

RESP 101

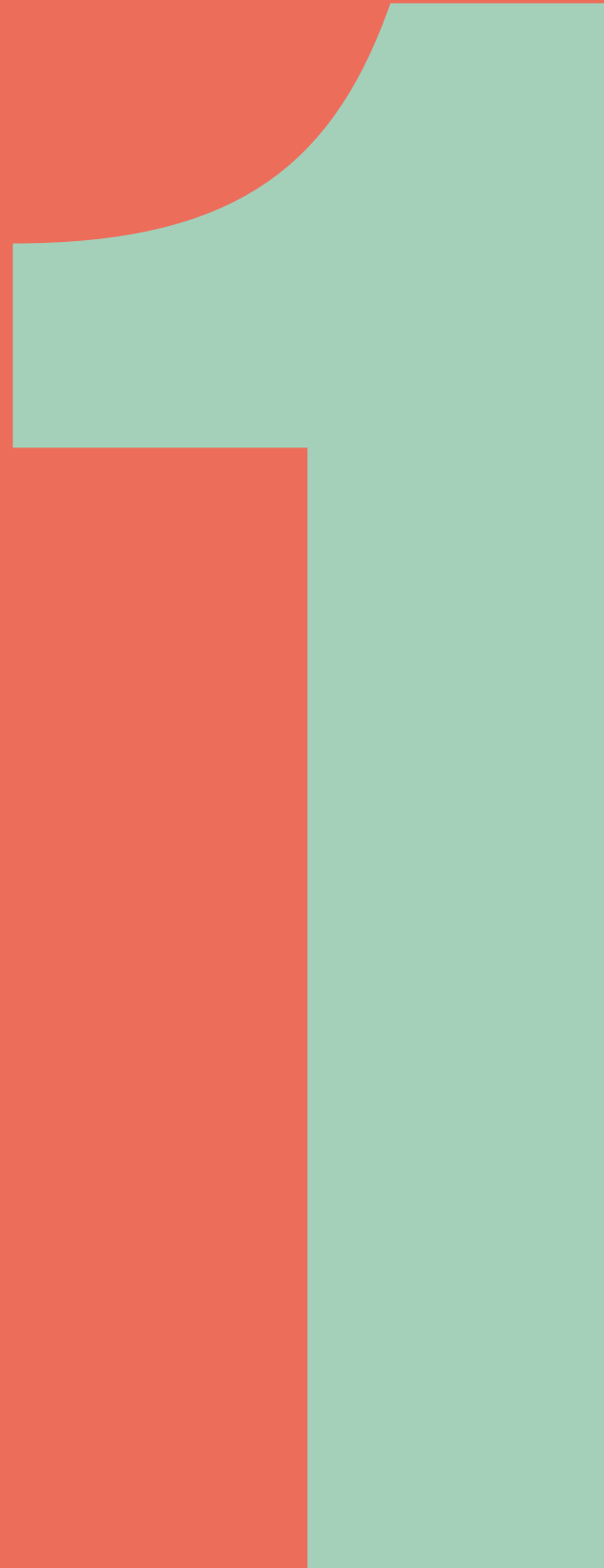
Everything you need to know about
Registered Education Savings Plans



KALEIDO

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**What is
an RESP?**

Definition

An RESP is a **Registered Education Savings Plan**. In other words, it is an investment vehicle that lets you put money aside for a child's education, whether the child is your own or that of a loved one.

In addition to your contributions, **generous government grants**¹ are added to the beneficiary's (child's) plan, making it easier to reach your financial goals.

Grants and accumulated income are used to finance eligible post-secondary studies. These are known as Education Assistance Payments (EAPs).

Unlike RRSPs, contributions to an RESP are not tax deductible. However, the money in the RESP (contributions + grants + income) grows tax-free as long as it remains in the plan.

When EAPs are withdrawn, the grants and income are paid to the young person enrolled in eligible studies². These withdrawals are taxable for the young person. Since students' incomes are generally low, the taxes payable on EAP payments are generally low or zero.

Contributions belong to the subscriber and are tax-free. They can be taken back by the subscriber or paid to the young person, at the subscriber's discretion.



TAKEAWAYS

The subscriber:
the person who opens the account.

The beneficiary:
the child who will receive the sums corresponding to government grants and income (EAPs).



1. Canada Education Savings Grant (CESG) from 20% to 40% and Quebec Education Savings Incentive (QESI) from 10% to 20%. Based on adjusted family net income. The maximum annual CESG payment is \$ 600 and the maximum annual QESI payment is \$ 300. The lifetime maximum per beneficiary is \$ 7 200 for CESGs and \$ 3 600 for QESIs. Canada Learning Bond (CLB) of up to \$ 2 000 per beneficiary for a child born after December 31, 2003, whose family is financially eligible. Certain conditions apply. See our prospectus at kaleido.ca.
2. Certain conditions apply. See eligible post-secondary programs in our prospectus at kaleido.ca.

The different types of RESPs

Since no two families are alike, and they all have different needs, different types of RESPs are available on the market.

Individual RESPs

The individual RESP is the type of plan distributed by Kaleido today. It allows you to designate a single child as beneficiary and make contributions specifically for their education. Parents, grandparents, aunts, uncles, and family friends can all open an RESP for the child or contribute to the same RESP, even if **they are not related** to the plan beneficiary. You can also open this type of plan for your own studies³.

As with other types of RESPs, government grants are available (up to \$ 12,800 per beneficiary for life in Quebec!⁴). You may be able to take advantage of them.



3. Certain conditions apply. See our prospectus at kaleido.ca.

4. Canada Education Savings Grant (CESG) from 20% to 40% and Quebec Education Savings Incentive (QESI) from 10% to 20%. Based on adjusted family net income. The maximum annual CESG payment is \$ 600 and the maximum annual QESI payment is \$ 300. The lifetime maximum per beneficiary is \$ 7 200 for CESGs and \$ 3 600 for QESIs. Canada Learning Bond (CLB) of up to \$ 2 000 per beneficiary for a child born after December 31, 2003, whose family is financially eligible. Certain conditions apply. See our prospectus at kaleido.ca.



Family RESPs

A family RESP is designed for families with more than one child. Only one plan is opened, and all contributions and grants are shared among the children named in the RESP, taking care to respect the maximums allocated to each child.

There are certain eligibility criteria for the family plan. Please note that Kaleido does not distribute this type of RESP.

Who is eligible for the family plan?

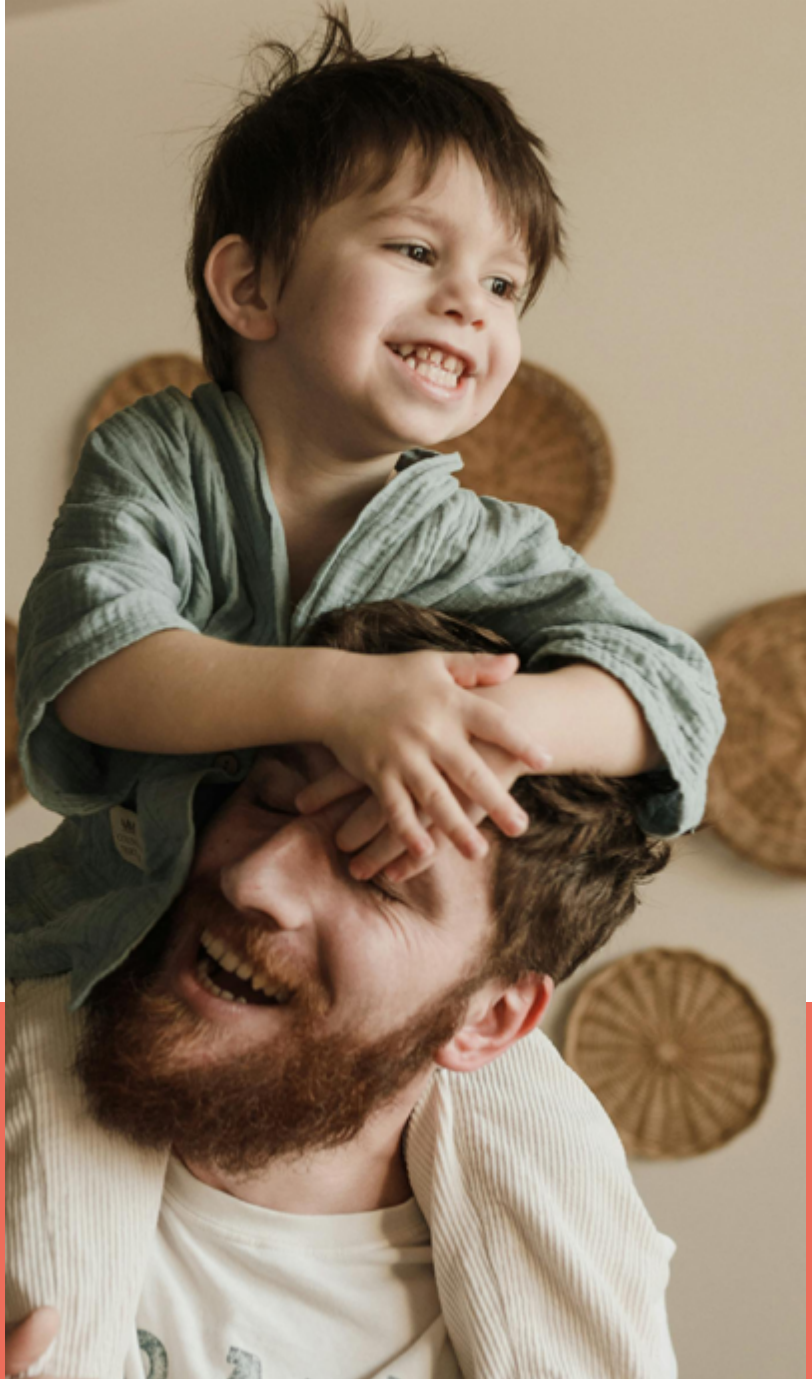
- Children related by blood or adoption to the subscriber ;
- Grandchildren related by blood or adoption to the subscriber ;
- A brother or sister.



In a family plan, you need to pay close attention to how the Quebec Education Savings Incentive (QESI) is calculated, since you may **lose some of your grants** if you have a younger child in the accumulation phase and an older one receiving EAPs.

3

Group RESPs



A group RESP⁵ has a mandatory regular contribution schedule that you must follow. These contributions are invested with the contributions of other participants in the same cohort, i.e., children born in the same calendar year. As with the individual RESP, **only one child** is designated as beneficiary. **A family relationship is not required.** The plan beneficiary shares the earnings from these contributions and grants with eligible children in the same cohort.

5. Group RESPs in Canada are usually distributed by foundations specializing in education savings. Please note that Kaleido has been distributing only individual RESPs since May 1, 2022.

Benefits of an RESP



If you wish to contribute to a child’s education, a Registered Education Savings Plan is an attractive option for several reasons.

Benefit 1

Generous grants can boost your RESP savings.

Government grants can significantly enhance the contributions made to the plan, making the RESP an attractive savings tool for families.



At the federal level : Canada Education Savings Grant (CESG)

20 to 40 %

of contributions based on adjusted net income

Maximum of

\$ 600

per year

Cumulative lifetime total of

\$ 7,200

per beneficiary

At the provincial level : Quebec Education Savings Incentive (QESI)

10 to 20 %

of contributions based
on adjusted net income

Maximum of

\$ 300

per year

Cumulative lifetime total of

\$ 3,600

per beneficiary

Over \$10,000 in grants

In total, a child could benefit from grants of up to **\$ 10,800 in Quebec** (\$ 9,200 in New Brunswick)⁶.

In addition, the **Canada Learning Bond (CLB)**, introduced in 2004, can help eligible children⁷ from families with more limited financial means by providing up to \$ 2,000.

What the CLB has to offer :

- \$ 500 for the first year of eligibility ;
- \$ 100 per year of eligibility until the child turns 15 ;
- Maximum of \$ 2,000 ;
- No additional contribution is required to take advantage of the CLB ;
- Retroactive eligibility under certain conditions.

Adults aged 18 to 20 born after December 31, 2003, can apply for the CLB for themselves. Eligibility for all previous years may be retroactive under certain conditions.

Do you have any questions about opening or operating an RESP ?

Make an appointment with your sales representative. They will be happy to answer any questions you may have, with no obligation on your part.

**Make an
appointment**

6. Canada Education Savings Grant (CESG) of 20% to 40%. Based on adjusted family net income. Quebec Education Savings Incentive (QESI) of 10% to 20%. Based on adjusted family net income. Certain conditions apply. See our prospectus at kaleido.ca.

7. Canada Learning Bond (CLB) of up to \$ 2 000 per beneficiary for a child born after December 31, 2003, whose family is financially eligible. Certain conditions apply. See our prospectus at kaleido.ca.

Benefit 2

RESPs are tax-free for the subscriber

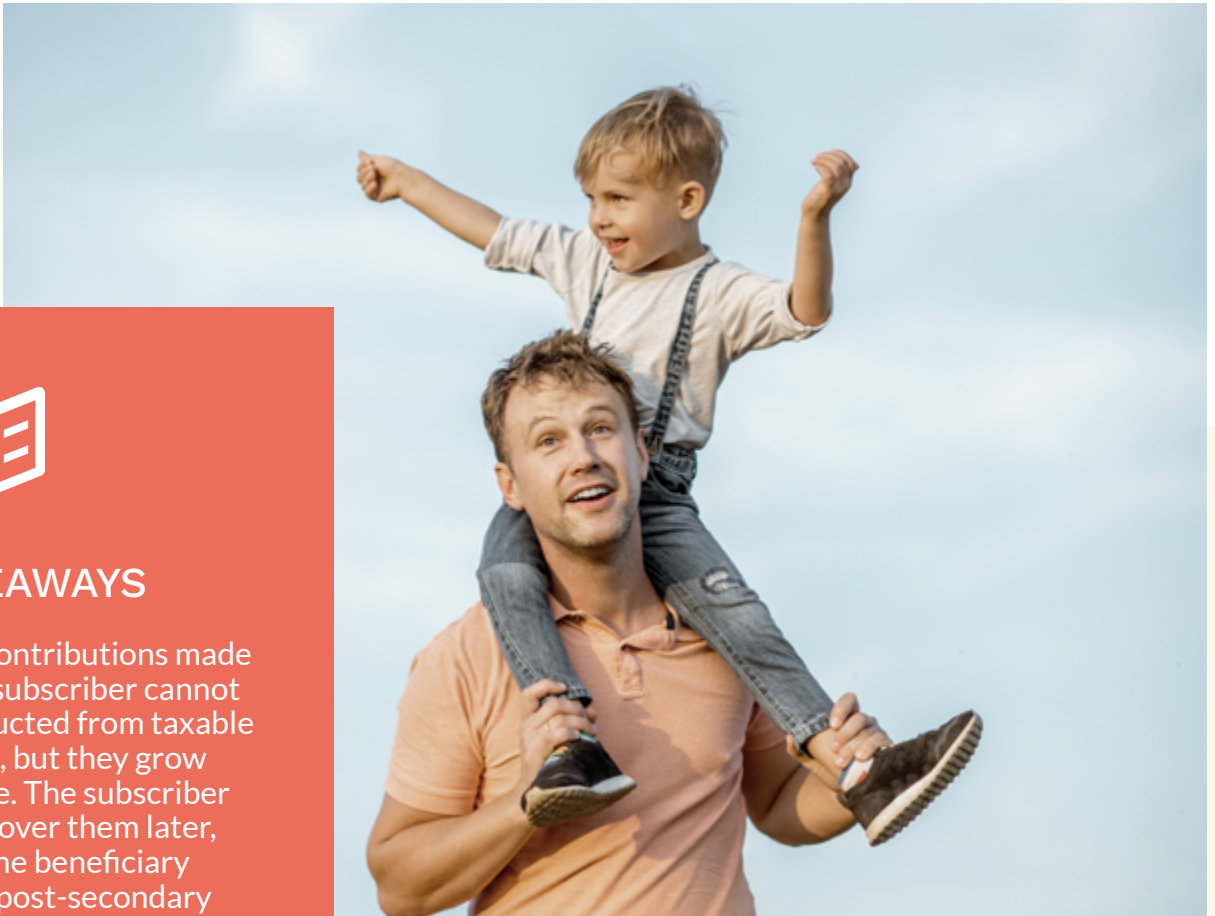
RESP **contributions** made by the subscriber **cannot be deducted** from taxable income, but **they grow tax-free**. The subscriber can recover them later, when the beneficiary begins post-secondary studies, and they won't have to pay taxes.

EAPs (grants and income accumulated in the RESP) are **taxable** to the beneficiary at the time of withdrawal.



TAKEAWAYS

RESP contributions made by the subscriber cannot be deducted from taxable income, but they grow tax-free. The subscriber can recover them later, when the beneficiary begins post-secondary studies, and they won't have to pay taxes. EAPs (grants and income accumulated in the RESP) are taxable for the beneficiary at the time of withdrawal



If you close the RESP, your contributions will be returned. Returns on these contributions will also accrue to you, provided you are eligible, and will be taxable, if applicable. Grants received will have to be repaid to the governments⁸.

8. Certain conditions apply. See our prospectus at kaleido.ca.

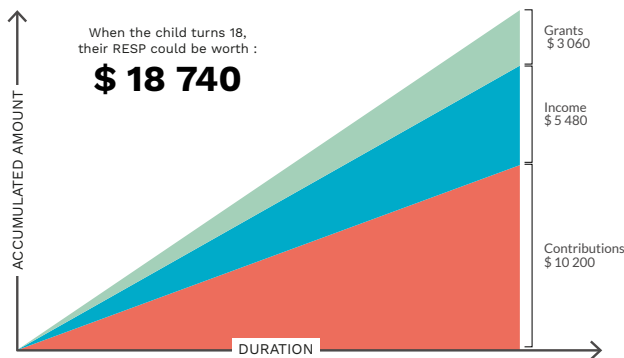
Benefit 3

The total amount might impress you

If you open an RESP as soon as your child is born or while they are still small, the total amount accumulated could be very impressive. In addition to government grants, the possible returns can add up !

Use Kaleido's RESP calculator⁹ to do the math. It's free, and it only takes 2 minutes of your time !

Imagine the total amount that could accumulate for your child's education based on one contribution model of \$ 50 per month, and another of \$ 176 per month.

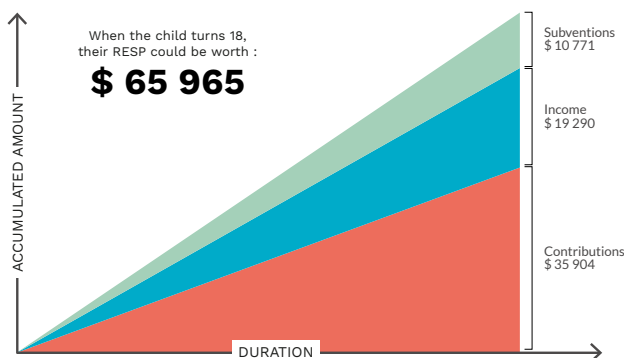


Example 1: \$ 50 per month for 17 years

\$ 50 PER MONTH

If you contribute \$ 50 a month starting when the child is born, by age 18 their RESP could be worth a **total of approximately \$ 18,740**, for their post-secondary education¹⁰.

Of this total, the grants (\$ 3,060) and income (\$ 5,480) will be paid to the young person in the form of EAPs. As for the \$ 10,200 in contributions, they remain the property of the subscriber. You can give them to the child or keep them for yourself. It's your decision.



Example 2: \$ 176 per month for 17 years

\$ 176 PER MONTH

If you contribute the maximum amount eligible for grants (\$ 36,000 for life, or approximately \$ 176 per month if spread over 17 years), you could accumulate a **total of approximately \$ 65,965** for your child's education (\$ 35,904 in contributions + \$ 10,771 in government grants + \$ 19,290 in returns)¹¹.

9. The information in the RESP calculator is for illustration only and is not a guarantee for the future performance of IDEO+ plans.

10. Suggested amounts are based on enrolment in the IDEO+ Adaptive RESP. The information presented is for illustration only and is not a guarantee for the future performance of IDEO+ plans. For more details on the calculations and models used, see <https://www.kaleido.ca/en/resp-calculator/>.

11. See notice 10 for more details.



Benefit 4

Funds can be used for more than tuition fees

The money received can be used for much more than just paying tuition fees to institutions. In fact, these sums can be used to pay for school equipment, such as a laptop, or other related expenses, such as accommodation, food or travel, depending on your beneficiary's needs.

Even though college and university education is less expensive in Quebec than in other Canadian provinces, many students are concerned about the housing shortage and rising grocery prices.

With the accumulated funds, the RESP beneficiary could reduce or even **avoid some student debt**. What's more, since they don't have to work long hours to pay for housing and other living expenses, beneficiaries can devote more time to their studies.

A large, stylized number '3' is positioned on the right side of the page. It is composed of two overlapping shapes: a light orange outer ring and a solid blue inner shape. The '3' is partially cut off by the right edge of the frame.

Opening an RESP

Now that you know a little more about Registered Education Savings Plans, we'll answer some of the most frequently asked questions about opening an account.



- When can you open an RESP ?
- Who can open an RESP ?
- Where can you open an RESP ?
- What information must be provided ?
- How much can I invest ?
- How do contributions work ?
- How long does an RESP last ?



When can I open an RESP ?

You can open an RESP as soon as **your child is born**. In fact, the sooner you do it, the better, so you can take full advantage of government grants. That said, even if your child is older, it's never too late to open an RESP: you have until the day before their 31st birthday to open an account. To take advantage of the grants, however, you must make sure you open the RESP before the end of the year they turn 15¹². You can even recover unused grants from previous years, but only one year at a time.

In other words, don't wait too long to open an RESP and start making contributions, or you could lose grant entitlements.

12. Contributions made to an RESP in a year in which the beneficiary turns 16 or 17 are subject to certain conditions regarding the payment of government grants. Consult the prospectus or the Government of Canada website for more details.



Who can open an RESP?

Anyone can open an individual RESP. Please note, however, that the child must be a Canadian resident for the entire duration of the contributions in order to be the beneficiary¹³. You cannot use an RESP to finance the education of a grandchild living abroad, for example.

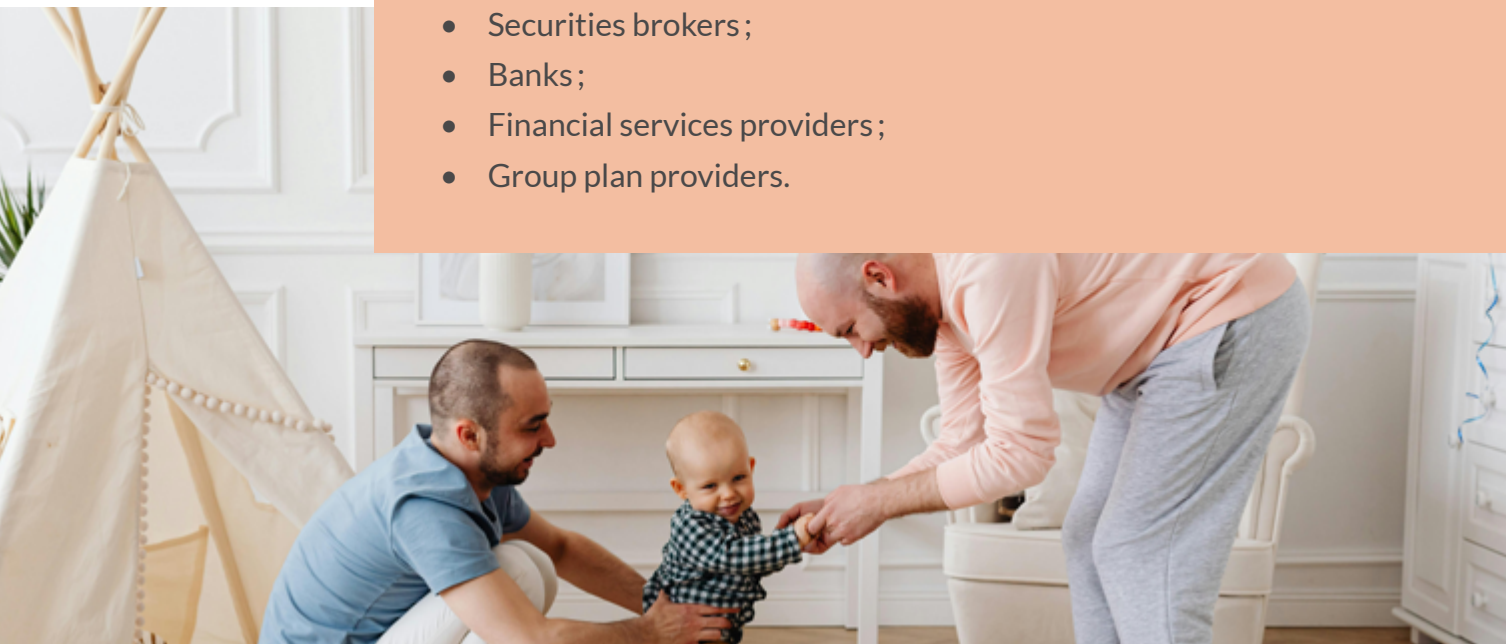


Where can I open an RESP?

Take the time to carefully choose where to open your RESP. Not all providers offer the same quality of support throughout the process. Fees will also vary from one provider to another, as will the types of RESPs offered (individual, family or group).

You have several options for opening an RESP:

- Kaleido – a pioneer in education savings since 1964;
- Mutual fund brokers;
- Trust companies;
- Securities brokers;
- Banks;
- Financial services providers;
- Group plan providers.



13. Certain conditions apply. See our prospectus at kaleido.ca.



How many RESPs can I have?

There is **no limit** to the number of RESPs a person can hold. The lifetime contribution limit remains at **\$ 50,000 per beneficiary, regardless of the number of RESPs** opened for that beneficiary. Every dollar over \$ 50,000 will be taxed at 1 % per month

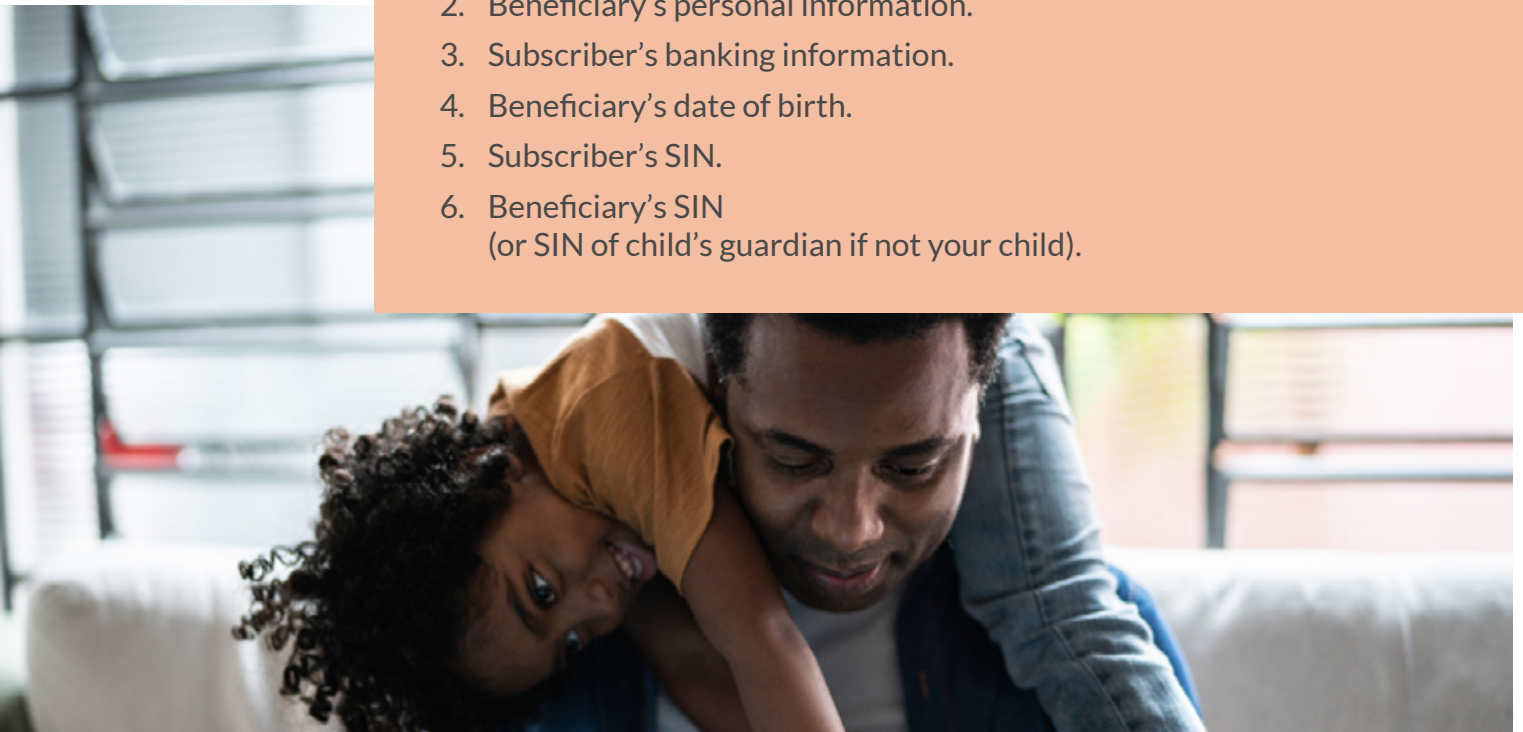


What information must be provided?

To open an RESP, the subscriber and beneficiary must provide their **Social Insurance Number (SIN)**. If the child is not yours, you will also need their guardian's SIN.

Here's the information you'll need to provide when you open an RESP :

1. Subscriber's personal information (name, address, telephone number, etc.).
2. Beneficiary's personal information.
3. Subscriber's banking information.
4. Beneficiary's date of birth.
5. Subscriber's SIN.
6. Beneficiary's SIN (or SIN of child's guardian if not your child).





How much can I invest?

No contribution is required to open an IDEO+ RESP with Kaleido. In other words, you can open an IDEO+ RESP with Kaleido without putting any money into it

However, contributions (monthly or one-time) must be at least \$ 10. For example, after opening an IDEO+ RESP, you may decide to make a one-time contribution of \$ 10, \$ 100, \$ 1,000 or more. You can also start with a monthly payment of at least \$ 10 per month



TAKEAWAYS

- No annual contribution limit.
- Grants apply only to the first \$2,500 per year.
- Lifetime contribution limit for a child: \$50,000. (Warning: there are penalties if you exceed this limit. Check with your provider.)
- No grants on total contributions exceeding \$36,000.





How do contributions work?

The frequency of contributions varies from one RESP to another. Some providers may require **monthly payments**, while others will allow you to deposit money at a **time of your choosing**.

GOOD TO KNOW

You can make a larger deposit when you open your account and then contribute as you are able. This is a useful solution if you receive a sudden influx of cash, such as a gift from a grandparent.

In short, depending on your RESP provider, you can choose the frequency and type of contribution that best suit your financial situation.

Kaleido's IDEO+ RESP range offers you great contribution flexibility.



What is the duration of an RESP?

The maximum duration of an RESP is 35 years from the date of opening, but contributions can only be made during the first 31 years. In other words, if you open the RESP when the child is 5 years old, you can contribute until the child turns 36, and you have until the end of the year in which they turn 40 to withdraw all the money.

The beneficiary will be able to benefit from the accumulated funds as soon as they begin eligible post-secondary studies. In short, there's no hurry: If your child doesn't want to continue their studies immediately after high school, you'll have several years to benefit from it¹⁴.

Do you have any questions about opening or operating an RESP?

Make an appointment with your sales representative. They will be happy to answer any questions you may have, with no obligation on your part.

Make an
appointment

14. Certain conditions apply. See our prospectus at kaleido.ca.



What if...?

Opening an RESP and investing for the long term can be scary, especially when you don't know what choice your child will make. **Here are a few « what if » scenarios to give you a clearer picture.**



You want to withdraw money for the child's education

When a child begins eligible post-secondary studies, they can begin receiving Education Assistance Payments (EAPs).

The subscriber simply needs **proof of enrolment** in a qualifying post-secondary program, and sometimes a certificate of attendance. The amount corresponding to government grants and income will then be paid to the student. EAP requests can be made without having to withdraw contributions. Upon request, contributions can be returned to the subscriber tax-free. You can choose to give this amount to the child or keep it for yourself.

The young person takes a break or changes programs

Don't worry: RESPs are flexible. Because it is a long-term product, the RESP allows the young person to change their program of study (as long as it is a recognized and eligible post-secondary program) or take a break, **without penalty**.

Of course, they will **not receive EAPs during this period** but will be able to take advantage of them once they are again enrolled in eligible post-secondary studies.



The child decides to study abroad

Good news ! RESPs can also be used for studies abroad, provided they are eligible.

Be careful, however, to ensure that the program is indeed **post-secondary education**. For example, in the U.S., to compensate for the fact that the equivalent of high school lasts longer than in Quebec, a student will have to spend a year in a prep school, which is not considered post-secondary studies. In this case, the child would not receive their EAPs. They would only receive them once enrolled at an American university.

The child decides to pursue a DVS

The child will be **entitled to EAPs**, since studies leading to a Diploma of Vocational Studies (DVS) are considered post-secondary education. The same applies to college studies, whether it is an **Attestation of College Studies (ACS)** or a **Diploma of College Studies (DCS)** for pre-university or technical studies.

GOOD TO KNOW

You do not have to go all the way to university to benefit from an RESP !

For technical schools and vocational training, such as massage therapy or osteopathy schools, the post-secondary institution **must be recognized by the Government of Canada**. The duration and number of hours of training must also meet established criteria¹⁵.

15. Certain conditions apply. See our prospectus at kaleido.ca.

The RESP reaches maturity

Has your youngster completed their studies, or has their education savings plan been open for 35 years and you haven't withdrawn all the « EAPs » ?

You have several options. Under certain conditions, you can transfer the RESP to another child for their post-secondary education or transfer the funds to your RRSP¹⁶.

You can also withdraw EAPs in the form of accumulated income payments (AIPs), provided you qualify. Please note: AIP payments are subject to a special tax of 20 % (12 % for Quebec residents), according to the *Income Tax Act*.

The RESP is closed for any reason

When an account is closed for any reason, you won't necessarily lose everything : the amount you invested could be returned to you under certain conditions¹⁷.

However, the **government grants** will have to be **repaid**.
In certain cases, you may be able to keep the accrued interest if you meet these three conditions :

1. The child is 21 years of age or older and is not eligible for EAPs.
2. The person who opened the RESP is a Canadian resident.
3. The RESP opening took place at least ten years earlier.

If these three conditions are met, you will be able to receive the interest by paying the corresponding tax. You will also have the option of transferring it to an RRSP if you have sufficient RRSP contribution room.

16. Certain conditions apply. See our prospectus at kaleido.ca.

17. Contributions are not always guaranteed. For example, contributions to IDEO+ RESPs are not guaranteed and will be refunded subject to investment risk.

The child decides not to continue after high school

If the child does not continue their education after high school, you may want to wait until the 35th anniversary of the plan in case they change their mind.

Your contributions always belong to you. Otherwise, when it comes to the grants and income that make up your Education Assistance Payments, you have the same options as when your plan reaches maturity. You can:

- Transfer the amounts to another eligible child or to your RRSP, under certain conditions;
- Apply for an accumulated income payment (AIP) – if eligible – and pay the prescribed taxes.





The RESP that does MORE

Kaleido has been a pioneer in education savings since 1964. RESPs are our specialty, so we know them inside and out.

But beyond offering a financial product (IDEO+ plans), what drives us above all is the conviction that **every child can achieve their full potential** when given the means to do so:

- The **financial means** so that when the time comes, they can devote themselves to what really matters: their studies.
- **Concrete ways** for them to persevere despite obstacles.
- The **means to think big** and pursue the studies of their choice¹⁸.



USEFUL LINKS TO LEARN MORE

[Making the most of your RESP](#)

[How RESP grants work](#)

[RESP calculator](#)

[Discover IDEO+ RESP plans](#)

Sign up for an RESP today to support their dreams for tomorrow!

Contact your sales representative. They will be happy to answer any questions you may have, with no obligation on your part.

Telephone: 418 651-8975
Toll-free line: 1 877 410-7333

[**Book an appointment online**](#)

18. Certain conditions apply. See eligible post-secondary programs in our prospectus at kaleido.ca