

RESP: FREQUENTLY ASKED QUESTIONS

What are the specimen plan numbers for Mackenzie RESP accounts?

Family RESPs: 1005002

Individual RESPs: 1005003

Our child was born recently and we have not received a social insurance number (SIN). Can we still open an RESP account?

No. The SIN is a required piece of information of the beneficiary that is needed to open the account.

What is the 16/17 Rule?

The Canada Education Savings Grant Program has been designed to encourage long term savings for post-secondary education. Known as the “16/17 Year Rule”, it specifies that beneficiaries that are 16 and 17 years old will be eligible to receive CESG only if one of the following two conditions is met:

- A minimum of \$100 in annual RESP contributions must have been made in any four years (and not withdrawn) before the end of the calendar year the beneficiary turned 15. **OR**
- A minimum of \$2,000 in RESP contributions must have been made (and not withdrawn) before the end of the calendar year the beneficiary turned 15.

Are there limits on the amount of money that can be put into an RESP?

Yes, there is a lifetime limit of \$50,000 for each beneficiary for all RESPs. Although there are no annual limits for contributions on RESPs, the Canada Education Savings Grant will only be paid on the first \$2,500 of contributions (plus up to another \$2,500 if the beneficiary has CESG room carry forward from previous years).

How long does it take to receive CESG?

Mackenzie files contributions with HRSDC on a monthly basis. The HRSDC validation process may take up to 6 weeks; however, any applicable CESG is typically paid into the RESP within 4 weeks of filing.

Can one child be the beneficiary of more than one RESP?

Yes, there is a lifetime limit of \$50,000 for each beneficiary for all RESPs. Although there are no annual limits for contributions on RESPs, the Canada Education Savings Grant will only be paid on the first \$2,500 of contributions (plus up to another \$2,500 if the beneficiary has CESG room carry forward from previous years).

What documents are required to add a new beneficiary to an existing Family RESP?

Mackenzie requires:

1. A letter of direction signed by the account subscriber(s) requesting the addition of the new beneficiary. The following details of the new beneficiary need to be given on the request:
 - Name
 - Date of Birth
 - Social Insurance Number
 - Gender
 - Relationship to SubscriberPlease note the beneficiary must be under 21 years of age.
2. The HRSDC grant application form for the new beneficiary

What does blood relationship mean?

A blood relationship is that of a parent and child (or other descendants, such as a grandchild or a great grandchild) or that of a brother and sister. Blood relationship excludes that of uncle, aunt, niece, nephew, and cousin for CESG purposes.

Can an adoptive parent be a subscriber on an RESP account?

Yes, including legal adoption or adoption by fact (a child who is wholly dependent on, and in the custody and control of the “adopting” parent).

How are contributions allocated between the beneficiaries on a Family RESP account?

By default, all contributions into a Family RESP account are divided evenly between all beneficiaries under 31 years of age.

Where should the RESP transfer form be sent when transferring from another institution to Mackenzie?

The RESP transfer form should be sent to Mackenzie. We will complete Section B of this form and then forward it to the relinquishing institution on your behalf. If the RESP transfer form is not first submitted to the receiving institution to complete Section B of the form, the requested transfer will be delayed.

Can we transfer a Mackenzie Individual RESP to a Mackenzie Individual RESP for another beneficiary?

Yes. If both beneficiaries are siblings and the beneficiary on the receiving plan is less than 21 years of age the whole amount can be transferred.

If the beneficiaries are not blood related or the beneficiary on the receiving plan is older than 21, the amount transferred will be less the CESG, since the grant amount will be clawed back to HRSDC.

A letter of direction signed by the subscriber(s) is required to process a transfer to an existing account. If a new account is to be opened, please submit all required Mackenzie and HRSDC CESG application forms.

Can an RESP account with the grandparents as subscribers be transferred to an RESP account with the parents as the subscribers for the same beneficiaries?

Yes. Please submit a letter of direction signed by the current subscriber(s) requesting the transfer along with the appropriate Mackenzie RESP application and HRSDC CESG application forms signed by the new subscribers. A new account will be opened.

Are there any age restrictions to redeem money from an RESP?

No.

Are RESP contributions tax deductible?

No. RESP contributions, or any interest owed on money borrowed to contribute, are not tax deductible. However, any investment income earned within the RESP will grow free of tax until a beneficiary withdraws the funds to pay for their post-secondary education (an educational assistance payment “EAP”). When an EAP is received, it is taxed at the beneficiary’s marginal tax rate.

What happens when you over-contribute into an RESP?

Over-contributions (exceeding maximum \$50,000 lifetime contribution limit) to an RESP are subject to 1 per cent per month tax on the excess amount until it is withdrawn. The excess amount still counts against the lifetime limit even if it has been withdrawn.

What is an ESP?

An education savings plan (ESP) is an arrangement between the subscriber, who can be either:

1. an individual
2. an individual and their spouse or common-law partner
3. a public primary caregiver and a person or organization (the promoter).

The subscriber makes contributions that accumulate tax-free earnings. In return the promoter agrees to use the accumulated funds to pay or to cause to be paid educational assistance payments to one or more beneficiaries designated by the subscriber.