



Handbook: RESPs

Learn what **you** need to know **quickly**.

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Money Matters Handbook: RESPs

“How will I afford to send my kids to college or university?”

It’s a good question. And one that’s worth asking, whether your kids are babies, old enough to be kicking a soccer ball around, or starting to think about what they want to be when they grow up.

You **can** be ready to help your kids follow their future dreams.

You don’t need to be rich. You don’t need to have a lot of money. But you do need to start. The sooner, the better.

Money Matters is here to help.

Is this *Money Matters Handbook* for me?

If one or more of these statements describe you, then yes!

- I’m a parent.
- I’ll find it hard to pay for my child’s education after high school without help.
- I want to know more about the Government of Canada’s plans to help a parent save for a child’s education.

What’s Your Story?



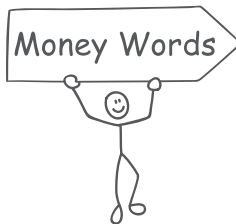
“A Penny Saved is a Penny Earned.”

Whether it’s a penny saved, ten dollars, a hundred dollars or even more, that old saying takes on new meaning with a **Registered Education Savings Plan (RESP)**.

With an RESP, a penny saved is **MORE** than a penny earned.

That’s because the Government of Canada will add money to your RESP to help you save more, faster.

Your money grows!



A Registered Education Savings Plan (RESP) is a way to save money for a child's education after high school.

An **RESP** is a type of savings account that is registered with the *Government of Canada*.



Your Life, Your Kids

How old are your children? _____

Are they currently in school?

What grade? _____

How many years until they are ready for post-secondary education? _____



How Does My Money Grow with an RESP?

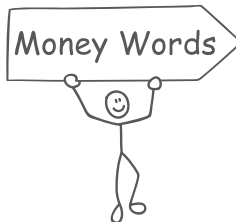
Let's start with what the Government of Canada will give you.

When you put money into your RESP, the Government of Canada will add 20% more money.

That means for every \$5 you put into your RESP, the Government of Canada puts in \$1.



This extra money is called the **Canada Education Savings Grant (CESG)**.



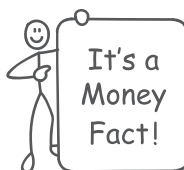
A **Canada Education Savings Grant (CESG)** is money given to you by the Government of Canada and put into your RESP.



Who Can Get this Money?

Your kids can.

It is available to every child who is a Canadian resident.



More than **3 million children** have already received the Canada Education Savings Grant.



Your Life, Your Kids

Let' say you save \$50 a month for a year and put that money into an RESP.

$$\begin{array}{r}
 \$50 \\
 \times 12 \\
 \hline
 \$600
 \end{array}$$

\$50 X 12 months = \$600 in a year →

$$\begin{array}{r}
 \$600 \\
 \times .20 \\
 \hline
 \$120
 \end{array}$$

Add in the Canada Education Savings Grant
20% of \$600 = \$120 →

$$\begin{array}{r}
 \$600 \\
 + \$120 \\
 \hline
 \$720
 \end{array}$$

You now have **\$600 + \$120 = \$720** → +
 (And that's not counting the interest you'll earn!) **\$720**



As soon as the child is born! The child will need a **Social Insurance Number (SIN)**.



Starting Early

It makes money sense! The sooner you start saving through an RESP, the more cash your kids will have when they are ready to go off to school.

Let's say you open up that RESP when your child is 7 years old, and she goes off to college at 17 years old.

\$720 X 10 years of RESP savings = \$7,200 plus interest

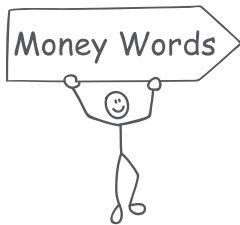


Help for Low-Income Families

You could get \$500 from the Government of Canada put directly into your child’s RESP. This free money is called the **Canada Learning Bond (CLB)**.

Every year after, you could get another \$100 until your child is 15.

You could also receive \$25 to help pay the costs of opening up the RESP.



A Canada Learning Bond (CLB) is money from the Government of Canada to help low-income families with their RESPs.



Who Can Get this Money?

Your kids can if...

- Your child was born after December 31, 2003.
- You get the National Child Benefit Supplement as part of your Canada Child Tax Benefit (sometimes called “family allowance”).



Your Life, Your Kids

Let’s say your family income means you are eligible for the **Canada Learning Bond**, and you open up an RESP when your child is born. The CLB could add an extra \$2000 to your child’s RESP!

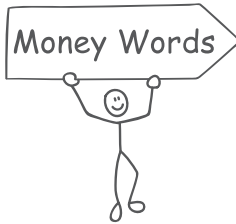
\$500 CLB to start off the RESP	\$1,500
\$100 x 15 years = \$1500	+ \$500
\$500 + \$1500 = \$2000 plus interest!	\$2,000



More Help

Low-income families may get even more money from the Canada Education Savings Grant (CESG).

This is called the **Additional Canadian Education Savings Grant**.



The **Additional Canadian Education Savings Grant (A-CESG)** is extra money from the Government of Canada to help low-income families save for a child's education after high school.



Who Can Get this Money?

Your kids can if...

- Your net family income is less than \$83,088.



Your Life, Your Kids

Let's say your net family income is between **\$41,544 and \$83,088**.

- Let's say your net family income is between \$41,544 and \$83,088.

$$\begin{array}{r} \text{\$500} \\ \times .10 \\ \hline \text{\$50} \end{array}$$

Let's say your net family income is **\$41,544 or less**.

- For the first \$500 or less you put into your child's RESP each year, the Government of Canada adds 20%. That could mean an extra \$100 per year!

$$\begin{array}{r} \text{\$500} \\ \times .20 \\ \hline \text{\$100} \end{array}$$



Putting the RESP Puzzle Pieces Together

A single mom has a net family income of \$32,000. She opens an RESP for her newborn daughter through her bank. She has no extra money to put into the RESP to start it off. **Her account balance is \$0.**

Puzzle Piece #1

The woman's bank applies for the **Canada Learning Bond** for her. She gets a CLB for \$500 put into her daughter's RESP.



Her account balance is now \$500.

Puzzle Piece #2

The woman puts a portion of her Canada Tax Benefit cheque into the RESP each month. That comes to \$500 in the first year.



Because she's added money to her account, she gets a **Canada Education Savings Grant**. That's an extra \$100.



Her account balance is now \$1,100.

Puzzle Piece #3

Because the woman is low-income, she gets an **Additional Canada Education Savings Grant**. That's another \$100.



Her account balance is now \$1,200 and her daughter is only a year old! And that's not counting the interest the RESP earns.

➔	\$500 (CLB)
	\$500 (Savings)
	\$100 (CESG)
	+ \$100 (A-CESG)
	\$1,200

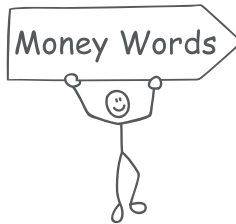


In Your Best Interest

The money in your RESP collects **interest**. The money grows larger with time.

The bank or financial company that manages the RESP **invests** your money.

The **interest** is the money you gain through these investments. It is added to the money already in your account.



Interest is money added to your RESP because of investments. It is a fee that you are paid.



Watch Your Interest Grow

Let's say the single mom continues to put the same amount of money in her daughter's RESP for 18 years.

The mom's RESP contribution:	\$500	
$\$500 \times 18 \text{ years} = \9000	➔	$\begin{array}{r} \times 18 \\ \hline \$9,000 \end{array}$

Add in the *Government of Canada* contributions
+ 6% interest for 18 years:

The RESP has grown to more than \$25,000!



How much would your money grow in an RESP, including interest and *CESG*? Use the **Today's Parent RESP Education Savings Calculator** to find out.



Putting the RESP Puzzle Pieces Together

A couple has a net family income of \$68,000. If they put \$100 a month into a family RESP for their twin five-year-old boys, they wonder how much money they will have in 10 years.

Puzzle Piece #1

The couple gets a **Canada Learning Bond** for \$500 for each child. They also get a **CLB** for \$100 for each child over the next nine years.

500 CLB X 2 boys = \$1,000		\$1,000
\$100 CLB X 2 boys X 9 years = \$1,800	+	\$1,800
Canada Learning Bonds: \$2,800	➔	\$2,800

Puzzle Piece #2

The couple puts \$100 each month into the family RESP. The **Canada Education Savings Grant** adds in an extra 20%.

\$100 X 12 months X 10 years = \$12,000		\$12,000
\$12,000 X 20% CESG = \$2,400		x .20
Savings + CESG: \$14,400	➔	\$2,400

Puzzle Piece #3

The couple is also eligible for an Additional Canada Education Savings Grant. That would add \$50 per year into the family RESP for each child.

\$50 X 10 years X 2 boys = \$1000 A-CESG

In Your Best Interest

Before interest, the couple will have saved \$18,200 in 10 years.		\$2,800 (CLB)
	➔	\$12,000 (Savings)
Add interest at 6% per year, and the amount will have grown to...		\$2,400 (CESG)
		+ \$1,000 (A-CESG)
More than \$23,000!		\$18,200



Your Life, Your Kids

How much could you save for your child's future education by opening an RESP?

My Savings

I could contribute \$_____ to an RESP each month.

In one year, I would have \$_____ in the RESP.

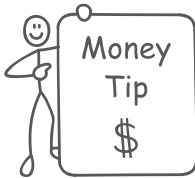
My child will be ready for post-secondary education in _____ years.

In that time, I would have saved \$_____ in the RESP.

Canada Education Savings Grant (CESG)

A **CESG** would top up what I put into my RESP by adding another 20%.

My savings \$_____ X 20% = \$_____



Multiply what you put into your RESP by .20 to calculate the basic CESG.

Additional Canada Education Savings Grant (A-CESG)

- My net family income is **\$41,544 or less**.
I'm eligible for an **Additional CESG** up to \$100 extra per year.
- My net family income is between **\$41,544 and \$83,088**.
I'm eligible for an **Additional CESG** up to \$50 extra per year.

That could add another \$_____ to my RESP.



Your Life, Your Kids

Canada Learning Bond (CLB)

- I get the National Child Benefit Supplement.

- My child was born after December 31, 2003.

I could receive a Canada Learning Bond of \$500 in the first year of the RESP, and \$100 each year after until my child is 15 years old.

That would add \$_____ to the RESP.

What Could You Save in total?

My savings \$ _____

+ CESGs _____

+ CLBs _____

= _____

A Place for the Math

Learning More

Visit **www.financialliteracyweek.ca** to learn more about financial literacy and math skills through access to tools, resources and community events and celebrations.

Visit your bank, credit union or financial planner to have your specific RESP questions answered or to open an RESP.

For more information about the Canada Education Savings Grant or the Canada Learning Bond, call 1-800-622-6232 or visit **www.canlearn.ca**.

For more information about taxes and RESPs, call the Canada Revenue Agency toll-free at 1-800-959-8281 or visit **www.cra-arc.gc.ca**.

Visit Today's Parent, **www.todaysparent.com**, for an online **RESP Education Savings Calculator** to see how your RESP savings might grow.

Visit **www.tdcanadatrust.com/resp** for RESP information, including "Frequently Asked Questions".

Try the online TD Canada Trust **Education Savings Tool** to estimate how much you'll need to save to meet your child's future education costs.

A Place for Your Notes
