

# AWC RESP

## Registered Education Savings Plan Information

T 1.888.554.9075 | F 1.888.240.9087 | [AWCAPITAL.CA](http://AWCAPITAL.CA)



### WHAT IS AN RESP?

A Registered Education Savings Plan (RESP) is an investment vehicle available to parents in Canada to save for their children's post-secondary education. The principal advantages of RESP's are the access they provide to the Canada Education Savings Grant (CESG) and as a method of generating tax-deferred income.



An RESP allows families to earn interest on their RESP tax-free.



### OVERVIEW OF HOW AN RESP WORKS:

- 1 An RESP account/plan is opened with an RESP provider (you can open an RESP without having a bank account). At the time of the account opening, one or more beneficiaries are named under the plan.
- 2 Contributions made to the RESP are allocated to the beneficiaries in the plan. Government grants (if applicable) will be paid to the RESP. The most common grant is the [Canada Education Savings Grant \(CESG\)](#).
- 3 The RESP provider administers all contributions, grants and income into the RESP. As long as the income stays in the RESP, it is not taxable.
- 4 The RESP provider can return the subscriber's contributions tax-free.
- 5 Once the beneficiary requires the funds to finance his or her post-secondary education and proof of enrollment is obtained, the RESP provider can make payments to the beneficiary.

### WHAT IS THE CESG?

The Canada Education Savings Grant (CESG) is a grant from the Government of Canada that is paid directly into a beneficiary's Registered Education Savings Plan (RESP). It adds 20 percent to the first \$2,500 in contributions made into an RESP on behalf of an eligible beneficiary each year with a maximum grant of \$7,200.00 per beneficiary. The last year the RESP [contribution grant](#) can be paid is in the year the beneficiary turns 17.

### CESG GRANT ROOM (CARRY FORWARD FROM PREVIOUS YEARS)

As of 1998, grant room (unused basic CESG amounts) accumulates until the end of the year in which the child turns 17, even if he or she is not a beneficiary of an RESP. Unused basic CESG amounts for the current year are carried forward for possible use in future years, provided the beneficiary remains eligible.

## YEARLY AND LIFETIME RESP CONTRIBUTION LIMITS AND CARRY FORWARD ROOM:

One of the great things about an RESP is that you can carry over unused contribution room into future years. However, there is a catch: Only one previous year's worth of contributions can be used each year.

### From 1998 (the first year the program started) to 2006, inclusive:

- annual contribution limit: \$2,000 (\$4,000 with carry forward room)
- lifetime contribution limit: \$42,000 (including any contributions made prior to 1998).

### From 2007 to present:

- no annual contribution limit; (\$5,000 with carry forward room)
- lifetime contribution limit: \$50,000 (including all contributions made prior to 1998).

**This limit includes all contributions made in all RESPs combined. There is no limit on the number of plans from different institutions. An individual can have in his or her name, but there is a lifetime contribution limit of \$50,000 per beneficiary.**

CESG payments are made to a single plan on a first-come, first-served basis. For example, if a person contributes the entire \$2,500 through one RESP provider on January 15, and later adds subsequent \$2,500 through a different provider on February 15, the CESG will be deposited into the first plan contributed to. When contributions are made on the same date, the amount are split in half between the two plans, each plan receives on half of the CESG.

While there are currently no annual contribution limits, you can receive the Canada Education Savings Grant (CESG) **only** on the first \$2,500 in contributions per year or up to the first \$5,000 in contributions if enough carry forward room exists. Any contributions over these amounts will not receive any CESG for the current year or any subsequent years. All contributions exceeding \$50,000 limit will not attract any grant even if the maximum \$7,200 of the grant is not reached.

For example: If you start an account for your six-year-old child, you can contribute \$2,500 (this year's contribution room) plus another \$2,500 (from previously unused contribution room) for a total of \$5,000, to receive a grant of \$1,000. You can contribute more than \$5,000 in this scenario, but there will be no grant paid on the amount above \$5,000. When calculating contribution room carryover from past years, don't forget that the contribution limit was only \$2,000 prior to 2007.

*Source of information: (1) RESP contribution and grant rules for 2019 by Mike Holman*

For more information, please call the Canada Revenue Agency at 1-800-959-8281 or visit the [Educational Assistance Payments](#) section of the Canada Revenue Agency's website.

## HOW IS THE RESP TAXED FOR CHILDREN WHO CONTINUE EDUCATION AFTER HIGH SCHOOL?

- Your money grows tax-free while it is in your RESP.
- You do not get a tax deduction for the money you put into an RESP.
- The money that your investment earns while it is in the RESP will not be taxed until money is taken out to pay for your child's education.
- Money paid out of the RESP as an Educational Assistance Payment is taxed in the hands of the student. Since many students have little or no other income, they can usually withdraw the money tax-free.
- The money that you have put in the RESP can be returned to you, tax-free.

## WHEN MY CHILD GOES TO UNIVERSITY, HOW DO WE WITHDRAW THE FUNDS?

When funds need to be withdrawn from an RESP, any grant and growth in the plan are withdrawn first when requesting the Education Assistance Program. EAP's are taxable to the beneficiary; they'll be sent a T4A when tax time comes. The institution will need Proof of Enrolment from the institution; a letter of acceptance is NOT sufficient. They will also require their withdrawal form called the RESP Education Assistance Payment & Redemption.

## WHAT HAPPENS TO SAVINGS IN AN RESP WHEN IT CLOSES?

An savings that remain in your RESP when it closes will be handled as follows:

- money received from either the [Canada Education Savings Grant](#) (CESG) or the [Canada Learning Bond](#) (CLB) will be returned to the Government of Canada; and
- any personal savings in the account will be returned to the person who opened the plan.

The interest earned on both the personal savings as well as any government grants or bonds will be returned to you if all the following apply:

- all children named in the plan are at least 21 years old and are not eligible for an Educational Assistance Payment;
- the subscriber is a Canadian resident; and
- the RESP was opened at least 10 years ago.

In this case, the money withdrawn is called an Accumulated Income Payment. When withdrawn, the money will be taxed at your regular income tax rate, plus an additional 20 percent. You may also transfer it into your Registered Retirement Savings Plan (RRSP) or your spouse's RRSP.

Ask your [RESP provider](#) for more details and for explanations on any conditions or penalties that may apply to your RESP, should you decide to close the account. For more information about Accumulated Income Payments, visit the [Canada Revenue Agency](#) website.



## ADDING ANOTHER CHILD TO AN RESP FAMILY PLAN

If you wish to add another child to an existing RESP family plan, the child must be related to you by blood or adoption, and he or she must:

- be under 21 years old at the time you add him or her to the plan; or
- have been a beneficiary of another family RESP immediately before being added to this one.

As with any RESP, you must provide the new beneficiary's SIN to the RESP provider.

If the [Canada Education Savings Grant](#), [Canada Learning Bond](#) or [British Columbia Training and Education Savings Grant \(BCTESG\)](#) has already been paid into the RESP, you can add a brother or sister of the existing beneficiary to the plan without penalty.

While the [Saskatchewan Advantage Grant for Education Savings \(SAGES\)](#) can only be paid into a sibling-only plan, a cousin can be added to the plan without having to repay the SAGES already in the RESP.

If you add a beneficiary who is not a brother or sister of the beneficiaries already named on the plan, you will need to repay the grants or bonds to the Government of Canada.



## WHEN A BENEFICIARY DOES NOT CONTINUE THEIR EDUCATION AFTER HIGH SCHOOL

If your child chooses not to continue their education after high school, you can wait for some time to see if they change their mind. RESP accounts can stay open for **up to 36 years**. If you are sure the beneficiary will not be using the money in the future, you can transfer the money from one RESP to another.

## HOW IS THE RESP TAXED FOR CHILDREN WHO DO NOT CONTINUE THEIR EDUCATION AFTER HIGHSCHOOL?

You will not be taxed on the amount you contributed to the RESP, but you will have to pay taxes on the money that you earned in your plan as interest. This money is called "accumulated income." It will be taxed at your regular income tax level, plus an additional 20 percent.



- 1 The money that you have put into the RESP is returned to you.
- 2 The CESG can be shared with a brother or sister if they have grant room available. Otherwise, the grant must be returned to the Government of Canada.
- 3 When you close your RESP, you will have to pay tax on the earnings in the RESP. (Although there will be earnings on the CESG, the grant must be returned to the Government of Canada.) You may be able to reduce the taxes you have to pay by transferring your accumulated income to either your spouse's Registered Retirement Savings Plan (RRSP) or yours. For more information, see the [Accumulated Income Payments](#) section of the [Canada Revenue Agency's \(CRA\)](#) website.
- 4 Talk to your RESP provider to find out about any conditions that may apply to the plan if your child does not continue his or her education after high school.

## OVER-CONTRIBUTIONS

An over-contribution occurs when the total contributions made to a beneficiary in one or more RESP(s) exceed the lifetime limit of \$50,000. When an over-contribution occurs, you will be required to pay tax in the amount of one percent per month on your share of the over-contribution until it is withdrawn.

**Under normal circumstances, withdrawal of contributions will require a repayment of the CESG, except when:**

- you withdraw the contributions to eliminate an over-contribution; and
- the total over-contribution is not more than \$4,000 at the time of withdrawal; or
- the RESP beneficiary is eligible for an Educational Assistance Payment.

If the total over-contribution is more than \$4,000 at the time of withdrawal, the CESG is repayable on the entire amount withdrawn. If this happens, the grant room is not restored by the repaid amount of CESG.

To determine if the lifetime contribution limit has been exceeded, the Canada Revenue Agency takes into account all contributions made for the beneficiary, even if they have been withdrawn. For more information on over-contributions as well as tax penalties, visit the [Canada Revenue Agency](#) website.

## WHAT IS THE ACES PLAN GRANT?

This government grant was cancelled and the deadline for applying was July 2015. There are no exceptions. This government grant originally offered \$500.00 upon opening an account and \$100.00 at ages 8, 11 or 14. As mentioned above, this no longer exists.

Source: Government of Canada website, Information about Registered Education Savings Plans (RESP's)

## INVESTING IN AN RESP AT ALTA WEST CAPITAL (AWC)

### 1 What could the value of the RESP be when my child is ready to go to school?

Please refer to the graph located at the back of this pamphlet. Assuming a \$2,500.00 annual contribution, and the corresponding grant of \$500.00 is made each year (up to a maximum lifetime grant money of \$7,200.00 per beneficiary); and assuming these funds are invested with a 7.5% annual return, the change in value of your account over 15 years (maximum grant money is received at age 15) would represent an increase in overall value of 42.74%. This does not factor in any costs associated with having the account.

### 2 Who can open an RESP?

Anyone can open an RESP account for a child; parents, guardians, grandparents and other relatives or friends.

### 3 How do I open an RESP account?

Contact the Investor Relations team at Alta West Capital at (403) 254-9075 ext. 4218 or [investor.relations@awcapital.ca](mailto:investor.relations@awcapital.ca) and they will be happy to send you the appropriate documents required to open your RESP plan and initiate your investment into the MIC of your choice.

### 4 What happens if I would like to transfer an existing RESP account in order to be able to invest with Alta West?

Contact the Investor Relations team at AWC and they will assist you in the completion of the necessary paperwork. Please note grants other than the CESG and ACES grant are not able to be transferred. These non-transferrable grants would be ones based on a lower income qualification.

### 5 What is the cost of opening a Registered plan?

For registered plans (RESP/TFSA/RRSP), many Alta West investors use Olympia Trust Company. For RESP's specifically, Olympia Trust Company is the only company that offers RESP accounts. The annual fee for a registered plan is \$175.00 plus tax. A purchase into the MIC of your choice is a per-transaction charge of \$75.00 plus tax. These costs should be considered when making your decision to open a registered plan.

### 6 How and when do I receive the grant money?

When completing your RESP documents, you will also have to complete a CESG application. Investor Relations will assist you with the completion of this document and it will then be sent to Olympia Trust Company.

### 7 Olympia will send the application to ESDC (Employment and Social Development Canada) for processing. It takes 6 weeks for the grant money to be received by Olympia and posted into your RESP account.

### 8 Once the grant money is posted into your Olympia account, we can close on your investment with the MIC of your choice. The reason we wait for the grant money to come in first is so that the grant amount is included in your total investment and you are not charged 2 purchase fees by Olympia Trust.

### 9 When do I notify AWC of an upcoming withdrawal as my child is going to school?

To avoid any delays, please inform us of the date the redemptions are required. AWC follows the same redemption policy for all transactions. This policy is 6 months' notice. However, exceptions can be made if funds are available sooner.

*Please seek individual tax advice from your accountant as they are qualified to assess your personal situation. Alta West Capital is not a professional accounting firm and cannot offer tax estate advice.*

### 10 Can I change the beneficiary named on an individual, family or group RESP?

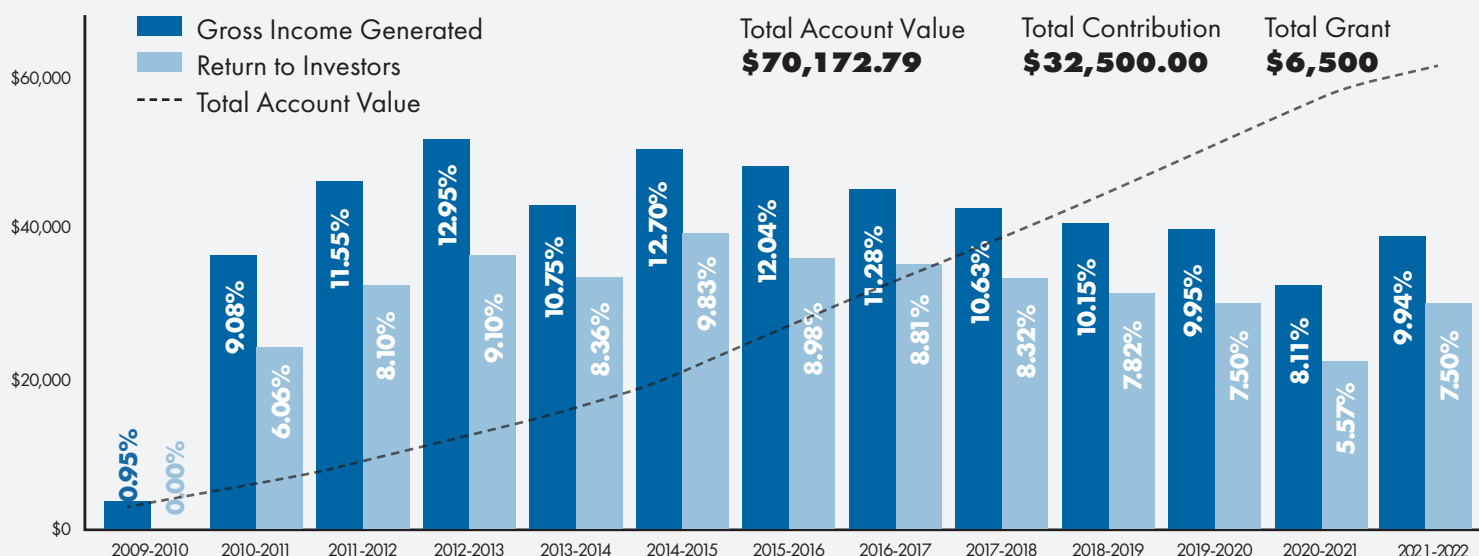
Ask your provider how your contributions will be affected if you switch beneficiaries. Before opening an RESP, check with your provider to find out about the terms and conditions of the plan.

As with opening any RESP, the new beneficiary's social insurance number (SIN) must be provided.

# Investing your RESP in AWM Diversified MIC

## DOES IT MAKE A DIFFERENCE WHEN I MAKE CONTRIBUTIONS TO THE RESP INVESTING IN AWM DIVERSIFIED MIC?

Yes; the earlier the better. As with all investments, the benefits of compounding make a dramatic difference to the end value. If you use the return to investors percentage from the AWM Diversified MIC graph located below with a total contribution of \$32,500.00 and \$6,500.00 in CESG grants received in 13 years, your account value will be \$70,172.79. This is assuming that dividends are reinvested, and a \$2,500.00 contribution is made each year. Please note that the maximum contribution is \$50,000.00 and the maximum lifetime grant is \$7,200.00 per beneficiary.



The data shown reflects actual historical dividend performance of AWM Diversified MIC. This assumes the annual contribution of \$2,500.00 is made on April 1 (the beginning of AWM Diversified MIC's fiscal year) receiving the 20% Canadian Education Saving Grant (CESG) of \$500.00. There is a lifetime grant limit of \$7,200.00 and a contribution limit of \$50,000.00 per beneficiary. This graph assumes that dividends are received tax free and fully reinvested.

Past performance is no guarantee of future results. Actual performance will vary. There is no assurance AWM Diversified MIC will achieve its objectives or be able to pay dividends consistent with historical payments. As such, dividends are subject to all the risks of AWM Diversified MIC's operations and industry and investments generally, including the ability of borrowers to make applicable payments under mortgages comprising AWM Diversified MIC's portfolio, real estate values, interest rates, unexpected costs, competition, the economy generally, and other factors beyond the control of AWM Diversified MIC. There is a liquidity risk as preferred shares of AWM Diversified MIC are not publicly traded and you may be unable to sell or redeem them in a timely manner, or at all. For a detailed list of many risk factors related to an investment in preferred shares of AWM Diversified MIC, see Item 8 of its current Offering Memorandum and Alta West Capital Relationship Disclosure Document.

All published information set out herein is for general information purposes and is not intended to be a solicitation or advice relevant to the reader's specific financial situation and suitability of the client's investment. Technical information is for general information purposes only and not intended to serve as a full or comprehensive description and should not be relied upon. Any information provided here has been obtained from sources believed to be accurate but cannot be guaranteed. Any opinions expressed in this document are based on analysis of market events and circumstances as at the date of publication and are subject to change. Alta West Capital does not undertake to notify the reader of any subsequent changes.

The information contained herein is for general information purposes and is not intended to constitute tax advice. Alta West Capital does not warrant the accuracy or completeness of the information contained herein and does not undertake to notify the reader of any changes to tax regulation or the application of tax regulation since the date of publication.

Diversification in your portfolio is important. Please note Alta West Capital has no ability or expertise to provide meaningful overall portfolio analysis of all your separate investment classes to diversify your individual portfolio. Alta West Capital is a captive exempt market dealer as it only sells investment products that are connected to Alta West Capital and is therefore only able to provide recommendations on its own funds and cannot offer the investor alternative options or opinions on other investments. Alta West Capital is also a "connected issuer" to the Alta West Capital MICs and SIF as defined in National Instrument 33-105 Underwriting Conflict, because of common ownership and management between Alta West Capital, the Alta West Capital MICs and SIF.

Alta West Mortgage Capital Corporation is registered as an Exempt Market Dealer ("EMD"), Restricted Portfolio Manager ("RPM") and Investment Fund Manager ("IFM") in the province of Alberta. The firm is also registered in the provinces of British Columbia, Manitoba, Ontario and Saskatchewan as an EMD. This information is directed only to residents of those provinces. For more information, contact Investor Relations at (403) 254-9075 ext. 4218 or by email at investor.relations@awcapital.ca.

Alta West Mortgage Capital Corporation holds a mortgage broker license in British Columbia, Alberta, and Ontario. **FSCO Brokerage License 12633, FSCO Mortgage Admin License 12634.**