Registered Education Savings Plans

A Bright Investment for Your Child's Future

New RESP rules

To assist with the growing cost of post-secondary education, the Government of Canada has implemented changes to Registered Education Savings Plans (RESP). These changes provide additional flexibility and encouraging Canadian families to save more and regularly for post-secondary education:

- The annual $4,000 RESP contribution limit has been removed. You can now contribute any amount at any time, up to the lifetime contribution limit of $50,000 – increased from $42,000.
- For the Canada Education Savings Grant (CESG), the government will now match 20% of the first $2,500 of contributions in a calendar year, up from $2,000. This increases the maximum CESG per beneficiary for 2007 and subsequent years to $500, up from $400.
- If you have not maximized your RESP contributions, you are eligible for a one-year CESG carry-forward. The maximum grant paid in 2007 will be $900, up from $800.
- To accommodate part-time programs with at least 12 months a month on courses, students are able to receive up to $2,500 of Education Assistance Payments (EAPs) for each13-week semester of part-time study.

Why invest in an RESP?

Faster Tax-Deferred Growth

An RESP is a tax-sheltered savings plan that allows your money to grow tax-free until your child is ready for a post-secondary education. As your money is compounded and tax-sheltered, it accumulates much faster than inside a savings account – making an RESP the ideal way to save for your child's future.

Access to Government Grants

The Canadian Government provides a grant (Canadian Education Savings Grant) equal to 20% of yearly RESP contributions, up to an annual maximum of $500 per beneficiary. You may qualify to receive more grants depending on your family net income and the province in which you reside.

Access to Professional Money Managers

Access our local and global investment capabilities through our comprehensive range of mutual funds. We can help you construct a portfolio to meet your educational goals.

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About RESPs

Contribution and Grant Information:

- CESG grant - The federal government will match 20% of annual contributions up to a maximum grant of $500. Each beneficiary can receive up to $7,200 of CESG.
- To be eligible for CESG, the beneficiary must be resident in Canada and be younger than 17 years of age or have turned 17 during the year the grant is paid
- A beneficiary who turns 16 or 17 during the year must also have had:

  - A minimum of $2,000 contributed to a RESP in previous years, or at least $100 contributed to a RESP in any four previous years.

- Additional grants may be available for families who meet certain criteria:

  - Additional CESG of up to $100 may be available for families who receive the Canada Child Tax Benefit,

  - Canada Learning Bond – Extra $100 per year ($500 in the first year) up to age 15 for each year the family receives the national Child Benefit, and

  - Alberta Centennial Education Savings Grant - $500 grant at birth, with additional $100 grants when the beneficiary turns 8, 11 and 14 (for Alberta residents only).

- Most RESP funds (except some government grants) can be transferred to other beneficiaries of the plan if one child does not go to university or college.

Withdrawal Information:

- The beneficiary can withdraw funds from the plan once he or she is enrolled in a program at an approved post-secondary educational institute that lasts for at least three weeks.
- The amount that can be withdrawn depends on the number of hours of coursework and how long the beneficiary has been enrolled in the program.
- Contributions can be withdrawn at any time. If funds are withdrawn for non-educational purposes, you must repay some or all of the grants to the government.
- Possible options if the beneficiary does not go to university include naming another beneficiary, transferring the income to your RRSP if you have contribution room or taking the money out in cash (net of a penalty tax). Conditions apply and not all of these options may be available.

Contact Telefund at **1-800-830-8888** or your HSBC Mutual Funds Advisor for more information.

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