

# SEPTEMBER NEWSLETTER



## **REGISTERED EDUCATIONAL SAVINGS PLAN**

A popular TV commercial sings 'it's the hap-happiest time of the year....' with parents dancing in the aisles as they back-to-school shop and stock up on brand new school supplies.

The truth is, Back-to-School shopping can take a sizeable bite out of your checking account. Budgeting, shopping the sales and recycling some of last years' supplies are some tips to help lower the sticker shock. Children are never too young to learn about saving and how to work within a budget. In fact, this may be one of the most valuable life lessons we can teach our children. Whatever your back-to-school shopping budget is, share it with your children - let them know. You may be pleasantly surprised to see how they compromise to stay within this budget. Maybe last years' backpack will have another year of life in order to buy those brand new running shoes.

Budgeting and Saving for **Post-Secondary Education** should be started when your child is young and RESP's are one of the best tools we can utilize for this savings. Earlier savings will take advantage of long-term growth potential.

An **RESP is a Registered Education Savings Plan** which allows money to grow tax-deferred. When the funds are withdrawn for post-secondary education they are taxed in the hands of the 'beneficiary' (your child/student) at their marginal tax rate. You will not receive a tax deduction for your contribution, however your RESP account will receive a Basic Canada Education Savings Grant (CESG) equal to 20% of your *annual* contribution, up to an *annual* maximum of \$500.00. eg. An annual contribution of \$2,500.00 will result in the annual maximum \$500.00 CESG. The *lifetime maximum* CESG is \$7,200.00 per beneficiary and the lifetime RESP contribution limit is \$50,000.00 per beneficiary. In order to be eligible for the CESG, the beneficiary (child) must be a Canadian resident at the time of the contribution.

There is also an Additional CESG (a supplement to the Basic CESG) and Canada Learning Bond (CLB), both are government contributions, available to those who qualify based on income.

The '*subscriber*' is the person who creates and makes contributions to the RESP plan, most often (but not restricted to) a parent. The '*beneficiary*' is the person who will receive the payments from the RESP to help finance his/her

education. There are two types of RESP's, the Individual Plan and the Family Plan. Every family is different so I can advise you on the appropriate plan for you.

Once the 'beneficiary' is ready to begin their post-secondary education, the RESP money can be used for **more than just student tuition**. The beneficiary can use the money for housing, transportation, books, supplies, general living expenses and other incidentals relating to their education.

Monthly contributions are an ideal way to save into the RESP especially if you are saving utilizing a market based investment (mutual fund), and this is also good for budget planning. You may consider putting aside a portion of your child's Birthday or Christmas money from Grandparents, Aunts and Uncles. In fact, Grandparents, Aunts and Uncles may wish to establish an RESP for their grandchildren, niece or nephew. We can discuss the best way the setting up of the RESP or the contributing to an RESP for people who wish to help with your child's education. A 'subscriber' to the RESP does not have to be related to the 'beneficiary'.

Saving for Post-Secondary Education should be done in a way that works within your budget. When your child starts his/her part-time/summer job, a portion of their earnings can be allocated to their education savings. After all, this is an investment in their future and having 'skin in the game' often results in better performance.

The attached link is a great RESP Reference Guide provided by Invesco and as always, I am here to help you with your education savings plan.

We wish everyone a Safe and Successful School Year!

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