

Oct 14-16

### CURRAN EDUCATION SESSION #3—RESP REVIEW

Good Afternoon to All:

As part of my continuing commitment to offer focused and excellent education for my elite group of clients here is the 3<sup>rd</sup>, in a series of ten (#1 was Real Estate Review, #2 was Corporate Insurance Review), covering the very important RESP topic.

I have been inundated with inquiries from parents and grand-parents about the "ins and outs" of the RESP over the last few weeks and so I have pushed the TFSA Review to #4 and will get that out next month fyi

The format for these Education sessions has been for me to first list the important-salient points about the topic at hand, and then enclose a series of BRIEF and CONCISE reviews on the topic, which clients can access at their leisure as these will all be listed on my web site and I will add to it as newer more current reviews come along.

So let's get started on RESPs:

1. Education is very important especially post-secondary re future remuneration and happiness—see the enclosed review on this
2. The Current 4 year University degree costs about \$20,000 per year for students living away so that is \$80,000 per child. Soaring education costs are the commonest cause of delayed retirement in my practice...and cost will jump to \$90,000 by 2020 per kid...so if there are 3 kids...well you get the picture
3. The RESP is a MUST for most families and grandparents should also consider getting involved
4. There is a GUARANTEED 20% return if you set up an RESP and contribute so it is a no brainer for most and you should start early!!
5. The government kicks in \$500 of free money on every \$2500 contributed to the RESP every year (called the CESG) for each kid up to a maximum of \$7200 PER KID!!!

6. Many ways to contribute to the RESP but easiest is to set up a PAC (Pre-authorized deposit) every month for \$208 which gives you \$2496 per year in contributions (and then the free \$500 CESG match)

7. The maximum contribution from the parent-grandparent is \$50,000 per kid and this can be contributed in many ways but the best I believe is \$2500 per year or \$208 per month

8. You can contribute over 31 years and the RESP lifespan is 35 years

9. The free CESG happens from age 1 to 17 so the earlier the better and there are some allowances for missed contribution year, so maximum CESG in any one year is \$1000 if you missed the previous year (but requires a \$5000 contribution from parent)...so you lose the advantage of the CESG free money at age 18 and onwards.... so if you still want to contribute to a kids education from age 18 and beyond then consider setting up a TFSA for the student-kid

10. You can take out up to \$20,000 per year per student with no questions asked re costs and all you need is a "Verification of Enrollment" or "Proof of Enrollment" form from the post-secondary school

11. Many programs are RESP eligible besides a University program...see the enclosed note

12. I Encourage you to take out the full \$20,000 per year EVEN IF YOU HAVE NOT SPENT this in education cost...you do not want dollars left in the RESP at the end or if student drops out on you...there are penalties and extra taxes if you go this route

13. HOW TO TAKE OUT THE CASH –there are two categories that you need to be aware of : #1 is the Education Assistance Payment (EAP) money and this covers the CESG gov grant, dividends, interest and capital gains earned over the years in the RESP and #2 is the Return of Contributions (ROC) or the stupid name of Post-Secondary Education Payments (PSE)—these are basically the dollars you have put in.

Here are the particulars on taking cash out and how EAP and ROC work:

14. You want to take out the EAP money first and you can only take \$5000 in the first 13 weeks but more is allowed after this time period. The EAP can be paid to the parent or student BUT the tax slip goes to the student and claims it BUT rarely does the student pay taxes here

15. Next if you need or want more money you take out the ROC and there are no limits here and NO TAXES (you already paid taxes)...but the overall "safe " dollar limit per year per student without raising red flags is \$20,000 per year recall (in total)

16. Two reviews included on what to do if kid quits or does NOT go to post-secondary...you have 4 options as you will read BUT recall that the rules for what constitutes post-secondary are very LAX....so try to get the money out over 35 years if you can on an education basis!!

17. Finally—many students do not require the full \$20,000 per year to cover their costs (e.g. living at home) so consider taking the \$20,000 out anyway and roll the extra dollars into a TFSA for the kid-student—needs to be 19 yo fyi to open a TFSA in BC and they can then contribute \$15,500 into the TFSA for a 19 yo in 2016 (that is \$10,000 for 2015 TFSA and \$5500 for 2016)...this grows tax free going forward...will cover this in the next education session next month

So that is about it folks...Start the RESP early, contribute every month and DO NOT wait too long to deplete the funds

Here are the attached readings:

1. An RBC over view of the RESP
2. One page summary of the RESP rules from Rev Can
3. Simple Guide to RESP
4. Great Globe and Mail review on How to withdraw the dollars from the RESP
5. Sharon's summary that she did a few years ago on the rules
6. Money Saver on Three Things To Know including WHAT TO DO IF NO POST SECONDARY
7. Great review on why kids should go to University...
8. Money Saver review on the outcomes of contributing regularly vs all in \$50,000 deposit up front

Terry