

## Making the most of Registered Education Savings Plans (RESPs)



The cost of education has risen by an average of 49% since 2003\*. The average cost of tuition in 2003 was \$4,500.00 in Ontario and in 2013 has risen to over \$7,000.00 per year. Tuition for professional programs is even higher: Undergraduate students in dentistry paid the highest average of \$16,910 in 2012/2013, while students in medicine paid \$11,891 and pharmacy paid \$10,297.

*\*Source: Statistics Canada University tuition fees, 2012/13*

Unless you start setting aside education funds for them early, children could face crippling debt upon graduation, or may not be able to choose higher education. Open the door for higher education by starting an RESP today.

Starting earlier rather than later can offset education costs, which in turn can reduce the amount of debt a new graduate could carry – a step-up for someone starting out in life. Plus, to help you save more, the federal government offers the Canada education savings grant

(CESG) – a grant of 20% on the first \$2,500 contributed to an RESP each year for a total of \$500.00, a nice top-up (Lifetime limit \$7,200). Without an established RESP, the government will not issue the CESG. Additional grants may be available depending on income.

Anyone can contribute to the plan, and plans can be arranged as a single beneficiary or family. Funds inside the RESP grow and earn interest tax-free until withdrawn, and withdrawals are taxed in the child's hands, not yours. If the child were to decide not to use the RESP, funds could be transferred to an RRSP or to another family member.

Not just for standard university programs, the RESP can be used for a wide variety of trade or business schools, apprenticeships, and even for certain part-time education if the program qualifies.

If you have already started to save for education in a standard savings account you may have low risk, but also low interest earnings. The money you invest in the RESP has the potential to grow faster over time, depending on the level of risk and fund selection you choose. That means your money is working harder for you, and you get the added benefits of government grants, so your pool of saving is larger.

**Talk to us** about how an RESP can work for your higher education savings.

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