

# RESP guide



Get schooled in RESPs.

# Rock the RESP

## A lesson in “smart investing”

Now that the kids are back to school, it’s a perfect opportunity to reflect on how you can make a lasting and rewarding contribution to the futures of the little ones in your lives.

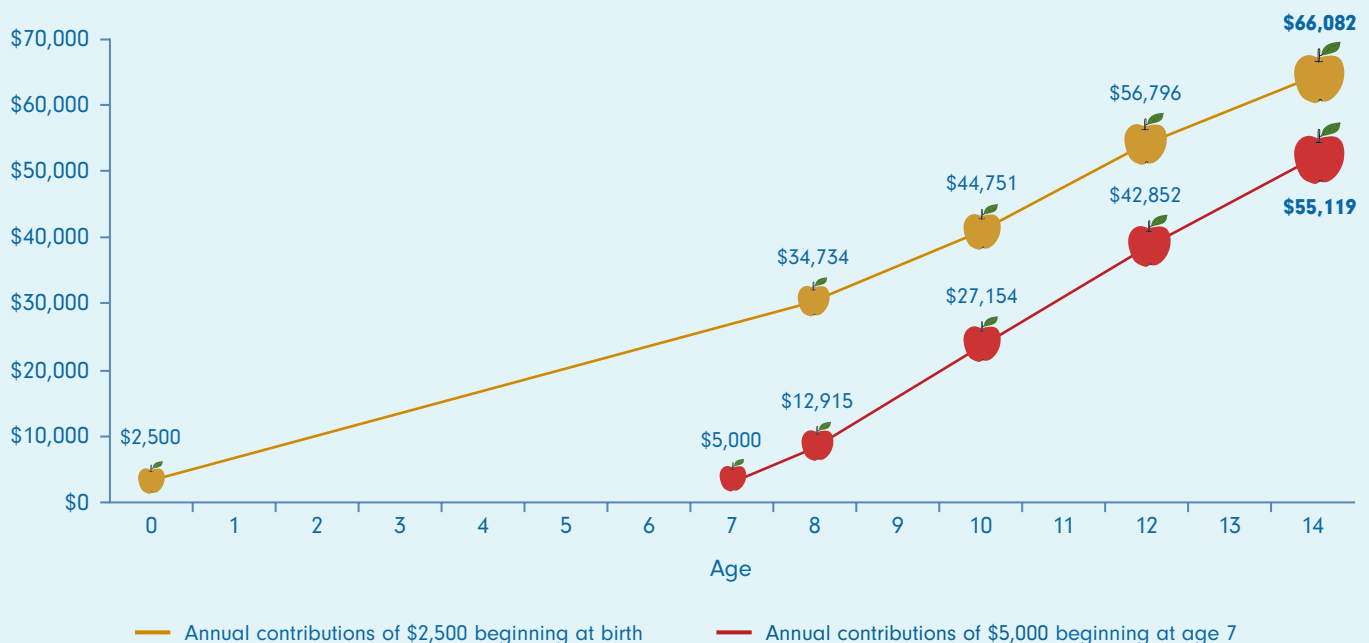
The first rule of being a star uncle/aunt/grandparent/parent’s best friend? Think about tomorrow, not today. Put your money in an RESP.

It will make a big impact on a child’s future, and give them the financial boost they need when it’s time to pay for tuition, residence fees and textbooks.

The kid in question won’t be the only one thanking you. Their parents will love the extra help toward their little one’s future while they’re already budgeting for camp, pop star birthday parties and skating lessons.

Consider this: The current average cost of tuition in Canada ranges between **\$3,000** and **\$10,000** per year.<sup>1</sup> You can take a chunk out of that price by setting up an RESP, where there’s money to be made on your contributions with top-ups from government grants and potential gains from investment earnings.

### THE BENEFITS OF SAVING EARLY<sup>2</sup>



<sup>1</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/210908/dq210908a-eng.htm>

Data presented from the annual survey of Tuition and Living Accommodation Costs (TLAC). The survey covers all public degree-granting institutions (universities and colleges) in Canada. The survey was administered from April to June 2021 and data cover the 2021/2022 academic year.

<sup>2</sup> Fidelity Investments Canada ULC. Chart depicts the hypothetical market value growth of an annual \$2,500 contribution at ages 0-14 and \$5,000 contribution at ages 7-14, respectively. A 5% annual rate of return is assumed. Under both scenarios, total lifetime contribution is \$35,000 and CESG grant is \$7,200. The rate of return shown is used to illustrate the effects of the compound growth rate and is not intended to reflect future values of a fund or returns on investment in any fund.

# Stats and facts

Getting a higher education comes at a high price, which is why an RESP is the #bestgiftever

## DID YOU KNOW THAT...?

Whether it's graphic design or pre-med, the bill for any postsecondary program in Canada is ranked among the highest in the world.<sup>3</sup>

**\$17,200**

The amount that annual tuition is expected to cost by 2035 (an increase of **153%**)<sup>4</sup>

**93%**

The percentage of Canadians who say they would pursue higher education if it were free<sup>5</sup>

**\$25,000**

The amount of average debt that **53%** of university graduates with a bachelor's degree are expected to have at the start of their careers<sup>6</sup>

**\$14,090**

The average tab for on-campus residence and a mandatory meal plan in Toronto for 8 months<sup>7</sup>

**53%**

The number of Canadian families with an RESP<sup>8</sup>

<sup>3</sup> <https://www.oecd-ilibrary.org/sites/b35a14e5-en/1/3/4/2/index.html?itemId=/content/publication/b35a14e5-en&csp=9689b83a12cab1f95b32a46f4225d1a5&itemGO=oecd&itemContentType=book>

Canadian Education at a Glance report, 2021. Education at a Glance is the authoritative source for information on the state of education around the world. It provides data on the structure, finances and performance of education systems across OECD countries and a number of partner economies.

<sup>4</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/180905/1001b-eng.htm>

Projections based on data from Statistics Canada, Percentage increase in average tuition fees for Canadian full-time students, 2018-2019.

<sup>5</sup> [https://www.caut.ca/latest/2019/07\\_new-polling-shows-canadians-believe-post-secondary-education-and-so-should-our-federal-political-parties](https://www.caut.ca/latest/2019/07_new-polling-shows-canadians-believe-post-secondary-education-and-so-should-our-federal-political-parties)

From a national survey conducted by Abacus Data for the Canadian Association of University Teachers (CAUT). The survey was conducted online with 1,500 Canadian residents aged 18 and over, from April 24-30. The data were weighted according to census data to ensure that the sample matched Canada's population according to age, gender, educational attainment and region.

<sup>6</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710020001>

From Chart: National Graduates Survey (NGS), Student debt of postsecondary graduates from all sources, by province of study, level of study, field of study and sex.

<sup>7</sup> <https://dailyhive.com/toronto/cost-to-survive-toronto-university-student>

Average cost of a student residence room with a meal plan in 2018 is \$14090.34, based on the writer's survey of Toronto universities and their fees.

<sup>8</sup> <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2022005/article/00003-eng.htm>

Recent trends in Registered Education Savings Plan holdings by income, immigrant status, Indigenous identity and province.



# How much to give

## Saving for the education of a special kid in your life doesn't have to mean footing the entire bill

An RESP pays for more than tuition, which is why any gift can do the trick, whether it's **\$100** for every birthday or **\$10** a month until he or she turns 18. You will help lessen the load and a future student loan by pitching in for any costs related to post-secondary pursuits, like snacks for the late-night study session, a faster laptop to run the lab software or a monthly bus pass to help get to class.

And here's the really good news: Your money might multiply! Your contributions earn a **20%** deposit from the Canadian Education Savings Grant (CESG). The grant provides up to **\$500** per year and gets capped at **\$7,200** per student.

Plus, the Canada Learning Bond (CLB) lends a hand to low-income families, up to a **\$2,000** lifetime maximum per child. If you happen to live in British Columbia, Alberta, Saskatchewan or Quebec, there are provincial grants available as well.



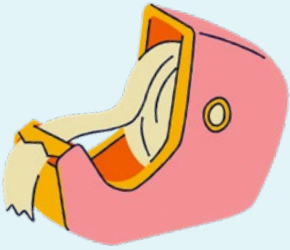
### CESG TIP

To collect the Canadian Education Savings Grant, contributions must be made before a student turns 17 (with some conditions), and the RESP has to be opened by the time the student turns 15.





# How to give



## OPTION A

High-five life's big moments and share them with their parents or guardians who can deposit your gift in an existing RESP. Giving is easy when you make contributions for birthdays or to celebrate their first STEM project or a standing ovation at the school play.

## OPTION B

You can also choose to open an RESP on a lucky kid's behalf. With an individual account, the student doesn't have to be a blood relation, so feel free to spoil your best friend's daughter or your stepson's new baby. But if you decide to give to siblings to whom you are related (by DNA or adoption), consider a family account. All beneficiaries will share your contributions and their earnings, and you might even nix sibling rivalry (fingers crossed).

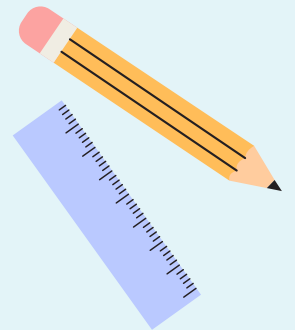


## TALK TO THEIR PARENTS

Either way is generous (and oh-so-smart); just let the parents or guardians know how much you will be pitching in so they can plan their budget alongside yours. With your help, it will make it easier for them to score the maximum yearly grant, which requires a contribution of **\$2,500** per year.

## GET EXPERT ADVICE

If you're thinking about giving a lump sum, ask an advisor to shape up your investment for the long haul. For example, CESGs are doled out to a maximum of **\$500** per year, so if you deposit the lifetime limit of **\$50,000** right away, you will only receive one year's worth of the grant, and potentially lose out on thousands of extra dollars in the future.



## CHECKPOINT

There's plenty of time to give. Whether the kid in your life is a baby, a tween or a teen, you can open an RESP on their behalf and see your savings grow for their future.

# The fine print

## DON'T FORGET THE DEADLINE.

You have until December 31 to take full advantage of the CESG. Remember, you can get up to **\$500** (lifetime maximum of **\$7,200**) for every year you contribute **\$2,500**. If you happen to miss a year, you can receive a maximum annual grant of **\$1,000**.

## IT'S NEVER TOO LATE TO START GIVING.

RESPs have a long life: They can stay open for up to 36 years, and contributions can be made for 31 years. So if your student wants to take a break before starting postsecondary education, he or she can. Kids with a disability get extra time to kickstart their next steps and grow their individual RESP. Contributions can be made for up to 35 years, and their account can remain open for up to 40 years.

## NO SCHOOL? NO PROBLEM!

Some teens want to jump straight into life and pick up skills outside of a postsecondary program. If so, there are options where your money can still make a difference. You can transfer your contributions to a sibling in a family account or to your own RRSP (with some restrictions) and win a welcome cash flow for retirement.

## IT'S OKAY TO SKIP CONTRIBUTIONS.

If you didn't max out contributions to receive the CESG in a given year, there's no need to stress out about missing the government top-up. Simply catch up the following year. For example, you can deposit \$5,000 instead of \$2,500 for your student.



### DID YOU KNOW?

Your future student is getting a break. Once they're enrolled in their chosen post-secondary program, your original contributions are withdrawn tax-free.



# Speak to a pro

**Financial advisors are RESP know-it-alls:  
they've got the intel to help you  
grow your contributions and grants**

If you start investing when a lucky kid is only a few months old, an advisor can help you pick long-term growth opportunities. Translation? They'll brush you up on high-return investments. You can also learn more about target funds, which work to reduce the market risk as your child approaches high-school graduation.

If your student is already in high school, ask about low-stress investments such as money market funds or bond funds. With fixed rates of return, you'll gain welcome increases with little or no risk of losing money. When you're ready to open an account, share your student's goals with a financial advisor so you're sure the RESP will give back as much as you do.



#### **INVESTMENT TIP**

Giving more than the \$50,000 RESP lifetime limit? Consider contributing to your own TFSA that will grow tax-free.

For more information on investing in RESPs, please visit [fidelity.ca](https://www.fidelity.ca)





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