



# Registered education savings plans (RESPs)

## 2016 Quick Reference Card

This *InfoCard* contains summary data regarding RESPs. For a text version of this material, including detailed explanation of rule application, exceptions and examples, please refer to our full *InfoPage*, also entitled *Registered education savings plans (RESPs)*.

### RESP highlights

#### Subscriber

- Individual who enters into an RESP contract and names the beneficiary of intended contributions

May also be:

- Government agency, as caregiver of a beneficiary
- Joint only with spouse or common-law partner
- Named replacement, on original subscriber's death
- Estate of deceased subscriber
- Past spouse/partner, on relationship breakdown

#### Beneficiary(ies)

- The person who will be attending post-secondary education (or persons in the case of a family plan)
- For Invesco plans, this is the Educational Assistance Payment payee
- If a beneficiary does not enroll in a qualified program, rules may allow a substitute beneficiary, but individual and family plan rules vary
  - Grants may be repayable at substitution

#### Plan duration

- Contributions are allowed until Dec. 31 of the 31st year after inception year
- Plan to be closed by Dec. 31 of the 35th year after inception year
- *Specified plan* – If a beneficiary qualifies for a disability tax credit in the 32nd year of the plan, the contribution and closing dates may be extended as much as five years

#### Contributions

- Contributions may be made by the subscriber
  - \$50,000 lifetime limit per beneficiary
  - No annual limit (as of 2007)
- Contributions are not tax-deductible
- Overcontributions are subject to a 1%/month penalty tax
  - Withdrawal of overcontribution reduces penalty tax, but still counts against \$50,000 lifetime limit

#### Government-matching grants and tax support

- Canada Education Savings Grant (CESG)
  - Basic
  - Additional
- Canada Learning Bond (CLB)
- Quebec Education Savings Incentive (QESI)
  - Basic
  - Increase
- Saskatchewan Advantage Grant for Education Savings (SAGES)
- British Columbia Training and Education Savings Grant (BCTESG)

See reverse for detailed explanation of programs.

#### RESP

*Income and growth in the plan is tax-sheltered*

#### Individual plan

- Beneficiary may be unrelated to the subscriber (no age restriction) or may be the subscriber personally

#### Family plan

- Beneficiaries related to subscriber and under age 21
- All beneficiaries must be siblings of each other to receive Additional CESG, CLB, QESI Increase, SAGES or BCTESG

#### Educational Assistance Payments (EAPs)

- Must attend a qualifying full- or part-time program
- Full time<sup>1</sup> – 10 hours/week for three consecutive weeks (13 outside of Canada)
  - \$5,000 limit during the first 13 weeks
- Part time – 12 hours/month for three consecutive weeks (13 outside of Canada)
  - \$2,500 limit in each 13-week period
- Part of each EAP is attributed to grants, based on the ratio of grants to total investment earnings
- Income and grants are taxed to the beneficiary
- The CESG portion of a beneficiary's EAPs combined cannot exceed \$7,200. A beneficiary will be required to repay excess amounts
- The QESI portion of a beneficiary's EAPs combined cannot exceed \$3,600. A beneficiary will be required to repay excess amounts

#### Refund of contributions

- May be taken at any time, received tax-free by a subscriber or directed to anyone by the subscriber
- If no beneficiary is eligible for an EAP at the time:
  - Between 20% and 40% of withdrawn amount is repayable, to the extent of CESGs received
  - For current year plus two calendar years, one is disqualified from:
    - Additional CESG
    - For refund of pre-1998 contributions, Basic CESG (and no room is accumulated)
  - Provincial support may also be repayable

#### Accumulated Income Payments (AIPs)

- Canadian resident only
- AIP fully taxable to subscriber, plus 20% penalty
  - Withholding tax of up to 50%
  - May shelter up to \$50,000 with RRSP room
- Qualified if all beneficiaries are over age 21 and ineligible for EAP (plan in place for 10 years) OR all beneficiaries are deceased OR payment is in the 35th year after inception date
  - Otherwise, income is forfeited to a designated institution
- Rollover to RDSP for a beneficiary available as of Jan. 1, 2014
- RESP to close before March 1 of the following year

## Canada Education Savings Grant (CESG)

### Basic entitlement

- Matches 20% of subscriber annual contributions
- Basic annual room of \$500
- Maximum annual grant, including carryforward of \$1,000
- Lifetime maximum of \$7,200

### Additional entitlement

- If family net income (FNI) is less than \$45,282, extra 20% on first \$500 contribution, OR
- If FNI is between \$45,282 and \$90,563, an extra 10% on first \$500 contribution

### Limits – Ages 16 and 17

CESG available for 16- and 17-year-olds only if:

- a minimum of \$2,000 of contributions has been made, and not withdrawn, to RESPs in respect of the beneficiary before the calendar year in which the beneficiary was 16 years of age; or
- a minimum of \$100 of annual contributions has been made, and not withdrawn, to RESPs in respect of the beneficiary in any four years before the calendar year the beneficiary was 16 years of age.

### Basic CESG carryforward room

Historic period	1998-2006	2007-present
Basic CESG annual room	\$400	\$500
Contribution required for Basic CESG annual room	\$2,000	\$2,500
Basic CESG annual limit	\$800	\$1,000
Contribution required for Basic CESG annual limit	\$4,000	\$5,000

## Canada Learning Bond (CLB)

- For a child whose primary caregiver is entitled to the National Child Benefit (NCB) supplement
- No personal contributions required
- For children born on or after January 1, 2004, \$500 deposited direct to RESP for the first year of eligibility
- Annual \$100 payment, so long as NCB qualification continues, up to the year the beneficiary attains age 15

### Potential CESG and CLB, by 2015 family income

	Up to \$45,282	\$45,282 to \$90,563	Over \$90,563
<b>CESG</b>			
■ Basic	\$500	\$500	\$500
■ Additional	\$100	\$50	–
<b>CLB</b>			
■ Initial/annual	\$500/\$100	–	–
<b>Total potential</b>	\$1,100/\$700	\$550	\$500

### History of RESP contribution limits

Year(s)	Annual	Lifetime
Pre-1990	–	–
1990-1995	\$1,500	\$31,500
1996	\$2,000	\$42,000
1997-2006	\$4,000	\$42,000
2007-present	–	\$50,000

### AIP withholding-tax rates (includes penalty tax)

Amount	General	Quebec
Up to \$5,000	30%	41%
\$5,001 to \$15,000	40%	46%
Over \$15,000	50%	51%

## Provincial support

### Quebec Education Savings Incentive (QESI)

- Quebec resident child (under 18) at year-end, with a Social Insurance Number
- Refundable tax credit matches 10% of net annual contribution, to \$250 maximum
- Paid directly into RESP, generally in the year after related subscriber contribution
- Unused accrual recoverable to annual maximum of \$250 (again, matching is required)
- Lifetime maximum of \$3,600, and the CESG ages 16 and 17 limiting rules apply
- QESI has the Basic and Increase that mirrors CESG Basic and Additional
- If FNI is less than \$42,390, an extra 10% on the first \$500 contribution, or if FNI is between \$42,390 and \$84,780, an extra 5% on the first \$500 contribution

### Saskatchewan Advantage Grant for Education Savings (SAGES)

- Grant available on 10% of annual RESP contributions
- Basic annual room of \$250, maximum of \$500 with carryforward room
- Lifetime maximum of \$4,500, and the CESG ages 16 and 17 limiting rules apply
- RESP beneficiary must be a resident of Saskatchewan
- RESP contributions must be made on or before December 31 the year the RESP beneficiary turns 17 years of age
- RESP beneficiaries must be siblings of each other in Family RESPs

### British Columbia Training and Education Savings Grant (BCTESG)<sup>2</sup>

- No RESP contributions are needed to receive this one-time grant of \$1,200
- RESP beneficiary must be born on or after January 1, 2006<sup>2</sup>
- Beneficiary and custodial parent or legal guardian must be residents of B.C.
- RESP beneficiaries must be siblings of each other in Family RESPs
- An application must be filed between the beneficiary's sixth and ninth birthday
- For beneficiaries with birthdates from January 1, 2006 to August 15, 2009, an extension has been provided:
  - For beneficiaries born from January 1, 2007 to August 15, 2009, the application must be completed and submitted between August 15, 2015 and August 14, 2018
  - If the beneficiary is born in 2006, the first day to apply will be in late 2016 and must be completed and submitted by August 14, 2019<sup>3</sup>

<sup>1</sup> A qualifying educational program consists of at least 10 hours per week of courses for at least three consecutive weeks' duration in Canada and three consecutive weeks for students enrolled at a university outside of Canada on a full-time basis. The course length must be 13 consecutive weeks for a school outside of Canada that is not a university. <sup>2</sup> On February 16, 2016, the Government of British Columbia announced that it was extending the eligibility criteria for the BCTESG to children born on or after January 1, 2006. The change in eligibility received Royal Assent on March 15, 2016. <sup>3</sup> As Employment and Social Development Canada (ESDC), in collaboration with the Government of British Columbia, seeks to implement the amendment, RESP providers are instructed to not accept any application forms for the 2006 cohort at this time. ESDC will inform RESP providers as to when they may start accepting application forms.

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