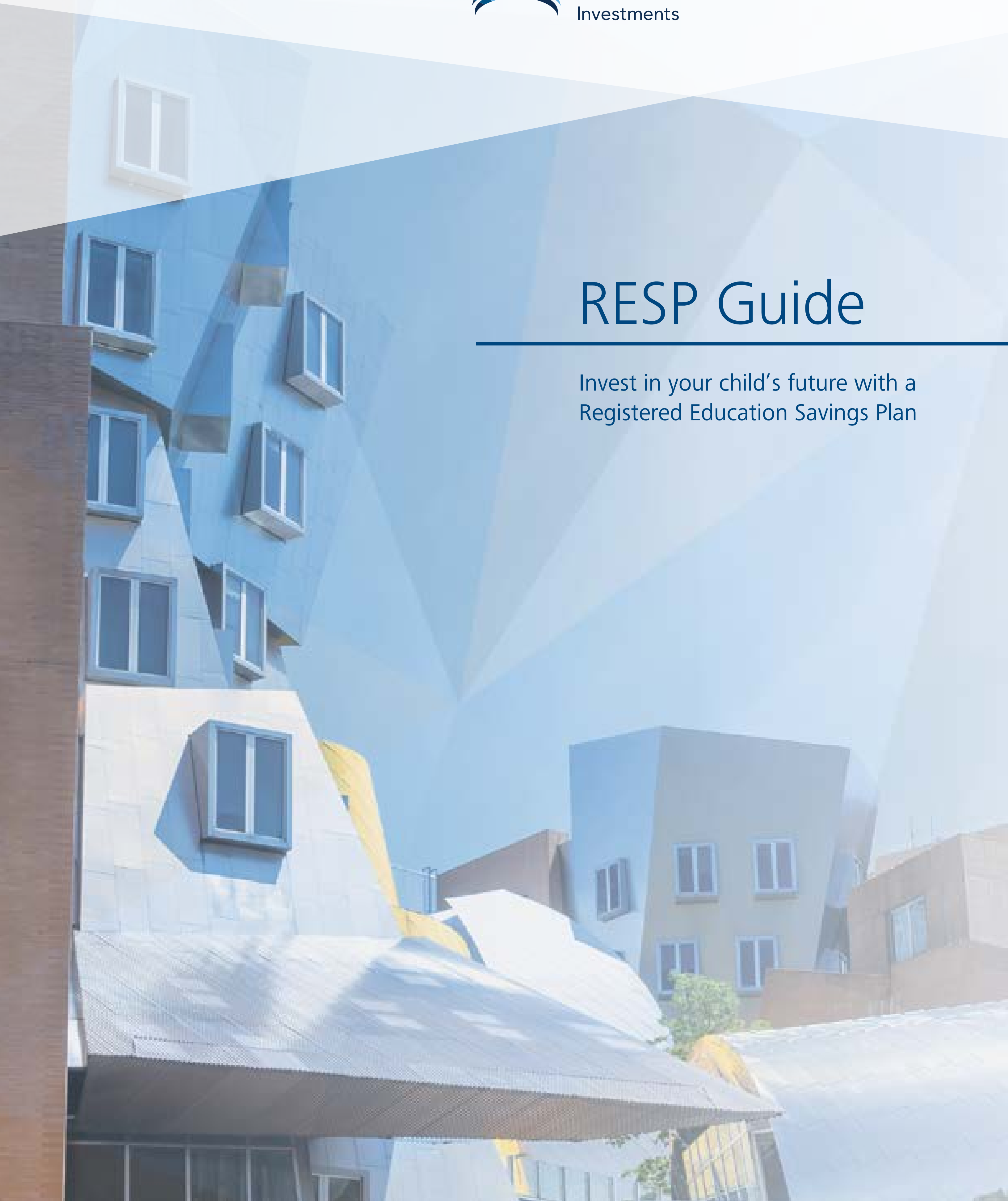
MACKENZIE Investments

CONFIDENCE IN A CHANGING WORLD

RESP Guide

Invest in your child’s future with a Registered Education Savings Plan



When your kids are young, it seems like post-secondary education is in the far-away future. But college and university are more important than ever, if we want our children to be successful.

And yet the cost of a post-secondary education keeps growing. In 2016/2017, the average annual under-graduate university tuition in Canada for a full-time student is expected to be $7,437, compared to $4,025 in 2003/2004.

Tuition and related fees are not the whole story. They represent only about one-third of the expenses that students face each year. Add in accommodation, food, transportation, books, computers, leisure, and the cost of a four-year postsecondary education could add up to more than $80,000.

But there is way to meet these rising costs. By setting aside education funds for your children now, you can help them earn a university or college degree and avoid the crippling debt many students are incurring.

Images: Ray and Maria Stata Center, Massachusetts Institute of Technology (MIT), Cambridge, Massachusetts.

RESPs

The best way to save for your children's education is to open a Registered Education Savings Plan (RESP).

An RESP is a special account that can help you save money for your child's post-secondary education. As a "registered" account (registered with the Canada Revenue Agency), money that you contribute to the plan gets to grow tax-deferred. However, you do not get a tax deduction from the contribution in the same way that you would from an RRSP.

Opening an RESP account is easy

1. Get a Social Insurance Number (SIN) for your child.
2. Decide what type of RESP account you want to open: a family plan or an individual plan.
3. Get an application from Mackenzie Investments and fill it out. Your financial advisor can help you with this.

There are two basic RESP plans to choose from

Individual plan
Single beneficiary
Anyone can contribute
Beneficiary can be of any age
Make contributions up to 31 years after plan is opened

Family plan
One or more beneficiaries
Beneficiaries must be related by blood or adoption to contributor
Beneficiary must be under age 21 at the time of inclusion in the plan
Make contributions until beneficiary is 31 years old

How much you can contribute?

As of 2007, there is no longer an annual contribution limit, so you can contribute any amount up to a lifetime maximum of $50,000 to each beneficiary's RESP. If you contribute more than this amount, you will be subject to a penalty of 1% per month on the over-contribution until the excess is withdrawn.

Now for the best part...

As an incentive to help you save for your children's education, the government offers the ***Canada Education Savings Grant (CESG)*** – a grant of 20% on the first $2,500 contributed to an RESP each year for a total of $500. If you invest a minimum of $2,500 per year, you would get the lifetime maximum grant of $7,200 over 15 years.

Studies show that children from families earning more than $100,000 are more than twice as likely to pursue university studies than those from families earning less than $25,000.

However, beginning in January 2005, the government enhanced the CESG to encourage lower-income families to save more. To accomplish this, the CESG provides an additional 20% on the first $500 for families with net incomes of less than $45,282 (2016 amount). For families with net incomes between $45,282 and $90,563, the additional grant is 10% on the first $500 of contributions.

If you contribute $2,500, the amount of CESG you will receive is set out below:

Net family income	Additional CESG	Basic CESG	Total
Below $45,282	First $500 x 20% = $100	$2,500 x 20% = $500	$600
$45,282 to $90,563	First $500 x 10% = $50	$2,500 x 20% = $500	$550
Over $90,563	First $500 x 0% = $0	$2,500 x 20% = $500	$500

In addition, the ***Canada Learning Bond (CLB)*** helps families of modest income save for children born after December 31, 2003. Families who receive the National Child Benefit Supplement would qualify for the initial CLB grant of $500, and $100 for each year of eligibility until the child is 15 years old.

Québec Education Savings Incentive (QESI) is a program made available to RESP beneficiaries who reside in Quebec. The incentive consists of a basic grant of up to $250 that is paid directly into an RESP opened with a financial institution that offers the QESI. Dependent on family income, up to an additional $50 per year can be added to the basic grant amount.

Saskatchewan Advantage Grant for Education Savings (SAGES) was introduced in Saskatchewan in 2013. SAGES will provide a matching grant of 10% of eligible contributions up to $250 per year or $4,500 lifetime per beneficiary. Applications now being accepted at Mackenzie Investments.

British Columbia Training and Education Savings Grant (BCTESG) was introduced in British Columbia in 2015. Eligible RESP beneficiaries will receive a one-time grant of $1,200. Applications will be accepted at Mackenzie Investments as of Fall 2016.

5 quick questions about the CESG

1. Who qualifies for the CESG?

A beneficiary is eligible for the CESG up to the end of the calendar year in which they reach age 17, have a Social Insurance Number (SIN) and are a Canadian at the time of the RESP contribution.

If a child is between the ages of 15 and 17, special rules will apply. In order to continue receiving CESG after age 15, certain contributions must have been made to the RESP by December 31 of the calendar year in which the child turns 15. They include: 1) Total contributions of at least $2,000, or 2) Annual contributions of at least $100 a year or more in any of the four previous years.

2. How do I apply for the grant?

All you need to do is complete the CESG application form and include the beneficiary's SIN. Mackenzie Investments submits the completed grant application form to Human Resources and Skills Development Canada (HRSDC) on your behalf. Remember, the government will not pay the CESG unless you request it, so make sure you complete the application form when you establish the RESP.

3. How is the CESG paid?

Mackenzie Investments submits the contribution information directly to the government. The grant is then paid directly to your Mackenzie Investments RESP.

4. How is the CESG invested?

Any CESG contribution to your Mackenzie Investments RESP is invested according to the investment instructions you provide when the RESP is set up. There are no additional investment restrictions on CESG money.

5. What happens if I don't maximize my CESG entitlement?

There is no longer an annual contribution limit so you can contribute as much as you want in any given year up to a lifetime limit of $50,000. However, only the first $2,500 will attract the $500 maximum annual CESG. If you contribute less than $2,500 in a given year, you will have unused CESG contribution room, which can be carried forward.For example, if you contribute $1,000 to your child's RESP this year, it will attract a $200 CESG ($1,000 x 20%), leaving $1,500 of unused CESG contribution room ($2,500 - $1,000). If you contribute $4,000 the following year, you will use up the contribution room carried forward from the previous years ($1,500), plus the current year's contribution room ($2,500), resulting in a CESG payment of $800 ($4,000 x 20%). The maximum annual CESG payment is $1,000 (contribution of $5,000) if you have unused CESG room from previous years. Therefore, if you contribute less than $2,500 annually for too many years, you'll lose some of your grant entitlement.

When it’s time to take money out

When your child is ready to attend post-secondary school, it’s time to start withdrawing from the RESP. Your child will need to provide proof of enrolment and complete a redemption form from the financial institution that holds the RESP.

There are two types of withdrawals that you can make. One is the Educational Assistance Payment (EAP) and the other is the Post-Secondary Education Capital withdrawal (PSE).

	EAP	PSE
What is it?	Withdraw growth on the principal; withdraw growth on the government grants; withdraw government grants	Withdraw from principal amount
Taxable?	Yes, student reports EAP as income	Tax-free
Limit on withdrawal?	Yes, see chart below	No limit
Other restrictions	Proceeds must be used for educational purposes only	Proceeds must be used for educational purposes only

Educational Assistance Payment (EAP) – Withdrawal restrictions

Full-time	Program is at least 3 weeks long; 10 hours/week	First 13 consecutive weeks After first 13 consecutive weeks	$5,000 maximum No limit
Part-time	Program is at least 3 weeks long; 12 hours/month	Each 13-week semester	$2,500 maximum

What if the beneficiary doesn’t pursue post-secondary education?

More than a decade ago, parents had to weigh their options before investing in RESPs. Back then, if the child did not pursue post-secondary education, you could get your original contribution back, but all the earnings in the RESPs were forfeited.

In 1998, the government introduced the following options to encourage parents and grandparents to begin education savings programs without fear of losing the funds altogether if the child did not go to university or college.

Here are your options if the beneficiary does not pursue a post-secondary education.

1. Wait a while

Your child may change his or her mind about going to school. RESP accounts can remain open for 36 years.

2. Choose a new beneficiary.

You can name an alternate beneficiary to receive the RESP income. In an individual plan, the new beneficiary can be anyone. But if the new beneficiary is not a sibling and under 21, the CESG must be repaid. In a family plan, the new beneficiary must be related by blood or adoption to the contributor. In this case, the CESG can be allocated to another beneficiary as long as the total CESG does not exceed $7,200. Otherwise, any excess grants must be repaid.

3. Roll over to RRSP.

You can defer the tax payable on the income withdrawal by rolling it directly into your RRSP or spousal RRSP, provided you have contribution room. The maximum rollover is $50,000 per contributor, so a husband and wife who are joint contributors to a family plan can each roll over up to $50,000 to their RRSPs.

4. Withdraw contributions.

Contributions made to the plan can be withdrawn at anytime on a tax-free basis. However, any grants paid on these contributions will be repaid to the government.

5. Withdraw earnings and growth.

In addition to the tax-free contributions that can be withdrawn from the RESP (option 4), you may also be entitled to withdraw the earnings and growth on the contributions plus the earnings and growth on the grants (the grants themselves are repaid to the government) if you meet certain conditions. This is known as an Accumulated Income Payment (AIP). You will qualify for an AIP if all current and previously named beneficiaries have reached the age of 21, are not attending a post-secondary institution and the RESP has been in existence for at least 10 years. An AIP is taxable at your marginal tax rate plus a 20% penalty tax.

6. Roll over to RDSP.

If the beneficiary becomes disabled, as of 2014, there is new legislation that will allow you to move the accumulated income to a qualified Registered Disability Savings Plan for the beneficiary. This can be done on a tax-deferred basis with no 20% penalty.

Top 5 RESP tips

1. Start early and make it automatic. Through Pre-Authorized Chequing programs (PACs), small amounts of money are automatically withdrawn from your bank account and invested on a regular basis. The money set aside in an RESP has the potential to grow and compound regularly
2. Talk to your financial advisor about the best plan for you. You can choose between an individual or family RESP. Any one child can be the beneficiary of an individual plan but a family plan can provide greater flexibility when it's time for education withdrawals.
3. Maximize your CESG amount. Try to contribute at least $2,500 a year to get the maximum grant. Also, take advantage of carry-forward CESGs if you contribute less in any one year. A total of $1,000 of CESG can be paid in any one year.
4. Don't withdraw your contributions from an RESP. If you take back your contributions before your child starts attending post-secondary school, a proportional amount of the CESG must be paid back and CESG contributions can be suspended for two years. Try to leave money in the RESP where it will grow to pay for your child's education.
5. Have a back-up plan in case your child doesn't attend university or college. Review the section on "What if your child doesn't pursue post-secondary education?" Some options are better than others depending on your circumstances.

Resources

CanLearn

www.canlearn.ca

This site is an excellent resource to learn about saving for a child's education. It is full of information about planning for post-secondary education, budgeting for school, applying for grants and scholarships and much more.

Association of Universities and Colleges of Canada (AUCC)

www.aucc.ca

The AUCC represents 95 Canadian public and private not-for-profit universities and university-degree level colleges. The site provides information on university affairs and advocacy, details on scholarships, including applications, plus research, news and success stories related to Canadian universities.

Your Money. Save it. Spend it. Protect it.

www.yourmoney.cba.ca

This site helps to educate students and young Canadians about budgeting, saving & investing, credit & borrowing and keeping money safe.

Youth Canada

www.youth.gc.ca

Go to this site and click on the link to Education. Here you'll find a wide range of great tools on life at university and after university. Find out about student housing, and get survival tips for eating well, spending less and getting good grades. Learn about student loans, co-op education programs, apprenticeships and more.

The content of this brochure (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.

This should not be construed to be legal or tax advice, as each client's situation is different. Please consult your own legal and tax advisor.

GENERAL INQUIRIES

For all of your general inquiries and account information please call:

ENGLISH	1-800-387-0614	
BILINGUAL	1-800-387-0615	
ASIAN INVESTOR SERVICES	1-888-465-1668	
TTY	1-855-325-7030	416-922-4186
FAX	1-866-766-6623	416-922-5660
E-MAIL	service@mackenzieinvestments.com	
WEB	mackenzieinvestments.com	

Find fund and account information online through Mackenzie Investments' secure InvestorAccess.
Visit mackenzieinvestments.com for more information.

1451865

MACKENZIE
Investments

RP5014 5/16