must be under 21 when they're named. Contributions can only be made until a beneficiary turns 21.

**Group Plans are also known as Pooled Funds:** Offered by Group Plan Dealers and known as Scholarship Trusts. Each plan has its own rules. There are both pros and cons of this type of plan versus the individual or family plan.

**Service Fees:** Some RESP providers charge service fees and some do not. Some may also limit the amount of money you can put into a plan and tell you how often you can contribute.

**Other things to consider:** How long before your child goes on to post secondary education? This factor may help you decide what kind of plan to choose.

### **What you need to know**

- Some plans require automatic or monthly deposits and some don't.
- Plans with minimum monthly deposits have different minimums.
- Some plans have service charges and some don't.
- Some plans invest in GICs/savings accounts, while others invest in the stock market which is more risky.
- You need to consider how much risk you are willing to take.
- Some plans have consistently shown better annual returns (more \$ in your RESP) than other plans.

## **Solutions**

- Go to government websites to learn more. One good site is [http://www.hrsdc.gc.ca/en/learning/education\\_savings/index.shtml](http://www.hrsdc.gc.ca/en/learning/education_savings/index.shtml)
- Shop around before you open an account. Service charges and plans differ. Find the one that best suits your needs.
- Be informed and go to Information Sheet #7 for pertinent questions to ask.

## **Information Sheet 3: Canada Learning Bond**

Did you know? The Canada Learning Bond (CLB) is funded by the Federal Government. Children who qualify can receive up to \$2000.00 toward higher education even if you don't have money to invest!!

### **Facts**

- You can get the \$500 Canada Learning Bond if your Child was born after January 1, 2004.
- And if you get the National Child Benefit Supplement as part of the Canada Child Tax Benefit (sometimes called the family allowance or baby bonus payment), you could receive another \$100.00 per year for up to 15 years as long as you continue to receive the National Child Benefit Supplement without investing any money.
- Over time, the Canada Learning Bond could add up to \$2,000 in grant money (plus interest) for your child's education after high school.
- You will need to open a Registered Education Savings Plan (RESP) in order to receive the grant if you are eligible.
- The Canada Learning Bond will be deposited right into your child's RESP.
- At some financial institutes, opening an account may be free. Some places do charge a fee.
- The first deposit of the Canada Learning Bond includes \$25.00 to offset any fees.

### **To qualify for a Canada Learning Bond**

- Your child must be a Canadian Resident
- Have a valid Social Insurance Number (SIN)
- Have been born on or after January 1, 2004
- And you must be entitled to receive the National Child Benefit Supplement

You do not need money to invest if you don't have it. Parents, grandparents, Aunts, Uncles, other family members and even friends can contribute to the Plan. If you or your family and friends contribute you can also get 40 cents for every \$1.00 up to \$500.

## **Solutions**

- Ask your local bank, credit union or other financial institution about the Canada Learning Bond.
- Don't have a birth certificate or a social insurance number? Your financial Institution or CILT can advise you how or where to apply.

## **Information Sheet 4: Using Your Registered Education Savings**

Your plan should be for your child or the person named in the plan to start drawing money out of the Registered Educational Savings Plan (RESP) once he/she enrolls in a qualified post-secondary educational program.

### **Facts**

#### **Qualified educational programs include:**

- Apprenticeships & programs offered by a trade school, CEGEP, college or university.
- Usually a qualified educational program is a course of study that lasts at least three weeks in a row, with at least 10 hours of instruction or work in one week.

#### **Part-time studies:**

- RESP funds can be used for either full or part time study in a qualified program.

#### **Keeping an RESP open:**

- An RESP can stay open for a maximum of 26 years.
- There is no age limit for opening an RESP.
- If the recipient has a disability, he/she may keep the plan open for 31 years, five years longer than a regular RESP.

#### **How soon can the person(s) names in the plan start using the money?**

- The student can start receiving the money from the RESP as soon as he or she is done high school and enrolled in a qualified program.
- To find out more about qualified education programs ask your RESP provider or call the Consumer Financial Agency of Canada at 1-866-461-3222.

#### **What to do if the person named in the RESP does not continue education after high school?**

- Wait for a period of time and the individual may decide to continue post-secondary studies later.

- Transfer the money to a brother or sister's RESP.
- Transfer the money you invested into your RRSP to help save for your retirement.
- Withdraw the money, but ask how much tax you might have to pay.
- The Canada Learning Bond portion cannot be transferred and must be returned to the Government of Canada.

**Before closing out an RESP**

- Do not act too quickly.
- Investigate your options and speak with someone from the company that you purchased the RESP from.
- Consult your local Independent Living Resource Centre (ILRC) to ensure that you have considered all your options or to be referred to a qualified financial advisor for a second opinion.

**Information Sheet 5: Canada Education Savings Grant**

The Canada Education Savings Grant (CESG) is money that is added to your Registered Education Savings Plan (RESP) by the Federal Government.

**Tips to maximize educational savings for your child:**

- For every \$1 that you deposit into the (RESP), up to \$2,500 per year, the Government of Canada will deposit an extra 20 cents.
- In real dollar terms, that means up to \$400 could be added to your (RESP) every year.
- If your net family income was less than \$37,178 in 2007, you could be eligible to receive the enhanced Education Savings Grant (CESG).
- The government will deposit an additional 20 cents (40 cents in total) for every \$1 you deposit into the RESP up to \$500 and 20 cents after up to \$2,500.
- If your net family income is below \$74,357, the Government of Canada will give you 30 cents for every \$1.00 up to \$500 and 20 cents after up to \$2,500.
- No matter what your net family income is, the grant provides at least .20 cents for every dollar up to \$2,500 annually.

**The benefits of using all available government programs to benefit your child:**

**Parent / family / friends deposit if Income is less than \$37,178**

- |  |       |
|--|-------|
| • Minimum deposit (open)               | \$1   |
| • First deposit (up to)                | \$500 |
| • CESG deposit                         |       |
| • (40 cents per \$1.00 on first \$500) | \$200 |

- Total RESP balance on first \$500 \$701
- (20 cents per \$1.00 up to \$2,500)

**Parent / family / friend deposit if income is less than \$74,357**

- Minimum deposit (open) \$ 1
- On your first deposit of \$500
- CESG deposit
- (30 cents per \$1.00 on first \$500) \$150
- Total RESP Balance on first \$500 \$651
- (20 cents after up to \$2,500)

**Solutions**

- Go to your bank, credit union or financial institution and ask to open a RESP.
- The various grants are automatic. Your RESP application will contain the information needed by the government to determine what grants will be added to your RESP.
- If you can afford it, set up an automatic monthly deposit into your RESP in order to take maximum advantage of the available grants.

**Information Sheet 6: Alberta Centennial Education Savings Plan**

The Alberta Centennial Education Savings Plan (ACES) provides up to \$800 in Alberta grants for an Albertan child’s RESP. The child must have been born or adopted in 2005 or later and parents/guardian must be residents of Alberta. If you would like more information on this fact sheet you can download it at <http://www.ilcanada.ca/article/information-sheets--391.asp>

**Information Sheet 7: Know the Ins and Outs of Investing in RESPs**

A Registered Educational Savings Plan (RESP) can be an effective way to save for post-secondary education, but different plans have different features, risks and costs.

**Questions that Investors should ask!!**

**Have you compared the different types of RESPs?**

Different types of plans are available at banks, credit unions, mutual fund companies, investment dealers or scholarship plan dealers. Before you commit, be sure you understand all your options.

**What fees are you expected to pay, and when?**

You may have to pay sales fees when you open a plan, plus other costs as long as you hold the plan.

### **Do you have a choice about when and how much you contribute?**

Most plans let you decide when and how much to contribute, up to the annual and lifetime limits. Some plans require you to make contributions according to a set schedule. In this case, if you miss a payment, your plan may be cancelled and you could lose your earnings. You will receive your contributions back, less any fees.

### **What kinds of post-secondary programs qualify?**

Programs offered by colleges, universities, trade schools, CEGEPs and other certified institutions are eligible for an RESP. For more information, visit [www.canlearn.ca](http://www.canlearn.ca)

### **When and how will you receive payments from the plan?**

To receive payments from your plan, students must show proof of enrolment in a qualifying program to their plan provider, sometimes by a certain deadline. Some plans make payments on a set schedule, while others let you decide. Some plans do not pay out earnings until a student starts the second year of a program.

What if the student does not go on to post-secondary education, or does not complete their program?

You receive your contributions back, less any fees. In most cases you will receive your earnings. Some plans may keep these earnings and share them with the remaining members.

What if you sign up for a plan, but change your mind?

For group scholarship plans, you can cancel the plan at no cost within 60 days of signing the application. For other types of plans, this time frame may depend on the type of investment you bought. Information provided by the Ontario Securities Commission ([www.osc.gov.on.ca](http://www.osc.gov.on.ca)).

### Solutions

- Don't open an RESP unless you feel comfortable with the information and answers to your questions.
- If you need support don't hesitate to contact CILT and/or talk to your local bank, credit union, group planner or financial planner.

### Your Feedback & Upcoming Information Sessions/Workshops

Your feedback is very important to us! We would like to know if these seven information sheets were helpful and clear. We also would like to know if you have opened any RESPs because of this project so that we can report any success of this project to the Federal government. You can call me John Mossa,

Independent Living Skills Trainer at (416) 599-2458 ext 238, TTY (416)599-5077 or e-mail me at [ilskills@cilt.ca](mailto:ilskills@cilt.ca)

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