

*Always ask for the best!*

# E L E N K O V



*Insurance and Financial Services*



## **Advantages of RESP**

(Registered Education Savings Plan)

1. A Registered Education Savings Plan is a special savings plan that can help families to save for education after high school. The RESP is registered by the Government of Canada to allow savings for education **to grow tax-free** until the person named in the RESP enrolls in education after high school. The lifetime contribution maximum is \$50,000.
2. **CESG** (Canada Education Savings Grant) **of 20%** is paid by the federal government (HRSDC) on the first \$2,500 deposited into the RESP each year, up to the end of the calendar year in which the child turns 17 years of age, no matter what your net family income is. It represents a financial incentive to save for a child's education after high school. The total lifetime CESG limit is **\$7,200**.
3. **Additional CESG of 20%** is paid by the federal government (HRSDC) on the first \$500 deposited into the RESP for every year the family's net income is below \$40,970\*, or
4. **Additional CESG of 10%** is paid by the federal government (HRSDC) on the first \$500 deposited into the RESP for every year the family's income is between \$40,970\* and \$81,941\*.
5. **CLB (Canada Learning Bond) of \$500** is paid by the federal government (HRSDC) on December 31st of the year the RESP is opened for a child born after December 31st, 2003 **plus \$100** is paid on December 31st for another 15 years to the maximum of \$2,000. The condition is that your monthly Canada Child Tax Benefit (commonly known as "family allowance") includes the National Child Benefit Supplement (generally for families with a net annual income below \$40,970\*).
6. **Up to 15% Education Bonus is paid by the company I am recommending.** The Bonus is calculated on the total amount of money deposited into the RESP through the scheduled monthly deposits until December 31st of the year the child turns 17.

\*The income limits are indexed for inflation every year.

In other words, a family that does not open an RESP and saves \$2,000 for their child's education in a non-registered account loses the opportunity to receive an additional amount of government grants and company's bonus of:

- **\$12,600** if the family's income stays always above the upper limit (currently \$81,941\*);
- **\$14,600** if the family's income stays always below the lower income limit (currently \$40,970\*).

**The plan I recommend has no enrollment fees.** Another very important feature of the plan I am recommending is that this plan is individual (only for your child). With an individual plan **you are the owner of the money you are investing and of the investment income that your money is producing each year on tax-deferred basis.** The investment income of your RESP, taking into consideration the length of time your money will stay invested, will be most likely greater than the money you put in the plan. This is a huge amount of money that you own and you have the right to move on tax-free basis into another RESP, or in your RRSP (Registered Retirement Savings Plan), in case your child does not pursue post-secondary education for some reason.

Please pay close attention when you choose the appropriate plan for your child's education because most of the RESPs sold in Canada are **scholarship plans** that charge huge enrolment fees (\$100 per every \$10 monthly contribution, which represents **\$2,000 enrolment fee** for a \$200 monthly deposit). The scholarship plans also charge **Depository Fees, Administration Fees, Investment Council Fees, Custodial and Trustee Fees**, and other charges. These plans offer lower returns because of the restrictions imposed on them by law regarding their investments. If you enrol your child in a group scholarship plan he/she will receive Educational Assistance Payments **starting the second year** when enrolled in a qualifying program, but if he/she fails to qualify for payment, **the earnings are distributed among other beneficiaries (children) of the same age who do qualify.** There is a chance for you to lose \$30,000 to \$40,000 or even more, depending on how much you are contributing to the plan! The statistics show that 25 to 30% of the children enrolled in scholarship plans never receive Educational Assistance Payments.

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