MACKENZIE Investments

Mackenzie Practice Management Team

Invest in your child's future

Understanding the RESP

Higher education is a goal many parents have for their children. University or college can be expensive, but if you start investing for your child's education today, it can become more affordable.

Investing with a Registered Education Savings Plan (RESP) can help accelerate your child's education savings, with tax-free growth and generous government grants.

A Mackenzie RESP can provide peace of mind, knowing that you are helping your child get off to a good start, reducing or even eliminating the need for student debt in the future.

> "An investment in knowledge pays the best interest"
>
> Benjamin Franklin

How an RESP can help:

Tax-free investment growth

This money may be invested in a wide variety of assets, including mutual funds and ETFs. All gainsmade by these investments remain tax-free as long as the money remains in the RESP.

This tax-free compounding of returns is one of the greatest benefits of an RESP. It allows your savings to grow more rapidly than in a non-registered account.

The sooner you begin investing in your RESP, the longer the plan has to grow.

RESP contributions are made with after-tax dollars. Unlike with an RRSP, there is no tax-deduction.

Lifetime contribution limit per beneficiary

$50,000

Government grants

Each contribution to your RESP will trigger federal grants which will accelerate your savings.

The basic Canada Education Savings Grant (CESG) provides a 20% match for your contribution, to a maximum of $500 per year and a lifetime limit of $7,200 per child.

Some provinces – British Columbia, Saskatchewan and Quebec – also provide RESP matching grants to their residents.

Lower income Canadians may qualify for additional federal funding, under the Additional CESG and Canada Learning Bond programs.

If you have chosen a family RESP with multiple beneficiaries, the grant money can be shared among them.

Lifetime CESG limit

$7,200

Tax efficient withdrawals

Once the RESP beneficiary is enrolled in a designated educational institution, Educational Assistance Payments (EAP) may begin.

These payments may be used on any education expense: tuition, books and materials, living expenses, etc.

The EAP is made up of the investment growth on your contributions and the grants, as well as the grant money itself.

These payments are taxable as income in the hands of the student. Most students pay little to no income tax, so EAPs may be tax free.

Principal contributions always belong to the subscriber. This money may be withdrawn tax free because contributions were made with after-tax dollars.

Tax rate on principal withdrawals

0%

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