

THE UNKNOWN ABCs OF RESP's

In previous columns we have reviewed the advantages of registered education savings plans (RESPs) as a means of saving towards a child(ren)'s future post secondary educational needs.

Here is some more info for which owners of RESP's should be aware:

1) What are the requirements to access money from RESP?

To redeem money from the RESP for educational purposes, you will require "proof of enrolment", which typically is only available from the school's registrar office. This letter must

- * State that the student is enrolled full-time in a qualified educational program in the coming year.
- * be on institution's letterhead and signed or certified by the office of the registrar or department head.

Most RESP carriers will not accept a single letter of acceptance, a tuition fee invoice or even proof of enrolment from the previous year.

2) What is the definition of "post secondary education institution"?

It can be any of these:

- * university or college in Canada recognized under Canada Customs and Revenue Agency (CCRA)
- * an educational institution certified by Human Resources Development Canada (HRDC) that provides courses other than those designed for university/college credits that will improve a person's occupational skills
- * a university/college or other institution outside Canada that provides post-secondary school-level courses that run at least 13 consecutive weeks.

2) What is the impact of RESP's on Ontario Student Assistance Program (OSAP)?

- * Simply put, an RESP set aside for a student is considered an asset of the student and thus will probably have a negative impact on the amount of funds received from OSAP.

4. What happens if the owner of the RESP passes away?

The simplest method of establishing who becomes the successor subscriber is for the Will of the original subscriber to contain a direction to transfer his or her rights as subscriber to a specific person as successor subscriber. The appointed successor subscriber can then, upon the death of the original subscriber, preserve and continue the RESP pursuant to the *Income Tax Act*.

When no successor subscriber is appointed, the personal representative's only legal option may be to terminate the RESP (*there are complicated rules for some options pending ages, etc so it is best to incorporate your wishes in your Will*). All contributions will be refunded to the estate of the subscriber, and all CESGs that have not been paid out as educational assistance payments (EAPs) will be refunded to the government.

5. What happens if the child passes away?

If your RESP plan has more than one subscriber, the surviving subscriber remains the sole subscriber (*unless you live in the province of Quebec where your executor would become the subscriber*).

If there are no surviving beneficiaries, you may be able to appoint another qualifying beneficiary. But if there are no qualifying beneficiaries in the family, then you may have to terminate the plan altogether.

For Family RESP plans that have surviving beneficiaries, the death of a beneficiary has no impact on the plan. The surviving beneficiaries may benefit from all the subscriber's contributions, plus the CESG grants received, up to the lifetime CESG limit of \$7,200.00 per beneficiary.

In closing, we would like to offer these following RESP tips:

- a) start early and contribute regularly
- b) talk to your financial security and investment representative and find out whether an individual or family plan is best for you
- c) take advantage of carry-forward grants available from the federal government through the Canada Education Savings Grant (CESG)
- d) don't withdraw your RESP contributions early - let them grow for the children
- e) consolidate your RESP's
- f) understand the difference between "pooled" and individually-funded RESP's - there are considerable differences
- g) have a back up plan if your child(ren) decide not to attend university.
- h) make sure that your Will covers your wishes for the RESP

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