Wealth Management
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Expert Contributor

Is a Family RESP Right For Your Family?

BY **CAROL FICKLING**

The ultimate goal of all parents is to ensure that their children receive the best education possible. With the high cost of post-secondary education, many parents and grandparents recognize the need to save for education well before the expenses become a reality. That's why the Registered Education Savings Plan (RESP) is such a popular vehicle. An RESP is a tax deferred savings plan designed to allow you to save for a beneficiaries' post-secondary education. All interest, dividends, capital gains and government incentives in the plan grow on a tax deferred basis.

WHAT IS THE CANADA EDUCATION SAVINGS GRANT?

Canada Education Savings Grant (CESG) – for many parents, the CESG is the most attractive feature of the RESP. No matter your family income, the government pays a basic CESG of 20% on the first $2,500 of annual contributions to a maximum annual CESG of $500 for each beneficiary. The lifetime limit is $7,200 per beneficiary. If the beneficiary has unused grant room from a previous year, the annual maximum of CESG that can be received is $1,000. Lower income families may be eligible for an additional grant (10% or 20%) on the first $500 of annual RESP contribution.

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THE TYPES OF RESPS

There are different types of RESPs. An RESP can be a(n):

- Individual RESP
- Family RESP
- Group RESP or
- Grandfathered RESP

WHY A FAMILY RESP MAKES SENSE

Family RESP plans are the only plans that allow you to name more than one beneficiary and the only plan type that I recommend to my clients. The beneficiaries must be connected, by a blood relationship or adoption, to each living subscriber. This means that you can include your children, grandchildren, siblings and adopted children in a single Family RESP. Another advantage of a Family RESP is that funds in the plan do not have to be paid equally to the beneficiaries. This can be useful if one of the named beneficiaries doesn't go to post-secondary education or if the beneficiaries have different educational costs. For example, if one child stays at home while attending school and another child goes to school out of town, the child living away from home may have significantly higher costs.

Another benefit of the Family Plan, is that the accumulated CESG contributions do not have to be paid out equally among the beneficiaries. However, the maximum lifetime CESG that each beneficiary can receive is $7,200. If a beneficiary doesn't pursue post-secondary education or is not able to share the accumulated CESG with another beneficiary, that beneficiary's CESG may have to be returned to the government.

HOW AN ADVISOR CAN HELP

There are many considerations that you need to take into account when opening an RESP. The type you choose, how you will fund the RESP and who the subscriber of the plan will be, can have a number of implications in the future. Speak to your advisor to help you assess the options that are available to you.

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