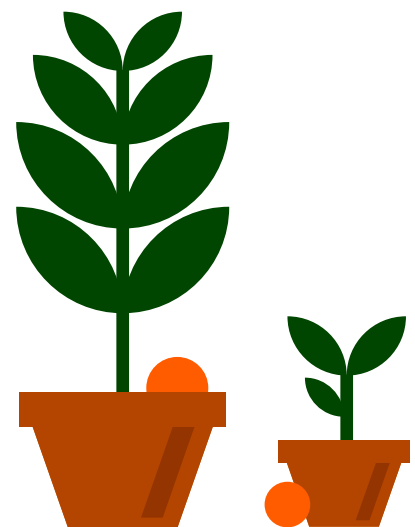


# The Justwealth Guide to **Registered Education Savings Plans**

»»»→ Smart Investing for Education



# Saving for your child's education can be one of the most rewarding investments that you can make.

In addition to opening doors to career paths and increased earning potential for your child, investments in a Registered Education Savings Plan may be eligible for a Canada Education Savings Grant for up to 20% of your annual contribution!



## RESP Basics

Paying for your child's education may be the second largest expense that you will incur in your lifetime next to the cost of purchasing a home. While the annual cost of education may vary greatly depending on the program chosen, province or country of the educational institution and the living expenses required, a reasonable current estimate could range from \$15,000 to \$25,000 per year

for a child living away from home attending a college or university in Canada. If your child will not be enrolling in post-secondary education for another 10 or more years, you can expect that the costs may be close to double the current estimates.

**To provide you with some background on Registered Education Savings Plans (RESPs), we have prepared some common questions and answers:**

### What is an RESP?

From a practical perspective, a Registered Education Savings Plan (RESP or "the Plan") is a tax-sheltered investment account used to help save for a child's post-secondary education.

post-secondary educational institution, proceeds from the RESP may begin to be paid out.

### How does an RESP work?

A subscriber (for example a parent) will open an RESP account and make contributions to the Plan. The subscriber will designate one or more beneficiaries to be the recipient(s) of the proceeds of the Plan. All contributions, government grants and investment income accumulate on a tax-sheltered basis within the RESP account. Upon enrollment in a qualifying program at a

### What if I have more than one child?

Subscribers have the ability to open up Individual RESP accounts or Family RESP accounts. Family plans allow subscribers to name more than one beneficiary in an RESP, but each beneficiary must be connected by a blood relationship or by adoption. One of the benefits of a family plan is that the proceeds can be allocated to the beneficiaries in any proportion that you wish, it does not have to be split equally. Individual plans may be used if there is only one beneficiary, or in cases where multiple beneficiaries do not qualify for a family plan.



## How can I qualify for a Canada Education Savings Grant (CESG)?

All eligible RESP beneficiaries up to age 15 qualify for a basic 20% government grant on contributions up to \$2,500 per year which equates to \$500. If there is unused grant room from a previous year, that amount can be doubled up to \$1,000. Beneficiaries aged 16 or 17 may only qualify for the CESG if contributions made in the year before attaining age 16 were at least \$2,000, or, if there have been at least four annual contributions of at least \$100 per year before attaining age 16. The lifetime limit of grant money paid to beneficiaries is \$7,200.

Some beneficiaries may qualify for additional annual CESG grant amounts of up to \$100 per year based on the level of net family income for a particular tax year. Please note that any additional grant amounts do not change the lifetime limit of \$7,200.

In addition to CESG grants, there are other incentives available from multiple government sources that can be used in conjunction with RESPs or education savings in general.

## How much can I contribute to an RESP?

Presently, there is no annual limit for contributions to RESPs. However, there is an annual limit for the amount that can be paid for a CESG. The lifetime limit for contributions for any single beneficiary is \$50,000. A penalty of 1% per month is payable for any excess contribution over the lifetime limit.

## How is the money paid out of an RESP?

Payments coming out of an RESP generally fall into one of three categories: a refund of the original contributions; educational assistance payments (EAPs); and accumulated income payments (AIPs). EAPs consist of any grant money or accumulated investment income that are paid out to beneficiaries. AIPs are any accumulated investment income payments that are paid out to someone other than the beneficiary (usually the subscriber).

## What are the tax implications of RESPs?

Contributions made into an RESP are not tax deductible, and when refunded, the contributions will not be considered taxable income whether they are paid to the beneficiary or back to the subscriber. EAPs are deemed to be taxable income to the beneficiary, which usually has minimal tax consequences. AIPs are included in the taxable income of the recipient and are also subject to an additional tax of 20% (12% for Quebec residents).

## What post-secondary institutions qualify for Education Assistance Payments (EAPs)?

Most Canadian post-secondary institutions qualify for EAPs, including universities, colleges, and private institutions. Many similar institutions outside of Canada also qualify. Employment and Social Development Canada (ESDC) maintains a list of qualifying institutions on their website (listed on the last page) and also has a toll-free number to call for clarification.

## What if my child does not attend a post-secondary institution?

If a beneficiary does not attend a qualifying post-secondary institution, you may be able to designate an alternative beneficiary whether it is an individual or family plan. This option allows you to keep the contributions, investment income, and CESG (up to maximum limits per beneficiary) within the RESP account. If an alternative beneficiary cannot be named, the subscriber's contributions can be refunded tax-free, the CESG and any other government grants must be repaid, and the investment income can be paid out as AIPs once a few conditions are met.

It may be possible to transfer the investment income tax-free to a Registered Retirement Savings Plan (RRSP) or a Registered Disability Savings Plan (RDSP). Alternatively, you may claim a deduction to your RRSP (or other approved registered pension plan) to reduce your taxable income and the amount subject to the additional tax on AIPs.

# RESP Investing at Justwealth

**Justwealth is the only investment manager in Canada that offers our innovative Education Target Date Portfolios:** a unique investment solution that transforms itself automatically over time, eventually “maturing” in the exact year that your child will begin post-secondary education.

Subscribers who open up an RESP account at Justwealth are entitled to all of the same benefits and privileges as other Justwealth clients. Every client has access to a dedicated Personal Portfolio Manager who will be able to provide financial advice, counselling, and oversee all investment activity in your private account.

## Justwealth Target Date Guide for 2019

Your Child's Year of Birth	Years to Enrollment*	Justwealth Education Portfolio
2001	Less than 1	Capital Preservation
2002	1	Target Date 2020
2003	2	Target Date 2021
2004	3	Target Date 2022
2005	4	Target Date 2023
2006	5	Target Date 2024
2007	6	Target Date 2025
2008	7	Target Date 2026
2009	8	Target Date 2027
2010	9	Target Date 2028
2011	10	Target Date 2029
2012	11	Target Date 2030
2013	12	Target Date 2031
2014	13	Target Date 2032
2015	14	Target Date 2033
2016	15	Target Date 2034
2017	16	Target Date 2035
2018	17	Target Date 2036
2019	18	Target Date 2037

\* Can be used as a reference in the event that your child does not plan on attending post-secondary education in the year that he or she attains age 18.



### Justwealth Education Target Date Portfolios

- Perfectly aligned with enrollment dates
- Solutions for Individual or Family Plans
- Cost-effective investing: a fraction of the cost of a mutual fund



Justwealth has constructed an 18-year investment plan defined by the chart below (called a glide path) which specifies the target asset mix for each year within the 18-year cycle.

## Justwealth Education Glide Path



The glide path emphasizes growth in the early years and smartly transitions over time to the Justwealth Capital Preservation Portfolio in the year that your child will enroll in a post-secondary institution. By investing according to the plan, your Portfolio will always be invested at a risk level that is appropriate for the time remaining to enrollment.

Other RESP investment programs that do not have an asset mix that changes over time, or have a maturity date that does not coincide with the year of your child's enrollment, may not maximize your investment potential or may be exposed to undue market risk near the time of enrollment.

## Ready to Invest?

Before you can open up an RESP, you must have a valid Social Insurance Number (SIN) for the subscriber and any beneficiary. To learn more about how to obtain a SIN, please visit the Service Canada website (listed below).

To open up an RESP account at Justwealth, simply begin by clicking on any Get Started button on our website at [justwealth.com](http://justwealth.com) and provide us with the required account opening information. There is no minimum amount required to open up an RESP account at Justwealth.

Once your account has been opened, your Personal Portfolio Manager can help you to transfer RESP assets from another financial institution, make a one-time contribution, or set up an automatic contribution plan.

**GET STARTED**

## Where can I find more information?

The Government of Canada maintains information on the following websites:

<https://www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings/resp.html> (English)

<https://www.canada.ca/fr/emploi-developpement-social/services/aide-financiere-etudiants/epargne-etudes/reee.html> (French)

To obtain a Social Insurance Number:

<http://www.servicecanada.gc.ca/eng/sc/sin/index.shtml>

To view the list of qualifying Post-Secondary Institutions:

<https://www.canada.ca/en/employment-social-development/programs/post-secondary/designated-schools.html>



## Contact Us

1 Yonge St., Suite 1801, Toronto, Ontario M5E 1W7  
1 866 407 JUST  
[support@justwealth.com](mailto:support@justwealth.com)

[justwealth.com](http://justwealth.com)

Justwealth Financial Inc. ("Justwealth") has prepared this document as a source of general information only and it is not intended to constitute financial, investment, accounting, legal or tax advice and should not be construed as such. The information contained in this document is believed to be reliable and accurate at the time of publication, however, Justwealth does not guarantee that the information is accurate, complete or current. Please consult an appropriate professional to address any personal circumstances and considerations that you may have before making an investment based on the content contained in this document.