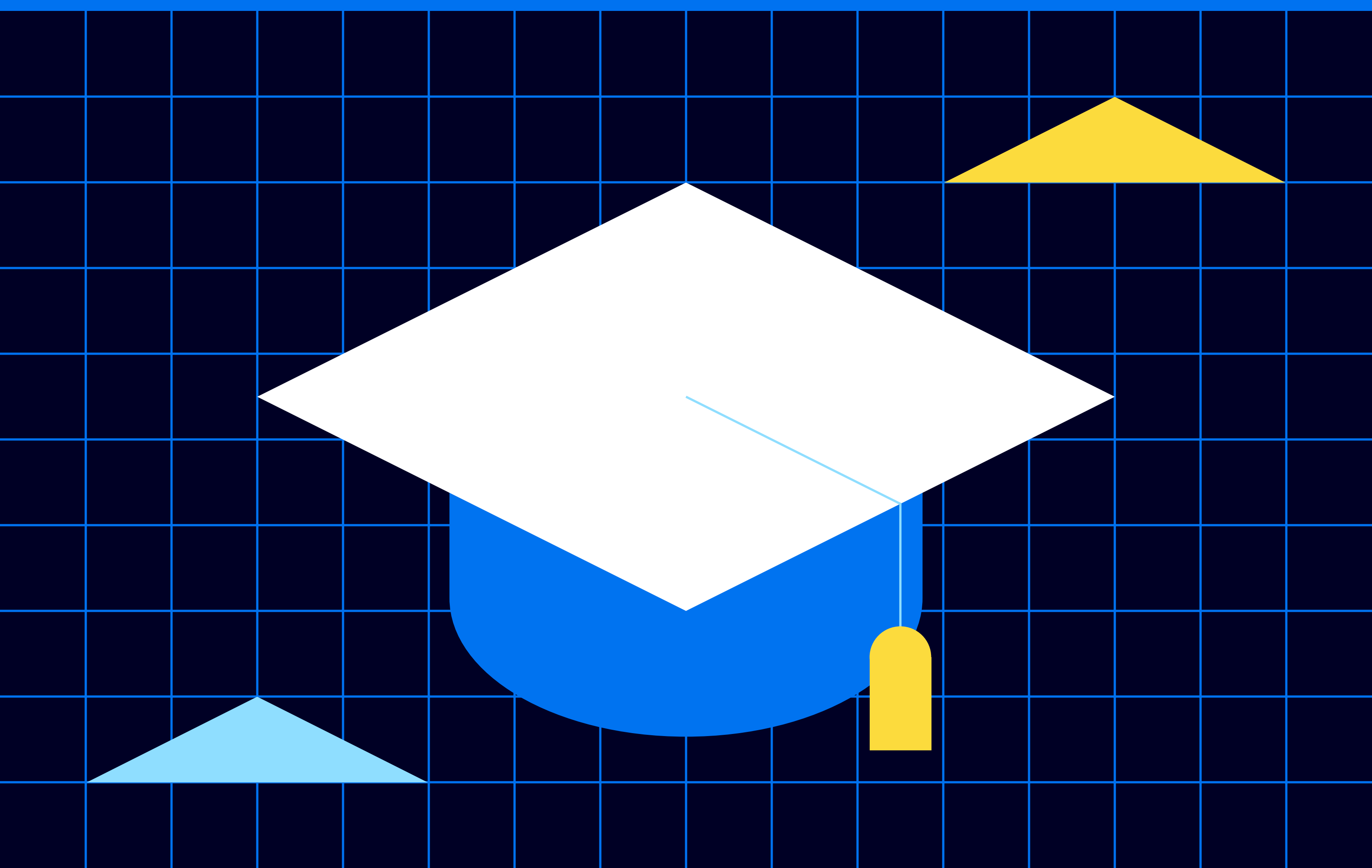
ATB WEALTH

REGISTERED EDUCATION SAVINGS PLAN

2025 Reference Guide



The Registered Education Savings Plan (RESP) is a registered account that provides the opportunity and incentive to save for the post-secondary education of its beneficiaries.

In addition to your own contributions made to the account, the federal government will also deposit the Canada Education Savings Grant (CESG) and, if eligible, the Canada Learning Bond (CLB) into your RESP. These government incentives as well as earnings within the account are sheltered from tax until withdrawals are made, typically for the purpose of financing the post-secondary education of the beneficiaries of the plan.

Throughout this guide we will discuss the intricacies of saving for a child's education as well as the financial planning and tax considerations that a subscriber needs to be aware of throughout the life of the plan.

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RESP AGE MILESTONES AND AMOUNTS

$50,000

Lifetime contribution limit per beneficiary.

$7,200

Lifetime maximum CESG (Canada Education Savings Grant) per beneficiary.

$2,000

Lifetime maximum CLB (Canada Learning Bond) per beneficiary.

$7,360[1]

Average annual tuition fee for an undergraduate university program in Canada for 2024/2025. This amount does not include costs for books, accommodation, food, etc.

Age 15

Beneficiaries from modest-income families are eligible for the CLB (Canada Learning Bond) until December 31 of the year they turn 15.

Age 17

Beneficiaries are eligible for the CESG (Canada Education Savings Grant) until December 31 of the year they turn 17, if sufficient contributions have been made before the end of the year they turned 15.

[1]*Statistics Canada. Table 37-10-0003-01 Canadian undergraduate tuition fees by field of study.*

ACCOUNT TYPES

There are various types of RESP accounts for families to consider as part of their financial plan. The main distinction between the types is the number of beneficiaries that are being saved for. In an individual RESP, there is only one beneficiary. In a family RESP, there are multiple beneficiaries, who must be related to each other. A family RESP allows for the sharing of the CESG and earnings in the RESP between beneficiaries. For example, if one beneficiary will not be pursuing a post-secondary education, the other beneficiaries could use the CESG earned by that beneficiary, however, no beneficiary is able to earn or access more than $7,200 in CESG. The CLB cannot be shared; it can only be used for the beneficiary it was paid into the RESP for.

A variation of the individual RESP is the specified plan. A specified plan is an individual RESP for a beneficiary that also qualifies for the disability tax credit (DTC). This type of plan extends the contribution period and wind-up date of the RESP. Later in the guide, we will discuss how education savings and long-term savings of an individual with a severe and prolonged disability can be optimized.

Individual Plan

- Single beneficiary
- Can earn CESG
- Can earn CLB

Specified Plan[2]

- Single beneficiary
- Beneficiary must qualify for DTC
- Can earn CESG
- Can earn CLB
- Extended contribution period and wind-up date

Family Plan

- Multiple beneficiaries (must be related)
- Can earn CESG (can be shared)
- Can earn CLB (cannot be shared)
- Allows sharing of CESG and earnings among beneficiaries

[2]ATB Wealth is not able to support Specified RESPs

SUBSCRIBERS

The subscriber is the individual who opens the RESP with the financial institution, names the beneficiaries and makes contributions. Joint subscribers are permitted:

- Where the subscribers are spouses or common-law partners; and
- Where the subscribers are both the legal parents of the beneficiary and are divorced or separated.

The type of plan will determine the requirement for a blood relationship of the subscriber(s) to the beneficiaries. In an individual RESP, there are no restrictions on who can be the original subscriber. Family RESP accounts, however, can only be opened by parents or grandparents. If an aunt or uncle or other individual wants to open an RESP, it must be an individual RESP.

BENEFICIARIES

The beneficiaries are the future students that the plan is created for and whose future education the funds are intended to save for. The beneficiary must be a resident of Canada at the time they are added to the RESP. Both the subscriber and beneficiary must have a social insurance number (SIN) and provide it to the financial institution when opening the RESP.

In the case of a family RESP with grandparents as subscribers, although all their grandchildren could be beneficiaries of the RESP, additional CESG and CLB will only be paid into the plan if all beneficiaries are siblings of each other. Only basic CESG is available when there are beneficiaries that are cousins.

CONTRIBUTIONS

Making early and frequent contributions to your RESP is the best way to ensure you reap the benefits of compound growth within your plan, and also take advantage of the government grants that your family may be eligible for. Contributions cannot be deducted from the contributor's income, nor can the interest from money borrowed to contribute to an RESP be deducted. Contributions are not permitted to an RESP following the end of the year that marks the 31st anniversary of the RESP. For a specified RESP, no contributions can be made following the end of the year that marks the 35th anniversary of the plan.

Contributions to a family RESP can only be made for beneficiaries who are under the age of 31 at the time of contribution. Although the age limit is 31 for contributions, it is important to understand that the contributions you make for a beneficiary will only attract CESG until the end of the calendar year that they turn 17 and CLB until the end of the year they turn 15. It is important to plan accordingly in order to maximize the government incentives that are paid into your RESP.

There are rules in place for contributions made for individuals turning 16 and 17. In order to receive CESG after age 15, prior contributions as indicated below must have been made (and not withdrawn) by December 31 of the year in which the child turned 15:

- Total contributions of at least $2,000, or
- Contributions of at least $100 a year or more in any four previous years.

Consequently, while an RESP can be opened for a 16 or 17 year old, there will be no CESG generated if the above contribution requirements have not been met. The same principle applies to an existing RESP, if the required prior contributions have not been met.

There is no longer a limit on the amount that can be contributed annually, however, the maximum contribution amount during a beneficiary's lifetime is $50,000. Although you are permitted to make a one time lump-sum contribution of $50,000, this will not maximize the CESG that is available.

Restrictions for contributions

Individual Plan
End of the year of the plan's 31st anniversary

Specified Plan
End of the year of the plan's 35th anniversary

Family Plan
Before the beneficiary's 31st birthday

Restrictions for grants/bonds

CLB
End of the year of the beneficiary's 15th birthday

CESG
End of the year of the beneficiary's 17th birthday

EXCESS CONTRIBUTIONS

If the $50,000 lifetime limit for a beneficiary is exceeded by the end of any month, there will be tax consequences for the subscriber on the excess contributions. The tax owed is equal to 1% of the excess contributions for each month that there is excess at the end of that month until the month the excess is withdrawn from the RESP. The tax is payable within 90 days after the end of the year in which there was an excess contribution. To calculate the amount of tax resulting from excess RESP contributions, **Form T1E-OVP, Individual Tax Return for RESP Excess Contributions** should be completed.

If the overcontribution is considered to result from a reasonable error, as determined by the Canada Revenue Agency (CRA), the subscriber's liability for these taxes may be waived. In order to be considered for a waiver or cancellation of the applicable taxes, a letter must be sent to the Registered Plans Directorate of the CRA.

EXAMPLE

Camille and her husband, Dietre, are joint subscribers for the RESP they opened for their son, Henry. Since 2016, Camille and Dietre have contributed a total of $40,000 to the RESP. After reviewing their financial plan, the couple decides that they want to accelerate their savings for Henry's education and set up an automatic monthly contribution to the RESP for $1,000 per month. Automatic contributions are a great way to consistently save for a beneficiary, however, if they do not end their automatic contributions after 10 months, they will exceed Henry's $50,000 lifetime contribution limit. The monthly contributions were stopped after 12 months resulting in an over-contribution of $2,000. Taxes of $20 for each month that this excess contribution remains in the RESP will result.

CANADA EDUCATION SAVINGS GRANT

While the advantage of early savings is the opportunity to benefit from compounded savings within your RESP, early contributions are also important to attract the maximum amount of CESG per beneficiary. There are two different forms of the CESG that are attracted to the account following contributions—basic CESG and additional CESG if your adjusted income is below the required threshold. These grants are provided by Employment and Social Development Canada (ESDC) in order to promote early and consistent savings to support the post-secondary education of the beneficiaries. If a beneficiary does not pursue post-secondary education, all CESG will be returned to the government.

Basic CESG

ESDC pays a grant equal to 20% of annual contributions that are made to an RESP for a qualifying beneficiary to a maximum of $500 annually per beneficiary ($1,000 if sufficient unused grant room from a previous year exists).

EXAMPLE 1

Robert and Michelle have just opened an RESP for their son, Graham, who was born in 2017. Graham could receive $500 in CESG for the current year and has accumulated an additional $4,000 in CESG carry forward room for each year since he was born ($500 × 8 years). The contributions required to generate maximum CESG for Graham are as follows:

Year	Current year CESG	Carry forward CESG	Total CESG	Contribution required to generate CESG	Cumulative CESG received
2025	$500	$500	$1,000	$5,000	$1,000
2026	$500	$500	$1,000	$5,000	$2,000
2027	$500	$500	$1,000	$5,000	$3,000
2028	$500	$500	$1,000	$5,000	$4,000
2029	$500	$500	$1,000	$5,000	$5,000
2030	$500	$500	$1,000	$5,000	$6,000
2031	$500	$500	$1,000	$5,000	$7,000
2032	$200	-	$200	$1,000	$7,200

In Graham's case, contributions of $36,000 over eight years will generate the maximum CESG available and he would still have $14,000 of available RESP contribution room. Robert and Michelle could make additional contributions up to that limit to maximize the tax-deferred savings available for Graham's post-secondary education.

EXAMPLE 2

Karen is the subscriber of a family RESP for her children, Rebecca and Stephanie (currently aged 13 and 17 respectively). Karen has been saving diligently since opening the RESP four years ago and has contributed $20,000 ($5,000 annually) for each of her children. This generated $4,000 in CESG for each beneficiary. Rebecca has just started university. Although she has only earned $4,000 in CESG, she will be able to use $7,200 of CESG by accessing $3,200 of the CESG earned by Stephanie. Karen will continue to contribute to the RESP and will be able to generate another $3,200 in CESG for Stephanie who will have $4,000 of CESG available when she attends post-secondary.

Additional CESG

Every qualifying beneficiary may also receive additional CESG dependent on adjusted income. Adjusted income is determined by adding together the net income (line 23600 on the income tax and benefit return) of the primary caregiver and their spouse or common-law partner minus any RDSP income received plus any RDSP amounts repaid.

The income thresholds for 2025 are illustrated below.

Adjusted income for 2024	CESG on the first $500 contributed each year	CESG on $501 to $2,500 contribution each year	Max CESG per year	Max CESG lifetime
Above $114,750	20% = $100	20% = $400	$500	$7,200
Between $57,375 and $114,750	30% = $150	20% = $400	$550	$7,200
Below $57,375	40% = $200	20% = $400	$600	$7,200

A $2,500 contribution will maximize the current year's CESG. If the adjusted income is:

- above $114,750, a $2,500 contribution generates $500 CESG
- above $57,375 and below $114,750, a $2,500 contribution generates $550 CESG
- below $57,375, a $2,500 contribution generates $600 CESG

An additional $2,500 contribution will generate maximum CESG carry forward from previous years. If the beneficiary has not accessed grants from a previous year, a $5,000 contribution would generate the maximum combined CESG (current year and carry forward).

Each beneficiary in an RESP is eligible to receive a lifetime maximum of $7,200 in CESG.

CANADA LEARNING BOND

Modest-income families are eligible to receive additional funds from ESDC in the form of CLB. There are no contributions required to generate the CLB. Eligibility is based on the number of children and the adjusted income of the primary caregiver. Once the RESP has been opened, a $500 bond will be deposited along with $25 to compensate for the cost of opening an RESP. Following the initial payment, $100 payments will be paid for each year of eligibility until the calendar year that the beneficiary turns 15 years old.

Each beneficiary is eligible to receive a total of $2,000 CLB in their lifetime.

Residents of Alberta are only eligible for the federal savings incentives that have been discussed in this guide, however, there may be additional incentives available in other jurisdictions.

$25

to cover opening costs

$500

initial bond payment

$100

yearly bond payments until the calendar year that the beneficiary turns 15

$2,000

lifetime maximum payments

TRANSFERS BETWEEN RESPS

The funds within an RESP are eligible to be transferred to another RESP with no tax implicatons assuming the beneficiary is the same in both plans. Similarly, there are no tax consequences if RESP funds are transferred from a beneficiary's RESP to the RESP of their sibling, as long as the receiving plan is:

- A family RESP, or
- An individual RESP that was entered into before the beneficiary was 21 years old.

To determine the deadline for when contributions must end, when Accumulated Income Payments (AIPs) can be paid, and the RESP's termination date, the receiving plan is deemed to have started on the earlier of either the day on which the relinquishing RESP or the receiving RESP was started.

The transfer must also meet the eligibility requirements for CESG and CLB. If an ineligible transfer occurs, then the lesser of either the combined value of the CESG and CLB of the relinquishing RESP or the fair market value of the relinquishing RESP must be repaid to the government.

In order for CLB amounts to be transferred, the relinquishing RESP and receiving RESP must have the same beneficiary and if there are multiple beneficiaries they must be siblings.

The transfer conditions for CESG are as follows:

- Both plans have the same beneficiary (or beneficiaries), or the transfer is from a beneficiary's RESP to the RESP of their sibling, as long as the receiving plan is:
  - A family RESP, or
  - An individual RESP that was entered into before the beneficiary was 21 years old.
- There are no cousins in the receiving RESP unless it is a family RESP and additional CESG was never paid into the relinquishing RESP.

EXAMPLE

Austin's grandfather would like to transfer funds from Austin's individual RESP to a family plan in which Austin is one of the beneficiaries. The receiving plan is a family RESP and the other beneficiaries are Austin's cousins. The relinquishing plan holds contributions and CESG; no CLB or additional CESG has been paid into the plan. Although there are cousins in the family plan, this is an eligible transfer.

CHANGING THE BENEFICIARY

If a beneficiary does not attend a post-secondary institution, a subscriber may wish to name another individual as a replacement beneficiary. Although this can be done, there are conditions that apply and changing the beneficiary of an RESP may create negative tax consequences. If you change the beneficiary in an RESP, the contributions for the former beneficiary would generally be treated as if they had been made for the new beneficiary on the date there were originally made. In other words, the contribution history of the former beneficiary would be added to the contribution history of the new beneficiary which could result in excess contributions and penalty tax.

The contribution histories will not be added together if one of the following conditions are met:

- The new beneficiary is the sibling of the former beneficiary and is under 21 years old; or
- Both beneficiaries are connected by a blood relationship or adoption to the original subscriber and both are under 21 years old

Blood relationship would include a child, grandchild or great-grandchild of the subscriber.

If the replacement beneficiary is anyone other than a sibling of the former beneficiary, and any CLB or additional CESG have been paid into the plan, all government incentives including basic CESG would have to be paid back to the government.

EDUCATION SAVINGS ROLLOVER

The Registered Disability Savings Plan (RDSP) is a long-term registered savings plan to assist people with disabilities save for their future financial security. Canadian residents who are the beneficiary of both an RDSP and an RESP have the option to elect, alongside their RESP subscriber, to transfer the earnings from their RESP to their RDSP in the form of an education savings rollover. In addition to the consent of the RESP subscriber, the beneficiary will also require the consent of the RDSP holder to process the rollover if they are not, themselves, the holder of the RDSP account.

This transfer will occur on a tax-deferred basis, but cannot occur prior to one of the following conditions being met:

- The beneficiary is, or is anticipated to be, unable to attend post-secondary education as a result of a severe and prolonged mental impairment.
- The RESP has reached its 35th anniversary.
- The RESP has reached its 10th anniversary and each of the beneficiaries in the plan has turned 21 years old and is not attending post-secondary and is otherwise ineligible to receive payments from the plan.

The CESG and CLB in the RESP will have to be paid back to the government and the RESP contributions will be refunded to the subscriber.

The earnings transferring from the RESP will reduce the beneficiary's RDSP contribution limit. Because of this, an RDSP beneficiary who has already fully maximized their RDSP lifetime contribution limit of $200,000 will not be eligible for an education savings rollover. Additionally, an RDSP beneficiary that will turn 60 in the year or is deceased is not eligible for the rollover provision. If the beneficiary has become ineligible to receive the disability tax credit (DTC), this will also preclude them from being eligible for the rollover. The education savings rollover to an RDSP will not generate any Canada Disability Savings Grants or Bonds.

The RESP must be closed by the end of February of the year following the transfer. If the RESP is a family plan that is to continue for the remaining beneficiaries, the values for the disabled beneficiary will have to be transferred to an individual RESP before being transferred to the RDSP.

To learn more about the features and eligibility for an RDSP, access our **RDSP Reference Guide**.

EXAMPLE

Adia is the subscriber of an RESP for her son, Kamal, and over the years has contributed $42,000. With grants received and earnings from investments within the plan, the balance of the RESP as of 2025 is currently $66,200. Kamal has a severe and prolonged mental impairment as determined and certified by his family physician and will not be pursuing post-secondary education. When Kamal was diagnosed, Adia applied for the DTC allowing her to open an RDSP for his benefit. After meeting with her financial advisor, Adia learned that Kamal is eligible for the education savings rollover, meaning she can transfer the earnings portion of the RESP on a tax-deferred basis to the RDSP. This transfer will reduce Kamal's available contribution room in his RDSP but will not generate any grants or bonds within the RDSP. The CESG will be paid back to the government and the contributions of $42,000 will be refunded back to Adia as the RESP subscriber.

QUALIFIED INVESTMENTS

There are a variety of investment options to consider once a contribution has been made to an RESP. You can hold many of the same investments in an RESP that you can hold in an RRSP.

Qualifying investments include:

Cash

Guaranteed Investment Certificates (GICs)

Certain shares of small business corporations

Mutual funds

Bonds

Securities listed on a designated stock exchange in Canada or internationally:

- Exchange-traded funds (ETFs)
- Stocks

The rules for investments that are not publicly traded are complex. Should you be considering such an investment, please consult your tax advisor.

Although foreign securities listed on a designated exchange are qualifying investments for an RESP, dividends paid on those shares may be subject to foreign withholding tax, with no tax treaty relief available. As a result, income from your foreign securities in your RESP may not be completely tax-deferred.

Ultimately, the type of investment you choose to hold in your RESP should reflect your specific situation, risk tolerance and time horizon. Your ATB Wealth financial advisor will be able to ensure your RESP investment choices are in line with your personal objectives.

WITHDRAWALS

During the life of an RESP, the payments received from the plan will generally be one of, or a combination of, the following:

- Refund of contributions
- Educational assistance payment (EAP)
- Accumulated income payment (AIP)

Each type of payment has a different set of rules that apply. These rules regulate when the payment can be made, to whom it is payable, the amount, and the taxation that is applied (if any). A chart summarizing these payments is provided below, followed by a more detailed explanation of each type of payment and some tips for efficient planning of RESP withdrawals.

	What is being withdrawn	When can it be requested	Who receives payment	Taxation	Additional information	
Refund of Contributions	Capital	Anytime	Subscriber	Not taxable	If a refund of contributions is made at a time when a beneficiary does not qualify for an EAP, grants and bonds are clawed back.	
		While beneficiary is qualified for an EAP	Subscriber	Not taxable	ATB Wealth refers to this as a "Post Secondary Withdrawal of Capital," (PSE Withdrawal of Capital). If a refund of contributions is made at a time when a beneficiary qualifies for an EAP, grants and bonds will NOT be clawed back.	These payments are often made in conjunction with one another.
Educational Assistance Payment	CESG, CLB & Earnings	While beneficiary is qualified for an EAP	Subscriber	Taxable to beneficiary. Reported in box 42 on T4A	Limit of $8,000 in first 13 weeks of full-time enrolment. Limit of $4,000 in first 13 weeks of part-time enrolment.	
Accumulated Income Payment	Earnings	When beneficiary no longer qualifies for EAPs. Additional conditions apply	Subscriber	Taxable to subscriber. Reported in box 40 on T4A	Regular income tax applied based on your total taxable income and an additional 20% tax applies, calculated on Form T1172.	

Refund of contributions	Anytime	Not taxable
EAP	While enrolled	Taxable to beneficiary
AIP	No longer enrolled	Taxable to subscriber

Refund of contributions

A refund of contributions is exactly that—the portion of the RESP value that represents the subscriber's original contributions. This payment can be made at any time and is a non-taxable payment. This type of payment is most often made in conjunction with a withdrawal of CESG, CLB and earnings at the time when the beneficiary is enrolled in post-secondary education.

When a refund of contributions is made when the beneficiary is not attending school, there are claw-back rules in place to ensure that the government incentives are not being abused. To discourage a subscriber from contributing to an RESP with the intent of generating grant money and then withdrawing their own contributions, CESG will have to be repaid to the government when a refund of contributions is made at a time the beneficiary does not qualify for an educational assistance payment as discussed on the following page.

Educational assistance payment (EAP)

An EAP is the amount paid out under an RESP that represents the income earned in the plan as well as the CESG and CLB. The EAP is taxable in the hands of the beneficiary, however, since the beneficiary is usually in a lower tax bracket, often little or no tax ends up being payable as a result of the EAP.

This EAP is intended to assist the beneficiary in attending a full or part-time educational program at a post-secondary institute. As long as the beneficiary qualifies for an EAP, the available proceeds can be used to cover the cost of tuition and other expenses (food, lodging, books, transportation, etc.) There is no requirement to provide receipts, however, proof of enrolment is required (discussed later in the guide).

The beneficiary would be entitled to receive EAPs if one of the following situations applies:

- The student is enrolled full-time in a qualifying educational program. This includes students attending a post-secondary educational institution and those enrolled in distance education courses, such as correspondence or online courses, provided by such institutions; or
- The student has attained the age of 16 years and is enrolled part-time in a specified educational program

There is also a six-month grace period that allows RESP beneficiaries to receive EAPs for up to six months after ceasing to be enrolled in a qualifying program, as long as the EAP payment would have qualified if it had been made before the enrolment ceased.

There is a maximum amount of EAPs that can be made to a student at the time they first qualify to receive them:

- For full-time studies, the maximum is generally $8,000 for the first 13 consecutive weeks of full-time studies in a qualifying educational program. After the student has completed the 13 consecutive weeks, there is no limit on the amount of EAPs that can be paid if the student continues to qualify to receive them.
  - If there is a 12-month period in which the student is not enrolled in a qualifying educational program, the $8,000 maximum will apply again.
- For part-time studies, the maximum is generally $4,000.

In other words, the beneficiary can receive a maximum of $8,000 of EAPs in their first 13 weeks of full-time study. After 13 weeks, the beneficiary can withdraw as much as needed. This $8,000 limit applies only to the EAP, not to the subscriber's original contributions. If more than $8,000 is required, additional withdrawals can be made through a refund of contributions. Alternately, the EDSC may approve the payment of an EAP in excess of these limits in response to a written request.

There is no maximum limit for EAP withdrawals (except during the first 13 weeks as noted above). There is, however, an annual threshold limit ($28,881 for 2025) above which financial institutions must determine if the request for an EAP is reasonable. Where total EAPs in the year are under $28,881, no documentation of the expenses is required to prove that the withdrawal was reasonable.

Full-time student → **$8,000 maximum for first 13 weeks**

Part-time student → **$4,000 maximum for first 13 weeks**

→ **Annual threshold limit of $28,881 as of 2025**

Accumulated income payments (AIP)

This form of payment is required to get the remaining earnings (income) out of the plan when the earnings have not been paid out in the form of an EAP. This could be the case if the beneficiary did not attend school or earnings are still remaining in the RESP after the beneficiary has finished school. Upon withdrawal, AIPs are fully taxable to the subscriber at their marginal tax rate and will be reported on a T4A. There will also be an additional 20% tax applied to the AIP.

Although the subscriber can withdraw their contributions at any time, there are rules that govern income withdrawals from the plan in the form of an AIP. Any one of the following three conditions must be met in order for a subscriber to receive an AIP:

- The payment is made after the year that includes the ninth anniversary of the RESP and each individual who is or was a beneficiary has reached 21 years of age and is not currently eligible to receive an EAP; or
- The payment is made after the year that includes the 35th anniversary of the RESP, unless the RESP is a specified plan in which case the payment is made after the year that includes the 40th anniversary of the RESP; or
- All beneficiaries under the RESP are deceased.

If the subscriber has RRSP contribution room available, they can reduce the amount of tax payable on the AIP by instead transferring the funds to an RRSP (subject to a lifetime maximum of $50,000).

The RESP must be terminated by the end of February of the year following the year in which the first AIP is made.

There is also an option to have the earnings in the RESP sent directly to a designated Canadian educational institution of the subscriber's choice. In this case, the subscriber does not pay tax on the earnings nor will they receive a donation receipt. As such, it is essentially a forfeiture of the income.

The individual receiving the AIP must be a Canadian resident at the time the AIP is made. If this is not the case, the investment earnings would have to be directed to a designated Canadian educational institution.

WITHDRAWAL PLANNING

Once the beneficiary qualifies for EAPs, it is important to plan the withdrawals to ensure the beneficiary receives all grants, bonds and earnings in the plan while making the best use of their personal tax credits and presumably lower tax bracket. Because there are conditions that must be met to access the grants, bonds and earnings (in a tax efficient manner), a common strategy is to maximize EAPs from the plan earlier rather than later.

If you know that the beneficiary will qualify for EAPs in future years, it is generally recommended that you withdraw an amount of EAP just under the amount that will result in taxes being payable by the beneficiary. This strategy is dependent on the amount of payment required each year and the number of years that the beneficiary's post-secondary education is anticipated to last. If additional proceeds are required, the withdrawal can be topped up with a non-taxable refund of contributions. By spreading the EAPs over the expected length of the program, taxable income will be kept lower, allowing assets to continue to grow on a tax-deferred basis.

To the contrary, if the program will only last one year, or if the future of the beneficiary's studies is uncertain, it may be prudent to receive all grants and earnings from the plan while the beneficiary still qualifies.

If maximizing the EAP withdrawal generates more income than necessary (within the annual EAP threshold limit), any excess can be invested in other investment accounts for future income needs. Although taxable to the beneficiary, EAP withdrawals are sent to the subscriber who then has the ability to distribute as necessary to the beneficiary.

It is important to understand how the withdrawal process works to ensure there are no unintended consequences when RESP withdrawals are made. The optimal EAP withdrawal for a given year will be unique to each beneficiary including factors such as their other sources of income, the current year's tuition and any tuition amounts that may have been carried forward from prior years. Individuals requiring further information should consult with a tax advisor.

Accessing the maximum CESG available is also a priority when planning RESP withdrawals. In the case of family RESPs, grants that were accrued by another beneficiary can be shared / withdrawn by another beneficiary of the plan. Each beneficiary, however, can only earn, or access $7,200 in CESG. Even with an individual plan, there is the ability to replace a beneficiary that is not attending post-secondary education with a sibling that is and transfer the grants accordingly.

To learn more about RESP planning, the cost of post secondary education and other financial resources that may be available for funding please refer to: **Education planning and RESPs** (A four step guide to maximizing your education savings).

DEATH OF THE BENEFICIARY

If the beneficiary passes away and was a member of a family plan, the RESP would continue with the remaining beneficiaries.

If the RESP was an individual plan and the beneficiary has passed away, the subscriber may be able to name a new beneficiary. Otherwise, the subscriber can close the plan and withdraw their contributions, CESG and CLB would be repaid to the government and the earnings could be withdrawn in the form of an AIP as one of the conditions for an AIP, the death of all beneficiaries, has been met.

DEATH OF THE SUBSCRIBER

There can be estate consequences associated with RESPs when there is not a joint subscriber.

If spouses or former spouses are joint subscribers, the surviving subscriber spouse would continue as the subscriber of the RESP. Otherwise, when the subscriber passes away, if a successor subscriber has not been named in the will, the RESP would become part of the estate. Although there are beneficiaries of the RESP, it is the beneficiaries of the the estate that become entitled to the proceeds in the RESP upon the death of the subscriber.

If there is no successor subscriber, the personal representative is obligated to ensure the RESP is used for the benefit of the heirs of the estate. If the RESP does not continue, the contributions would be paid out, CESG and CLB would have to be paid back to the government, and the earnings could be paid only when the AIP criteria (outlined above) have been fulfilled. Alternately, the earnings would be forfeited to a designated post-secondary institution.

If the subscriber wishes for the RESP to continue after their death, the subscriber should express their intentions in the will and designate a successor subscriber. Any person (including the estate of the deceased) who acquires the deceased's rights as a subscriber can continue with the RESP. In cases where no successor subscriber has been appointed, it may still be legally possible to preserve an RESP for its intended purpose by allocating the RESP to an estate beneficiary as part of their share of the estate.

Even if there is a joint subscriber on the account, it is prudent to have direction in your will to indicate what is to happen to the RESP in the event of the death of both subscribers.

NON-RESIDENCY OF THE BENEFICIARY

The beneficiary of an RESP account must be a Canadian resident with a valid SIN:

- To open an RESP
- For the subscriber to make contributions
- For the RESP to receive CESG and CLB

If the beneficiary of an RESP account becomes a non-resident, the account can be kept intact, but no further contributions can be made nor will CESG or CLB be paid. If the beneficiary moves back to Canada and re-establishes Canadian residency, contributions can again be made and grants will be paid on contributions. No grant room will be accumulated for the time during which the beneficiary was a non-resident.

The beneficiary does not have to be a Canadian resident to use the RESP funds for post-secondary education, however, a non-resident cannot receive the CESG and CLB amount from their RESP.
The earnings portion of the EAP would be subject to non-resident withholding tax and a refund of contributions can be withdrawn tax free.

An RESP beneficiary that maintains Canadian residency for tax purposes would have full access to the RESP funds to attend a post-secondary educational institution in Canada or outside of Canada.

NON-RESIDENCY OF THE SUBSCRIBER

The subscriber does not have to be a Canadian resident but they must have a valid SIN. A non-resident subscriber can open an RESP account, make contributions, have CESG and CLB paid into the plan and initiate withdrawals. If the subscriber is or becomes a non-resident, taxes may have to be paid to their country of residence on income earned and capital gains realized within the RESP.

A non-resident would not be eligible for an AIP. The earnings in the plan, if not used by the beneficiaries for an EAP, would have to be forfeited to a designated Canadian educational institution if the subscriber remains a non-resident.

RESP CONSIDERATIONS FOR US PERSONS

RESPs do not provide the same tax benefits under US tax rules as they do under the Canadian system.

A US person that is a subscriber or contributor would have to report the income and pay applicable tax to the IRS. A US person that is a beneficiary would also be subject to IRS reporting and tax obligations. US persons should consult a qualified cross-border tax professional before opening an RESP with a US person as either a beneficiary or subscriber. Similarly, tax advice should be sought if an existing RESP beneficiary or subscriber is planning to become a US person.