MACKENZIE Investments

RESP at a glance

A Registered Education Savings Plan (RESP) is a government-registered account designed to help families save for a child's post-secondary education, with government grants helping to boost savings.

Eligibility

Any Canadian resident with a valid Social Insurance Number (SIN) can be named as an RESP beneficiary, with no income requirement, including both children and, in some cases, adults.

Subscriber: opens and contributes to the RESP.
Beneficiary: receives funds for education.
Promoter: financial institution that administers the RESP.

Contributions

- Lifetime contribution limit: $50,000 per beneficiary.
- Overcontributions are subject to a penalty tax of 1% per month.
- No annual contribution limit.
- Contributions are not tax-deductible.
- Anyone can contribute (parents, grandparents, family members).

Government grants and bonds

The federal government supports RESP savings through the Canada Education Savings Grant (CESG):

- Matches 20% of annual contributions, up to $500 per year.
- Lifetime maximum: $7,200 per beneficiary.
- Lower-income families may qualify for additional federal funding through the Additional CESG and Canada Learning Bond programs.
- Some provinces also provide RESP matching grants to their residents.

Benefits of the RESP

- Government grants accelerate savings.
- Investments grow tax-free until withdrawn.
- Tax-efficient withdrawals in the student's hands, who typically pays little or no tax.
- Helps reduce the financial burden of post-secondary education.

Withdrawals

- Funds can be withdrawn when the beneficiary enrolls in a qualifying post-secondary program.
- RESP savings can be used for various educational expenses, including tuition, books and living costs.
- Withdrawals include:
  - Non-taxable: original contributions.
  - Taxable: grants and investment growth (taxed in the student's hands, often at a low rate).
- If the beneficiary does not pursue post-secondary education, options are available (conditions apply, including possible repayment of government grants).

Contact your financial advisor to learn more about an RESP or to open an account.

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