

KALEIDO



RESP 101

All About Registered Education
Savings Plans

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What Is an RESP?

Definition

An RESP is a **registered education savings plan**. In other words, it is an investment vehicle that allows you to save money for the education of a child, whether yours or a child of a loved one.

In addition to your contributions, **generous government grants** are added to the beneficiary's plan, making it much easier to reach your financial goals.

Unlike an RRSP, contributions to an RESP are not tax deductible. The money in the RESP (contributions + grants + income) grows tax-free as long as it stays in the plan. When Educational Assistance Payments (EAPs) are withdrawn, grants and income are paid to the young person enrolled in eligible studies. These withdrawals are taxable to the young person.

Contributions belong to the subscriber and are non-taxable. They can be taken over by the subscriber or paid to the young person at the subscriber's choice. Since student income is generally low, taxes payable on EAP payments are generally low or nil.



TO REMEMBER

The subscriber: the person who opens the account

The beneficiary: the child who will receive the amounts corresponding to government grants and income, EAPs.



The Different Types of RESPs

Since no family is the same and shares the same needs, different types of RESPs are available on the market.

Family RESPs

Family RESPs are convenient for families with more than one child. Their main advantage is that the government grants can be shared between all the children named in the RESP while respecting the maximums allocated to each child.

For the family plan, there are certain eligibility criteria.



Who Is Eligible for a Family Plan?

- Children related by blood to the subscriber
- Grandchildren related by blood to the subscriber
- Children or grandchildren who have been adopted
- A brother or sister



You should also pay attention to how the Quebec Education Savings Incentive (QESI) is calculated since it can **deprive you of part of your grants** if you have a child in the accumulation phase and another who receives EAPs.



2

Individual RESPs

Individual RESPs are **open to all children**, even if you are **not related** to the beneficiary of the plan. Grandparents, uncles, aunts, and family friends can open an RESP for the child or contribute to the same RESP. It is also possible to open this type of plan for your own studies¹.

As with all types of RESPs, government grants² are available (up to a \$12,800 lifetime limit per beneficiary in Quebec!). You might be able to take advantage of it.

1. *Certain conditions apply.*
2. *Canada Education Savings Grant (CESG) from 20% to 40% and Quebec Education Savings Incentive (QESI) from 10% to 20%. Based on adjusted family net income. The maximum annual amount paid in CESG is \$600 and \$300 in QESI. The lifetime maximum per beneficiary is \$7,200 in CESG and \$3,600 in QESI. Canada Learning Bond (CLB), up to \$2,000 per beneficiary, for a child born after December 31, 2003, and whose family is financially eligible. Certain conditions apply. See our prospectus at kaleido.ca.*

3

Group RESPs



As with individual RESPs, **only one child** is designated as the beneficiary. A **family relationship is not required**.

A group RESP has a mandatory regular contribution schedule that you must follow. These contributions are invested with the contributions of other participants in the same cohort. The beneficiary of the plan shares the earnings of these contributions with eligible children of the same cohort, which is usually made up of children born in the same calendar year.

RESP Benefits



If you want to contribute to a child's education, a registered education savings plan is an advantageous option for several reasons.

1st BENEFIT

The Associated Grants Are Very Generous

Government grants are very attractive for RESPs. It is the only investment plan that benefits from this type of grant.



At the Federal Level: Canada Education Savings Grant (CESG)

20-40%

of contributions
based on adjusted
net income

Maximum of

\$600

per year

A cumulative total of

\$7,200

per beneficiary

At the Provincial Level: Quebec Education Savings Incentive (QESI)

10-20%

of contributions
based on adjusted
net income

Maximum of

\$300

per year

A cumulative total of

\$3,600

per beneficiary

Nearly \$10,000 In Grants

In total, a child could benefit from grants of up to **\$12,800 in Quebec** and **\$9,200 in New Brunswick**.

In addition, the **Canada Learning Bond (CLB)** can help children from low-income families by paying up to \$2,000¹!

What the CLB Offers You:

- \$500 at account opening
- \$100 per year until the child turns 15
- Maximum of \$2,000

The BEC Was Established in 2004

Adults aged 18 to 20 born after December 31, 2003, can apply for the CLB for themselves. Eligibility for all previous years may be retroactive under certain conditions.

1. *Canada Learning Bond (CLB), up to \$2,000 per beneficiary, for a child born after December 31, 2003, and whose family is financially eligible. Certain conditions apply.*

2nd BENEFIT

Contributions Are Tax-Sheltered

The **contributions** of the subscriber **cannot be deducted** from taxable income, but they grow tax-free. You can recover them later without tax. **EAPs (grants and income)** are **taxable** to the beneficiary.



TO REMEMBER

The amounts received by the beneficiary upon withdrawal of Educational Assistance Payments (EAPs) are taxable as income to the beneficiary. On the other hand, since the young person will probably have a low income due to their student status, their tax rate will be very low, if not zero.

If the child does not study, the amount of the contributions will be returned to you, in whole or in part, without having to pay taxes.

If you close the RESP, the earnings on the principal (the money you have put in) will be taxable, and the grants will have to be repaid to the government.

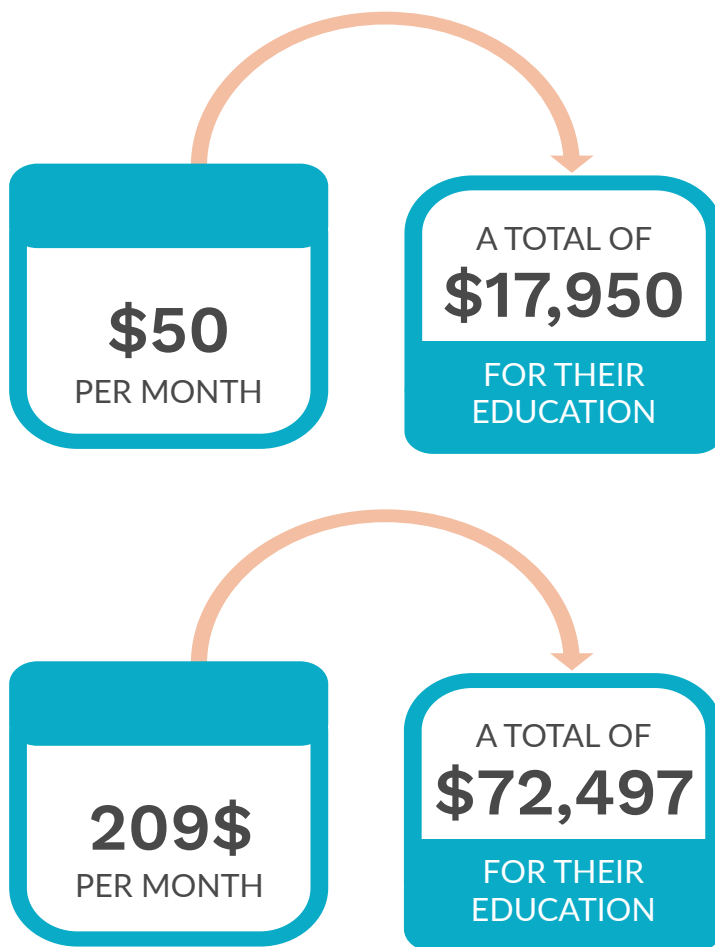
3rd BENEFIT

The Total Sum Might Impress You

If you open an RESP as soon as the child is born or when they are still small, the total amount accumulated could certainly impress you. In addition to government grants, **investment returns** also **add up!**

Use Kaleido's RESP calculator: www.kaleido.ca/en/resp-calculator. It is free, simple, and will only take 5 minutes of your time¹!

Imagine the total amount that could accrue for your child's education under one contribution model at \$50 per month and another at \$209 per month (assuming a 3% return).



If you contribute \$50 a month starting when the child is born, you could accumulate a total of \$17,950 for their education.

Of this total of \$17,950, the grants (\$3,165) and the earnings (\$4,235) belong to the young person and are paid together in the form of EAPs. As for the contributions of \$10,550, they remain the subscriber's property. You can give them to the child or keep them for yourself. The decision is yours.

If you contribute the maximum amount (about \$209 per month or \$2,500 per year), you could accumulate a total of \$72,497 for the child's education (\$44,099 in contributions + \$10,800 in government grants + \$17,598 in earnings).

1. The information presented is for illustration only and is not a guarantee for the future performance of the IDEO+ Plans.



4th BENEFIT

The Funds Are Not Limited to Tuition Fees

Accumulated funds can be used for much more than the payment of tuition fees to institutions. These sums can be used to pay for school materials, like computers. Students who do not live at home can use it to pay their expenses for housing, food, transportation, etc.

Even though college and university studies in Quebec cost less than elsewhere, the scarcity of affordable apartments and rising grocery prices worry many students.

Thanks to these accumulated funds, the RESP beneficiary could greatly reduce or even completely **avoid student debt**. In addition, since RESP beneficiaries do not have to work as many hours to pay for their housing and other living expenses, they can devote more time to their studies.

A large, stylized number '3' is positioned on the right side of the page. The number is filled with a light orange color and has a thick, rounded outline. The background of the entire page is a solid blue color.

Opening an RESP

Now that you know a little more about Registered Education Savings Plans, we will answer the most common questions about opening an account.



- **When Can I Open an RESP?**
- **Who Can Open an RESP?**
- **Where Can I Open an RESP?**
- **How Many RESPs Can I Have?**
- **What Information Must Be Provided?**
- **How Much Can I Invest?**
- **How Do Contributions Work?**
- **What Is the Duration of an RESP?**



When Can I Open an RESP?

You can open an RESP as soon as **the child is born**. Moreover, the sooner the better to make the most of government subsidies. The only necessary element you need from the child is their social insurance number. Even if the child is already older, it is never too late to sign up for an RESP. It is even possible to recover unused grants from previous years by making contributions accordingly.

? Who Can Open an RESP?

Anyone can open an individual RESP. Be aware, however, that the child must be a Canadian resident for the entire duration of the contributions in order to become the beneficiary. For example, you cannot use an RESP to finance the studies of a grandson or granddaughter living abroad.

? Where Can I Open an RESP?

Take the time to carefully choose where you will open your RESP. Not everyone offers the same quality of support throughout the process. The fees will also differ from one provider to another, as will the type of RESP offered (individual, family, or group).

You have several options for opening an RESP:

- Kaleido - specialized in education savings since 1964
- Mutual fund brokers
- Trust companies
- Securities brokers
- Banks
- Financial service providers
- Group plan providers





How Many RESPs Can I Have?

There is **no limit** on the number of RESPs a person can hold. The lifetime contribution limit remains at **\$50,000 per beneficiary regardless of the number of RESPs**. You can contribute more, but every dollar above \$50,000 will be subject to penalties.

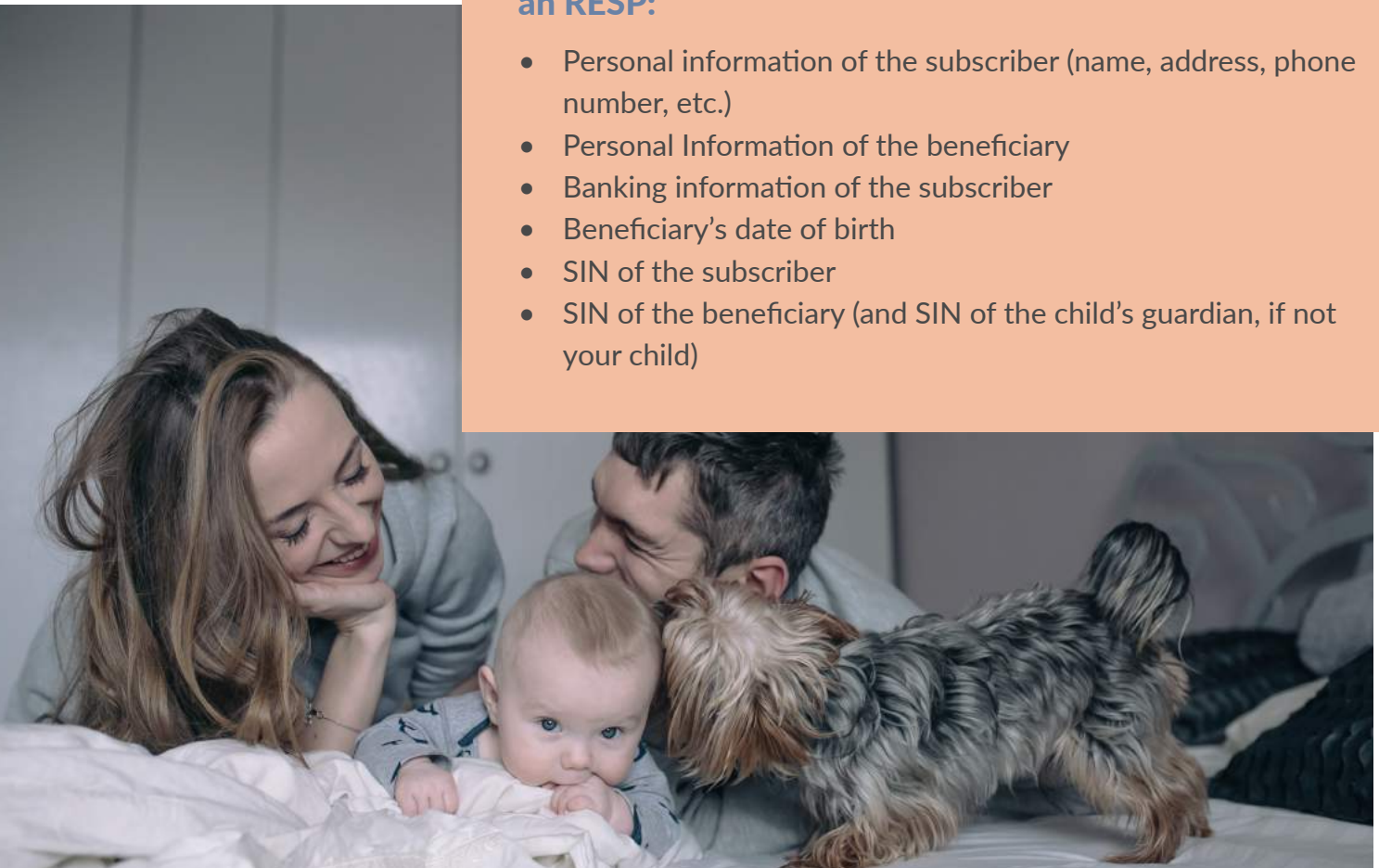


What Information Must Be Provided?

The subscriber and the beneficiary must provide their **Social Insurance Number (SIN)** when opening a Registered Education Savings Plan. If the child is not yours, you will need the guardian's SIN.

Here is the information you will need to give to open an RESP:

- Personal information of the subscriber (name, address, phone number, etc.)
- Personal Information of the beneficiary
- Banking information of the subscriber
- Beneficiary's date of birth
- SIN of the subscriber
- SIN of the beneficiary (and SIN of the child's guardian, if not your child)





How Much Can I Invest?

No contribution is required when opening an IDEO+ RESP with Kaleido.

However, contributions (monthly or occasional) must be at least \$10. For example, after opening an IDEO+ RESP, you can decide to make a single contribution of \$10, \$15, \$100, or \$1000. You can also start with a monthly direct debit of at least \$10 per month.



TO REMEMBER

- No annual contribution limit
- Grants only apply to the first \$2,500 per year
- Lifetime contribution limit for one child: \$50,000
- No grant on excess contributions (note: there may be penalties if you exceed the \$50,000-lifetime limit. Check with your provider.)





How Do Contributions Work?

The frequency of contributions varies from one RESP to another. Some may require **monthly installments**, while others will allow you to deposit funds at a **time of your choosing**.

GOOD TO KNOW

It is possible to make a larger deposit when opening the account and then contribute as you can. This is an interesting solution if you receive a sudden influx of money, like a gift from a grandparent.

In short, depending on your RESP provider, you can choose the frequency and type of contribution that best suits your financial situation.

At Kaleido, our IDEO+ RESP line gives you great contribution flexibility.



What Is the Duration of an RESP?

The beneficiary will be able to benefit from the accumulated amount as soon as they enroll in eligible post-secondary studies. The maximum duration of an RESP is 31 years. After this period, it is no longer possible to contribute.

The funds will remain available until the last day of the 35th year.

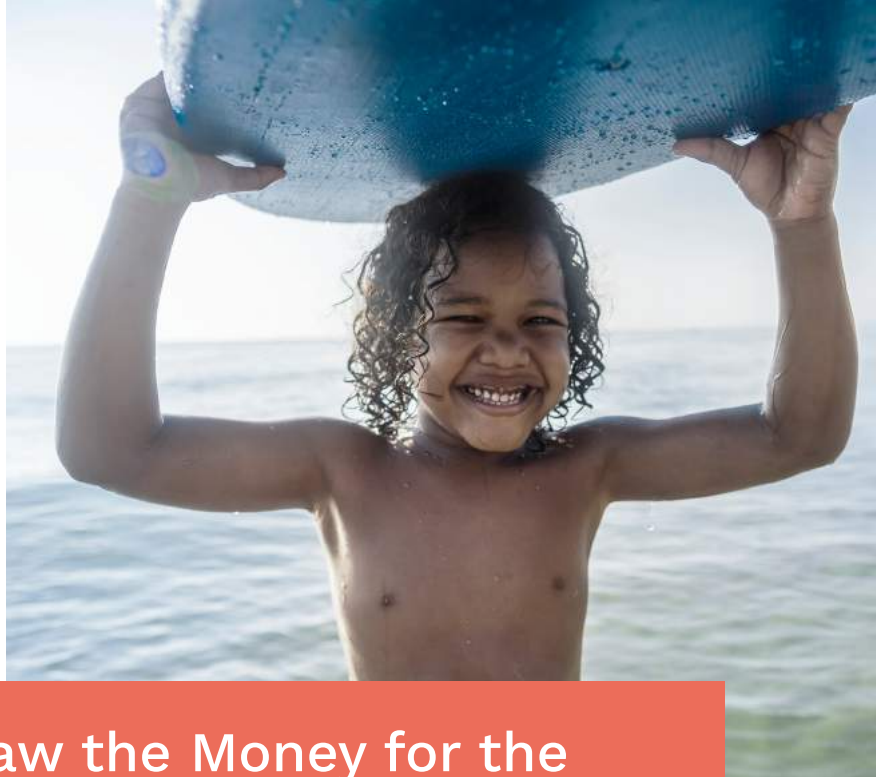
If the child does not wish to continue their studies immediately after secondary school, you will still have several years ahead of you.

A large, bold red number '4' is centered on a teal background. The number is composed of a thick diagonal stroke and a vertical stroke. The text 'What Happens if...?' is written in white, bold, sans-serif font across the middle of the number. A white horizontal line is positioned below the text.

What

Happens if...?

Opening an RESP and investing for the long term can be nerve-wracking, especially when you do not know what the child will choose to do. Here are some “What happens if...” scenarios to help you see things through.



You Want to Withdraw the Money for the Child’s Studies

When the child begins post-secondary studies, they can begin to receive their Educational Assistance Payments (EAPs).

The subscriber will have to present **proof of enrollment** in an eligible post-secondary program and, sometimes, a certificate of attendance.

The amount corresponding to government grants and income will be paid to the student. EAP requests can be made without having to withdraw contributions. Upon request, contributions will be returned to the subscriber, tax-free. You can choose to give this amount to the child or keep it for yourself.

The Young Person Takes a Break or Changes Programs

You have nothing to fear: the RESP is flexible. Due to its long duration, the RESP allows the young person to change programs of study (as long as it is a recognized and eligible post-secondary study program) or to take a break **without penalty**.

They will **not receive EAPs during this period** but will be able to benefit from them as soon as they are again enrolled in eligible post-secondary studies.



The Child Decides to Study Abroad

Good news! RESPs can be used for studies abroad if the studies are eligible.

Be careful, however, that this is indeed **post-secondary education**. For example, in the United States, to compensate for the fact that the equivalent of high school lasts longer than in Quebec, a student should do a year in a “prep school,” which is not considered post-secondary studies. In this specific case, the child would not receive their EAPs. They would receive them only once they enroll in a post-secondary program.

The Child Decides to Do a DVS

The child will also be **entitled to EAPs** since studies leading to a Diploma of Vocational Studies (DVS) are considered post-secondary studies. The same goes for college studies, whether it is an **Attestation of College Studies (ACS)** or a **Diploma of College Studies (DCS)** for pre-university or technical studies.

GOOD TO KNOW

You do not have to go all the way to university to take advantage of an RESP!

For technical schools and vocational training, such as massage therapy or osteopathy schools, the post-secondary institution must be **recognized by the Government of Canada**. The duration and number of hours of training must also qualify.

The RESP Expires

Although the Registered Education Savings Plan expires **31 years after opening**, the funds can be **withdrawn until the 35th year of the contract**.

At this time, you will have several options. For example, under certain conditions, you could transfer the RESP to another child who will attend post-secondary education.

The RESP Is Closed

Regardless of the reason for closing an account, you will not necessarily lose everything: the amount you have invested could be returned to you under certain conditions¹.

However, the amount in **government grants** will have to be **repaid**. In some cases, you could keep the accrued interest amount if you meet these three conditions:

1. The child is 21 years of age or older and is not eligible for EAPs
2. The person who opened the RESP is a Canadian resident
3. The RESP opening was completed at least 10 years ago

If these three conditions are met, you will be able to receive the interest by paying the corresponding tax.

You would also have the option of transferring it to an RRSP if the RRSP contribution room allows it.

1. Contributions are not always guaranteed. For example, contributions for IDEO+ RESPs are not guaranteed and will be refunded subject to investment risk.

The Child Decides Not to Continue After High School

If the child decides not to continue their education after high school, you could wait until you get closer to the deadline in case the child changes their mind.

Otherwise, you could transfer the RESP to another child or transfer your contributions to an RRSP, under certain conditions. You could also close the RESP.



The RESP:

The Ingenious Investment Vehicle

The Registered Education Savings Plan makes a concrete contribution to children's educational success while ensuring better financial stability once they begin post-secondary education.

Thanks to the generous grants the government offers, the beneficiary will receive a solid helping hand to begin studying the program of their dreams.

Open an RESP today to encourage your child's dreams of tomorrow!