

AWC RESP

Registered Education Savings Plan Information

T 403.254.9075 EXT. 4218 | E investor.relations@awcapital.ca | awcapital.ca



Unlocking Possibilities, Together.™

WHAT IS AN RESP?

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

OVERVIEW OF HOW AN RESP WORKS:

- 1 An RESP account/plan is opened with an RESP provider. Upon the inception of the account, one or more beneficiaries can be named.
- 2 Contributions made to the RESP are allocated to the beneficiaries of the plan. Government grants (if applicable) will be paid to the RESP. The most widely available grant is the [Canada Education Savings Grant, or \(CESG\)](#).
- 3 The RESP provider administers all contributions, grants and income into the RESP. For the period that the interest income remains in the RESP, it is not taxable.
- 4 The RESP provider can return the subscriber's contributions tax-free.
- 5 When the beneficiary requires the funds to finance their post-secondary education and provides proof of enrollment, the RESP provider will begin to 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). The grant is awarded when contributions are made to a beneficiary's RESP. The government adds 20 percent to the first \$2,500 in contributions made to an RESP each year. The maximum grant amount is \$7,200 per beneficiary. The final 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.

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

YEARLY AND LIFETIME RESP CONTRIBUTION LIMITS AND CARRY FORWARD ROOM:

A strategic advantage to the RESP is that it will carry over unused contribution room from the past into future years. The stipulation, however, is that only one previous year's amount of contributions can be used each year.

FOR EXAMPLE

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)

While there are currently no annual contribution limits, you will receive the Canada Education Savings Grant (CESG) exclusively on the first \$2,500 in contributions per year or up to the first \$5,000 in contributions if enough carry over room exists. Any contributions exceeding these amounts will not receive any amount from the CESG for the current or subsequent years. All contributions exceeding the \$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, keep in mind 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.

This limit is calculated from a combination of all contributions made in all RESPs combined. There is no limit on the number of plans from different institutions an individual may have in their name, but there is a lifetime contribution limit of \$50,000 per beneficiary.

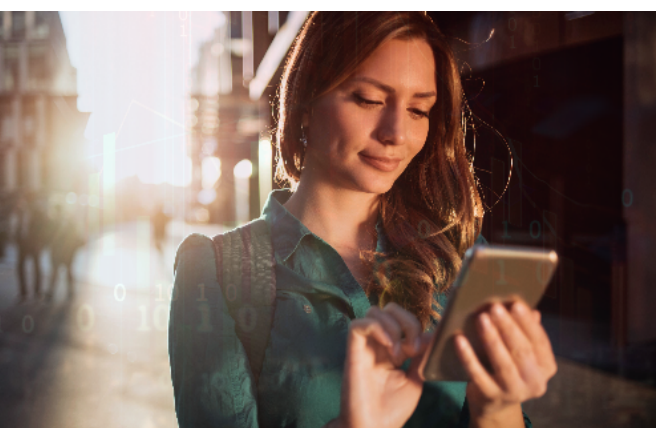
CESG payments are made to a single plan on a first-come, first-served basis. For example, if a person contributes the entire \$2,500 through one RESP provider on January 15, and later adds subsequent \$2,500 through a different provider on February 15, the CESG will supplement the first plan into which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

HOW IS THE RESP TAXED FOR CHILDREN WHO PURSUE HIGHER EDUCATION?

Your money grows tax-free while it remains in your RESP, but you will not receive a tax deduction for the money you invest into an RESP. Your interest income in the RESP will not be taxed until the money is withdrawn to pay for your child's education. Money paid out of the RESP as an Educational Assistance Payment is taxed to the student. Since many students have little or no other income, they can usually withdraw the money tax-free. The money that you have invested 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). EAPs are taxable to the beneficiary who will receive a T4A when taxes are due. The institution will need Proof of Enrollment from the institution; a letter of acceptance is NOT sufficient. They will also require their withdrawal form titled "RESP Education Assistance Payment & Redemption."



WHAT HAPPENS TO THE SAVINGS AND INTEREST INCOME IN AN RESP WHEN IT CLOSES?

Any savings which 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 conditions 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 a minimum of 10 years prior to its closing.

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 additional details or explanations concerning your account. Your RESP provider can inform you of 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 of their addition to the plan.
- 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 \(BCTESG\)](#) have already been paid into the RESP, you can add a sibling 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 sibling of the beneficiaries already named on the plan, you must repay the grants or bonds to the Government of Canada.

IF A BENEFICIARY DOES NOT CONTINUE THEIR EDUCATION AFTER HIGH SCHOOL

If your child chooses not to pursue higher education following high school, you are allotted a significant amount of time in case they change their mind. RESP accounts can stay open for up to 36 years. If you are sure the beneficiary will not access the money in the future, you may transfer funds from one RESP to another.

HOW IS THE RESP TAXED FOR CHILDREN WHO DO NOT PURSUE HIGHER EDUCATION AFTER HIGH SCHOOL?

The amount you contributed to the RESP will not be taxed, but you will have to pay taxes on the money that you earned in your plan as interest. Essentially, your contributions will not be taxed, but your interest income will be. This capital is labeled “accumulated income” and will be taxed at your regular income tax level, plus an additional 20 percent. The money that you have invested in the RESP is returned to you.

- 1 The CESG can be shared with a sibling if they have the available grant room. Otherwise, the grant must be returned to the Government of Canada.
- 2 When you close your RESP, you will have to pay tax on the earnings in the RESP. (Although there will be earnings on interest of the CESG, the entire 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 your own. For more information, refer to the [Accumulated Income Payments](#) section of the [Canada Revenue Agency’s](#) (CRA) website.
- 3 Talk to your RESP provider to inquire about any conditions that may apply to the plan if your child does not continue their education after high school.



OVER-CONTRIBUTIONS

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

Under normal circumstances, the withdrawal of contributions will require a repayment of the CESG, with the following exceptions:

- The contributions are withdrawn to eliminate an over-contribution; and
- The over-contribution totals 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 will need to be repaid on the entire amount withdrawn.

To determine whether 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 further information on over-contributions as well as tax penalties, visit the [Canada Revenue Agency](#) website.

THE ACES PLAN GRANT

This government grant was canceled 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.

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

INVESTING IN AN RESP AT ALTA WEST CAPITAL (AWC) - FAQ

- 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 contribution with the corresponding grant of \$500.00 is made per annum (up to a maximum lifetime grant totaling \$7,200.00 per beneficiary); and assuming these funds are invested with a 7.5% annual return, the change in the value of your account over 15 years 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 whether they're parents, guardians, grandparents or 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 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 Capital?**
Contact the Investor Relations team at AWC and they will assist you in the completion of the paperwork. Please note, grants other than the CESG and ACES grant are not able to be transferred. This should be factored in when making a decision on transferring the account.
- 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 in particular, Olympia Trust Company is the only company that offers RESP accounts. The annual fee for a registered plan is \$150.00 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. Olympia Trust Company (OTC) will send the application to Employment and Social Development Canada (ESDC) for processing. It takes up to 6 weeks for the grant money to be received and posted into your RESP account.

Once the grant money is posted into your account, we can finalize your investment in the MIC of your choice. The reason we wait for the grant money to be deposited first is so that the grant amount is included in your total investment and you are not charged 2 purchase fees by Olympia Trust.
- 7 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 at least 6 months' notice. However, exceptions can be made if funds are available sooner.

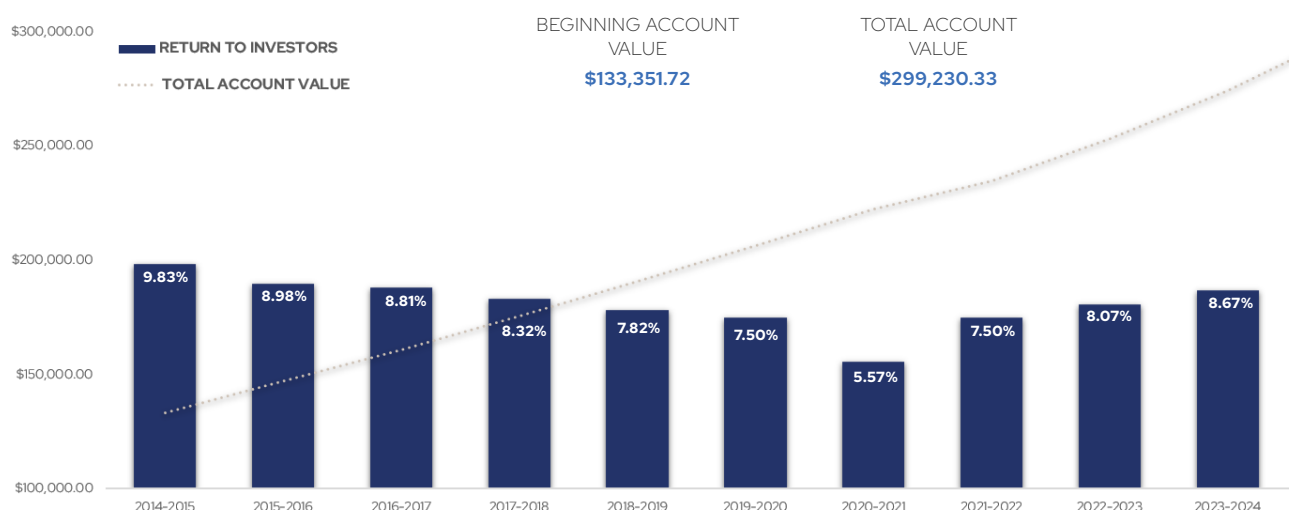
*Please seek individual tax advice from your accountant as they are qualified to assess your personal situation. Alta West Capital is not a professional accounting firm and cannot offer tax estate advice.
- 8 Can I change the beneficiary named on an individual, family or group RESP?**
Ask your provider 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 IN THE MICS MANAGED BY AWC

These charts are provided for illustrative purposes only to demonstrate the impact of compound returns over multi-year investment periods based on actual AWM Diversified MIC and First Place MIC historical returns. The performance of other investors during the period may have varied based on whether their dividends were subject to tax and whether the investors withdrew any amounts from their investments during the period. Past performance is no guarantee of future results. Actual performance will vary.

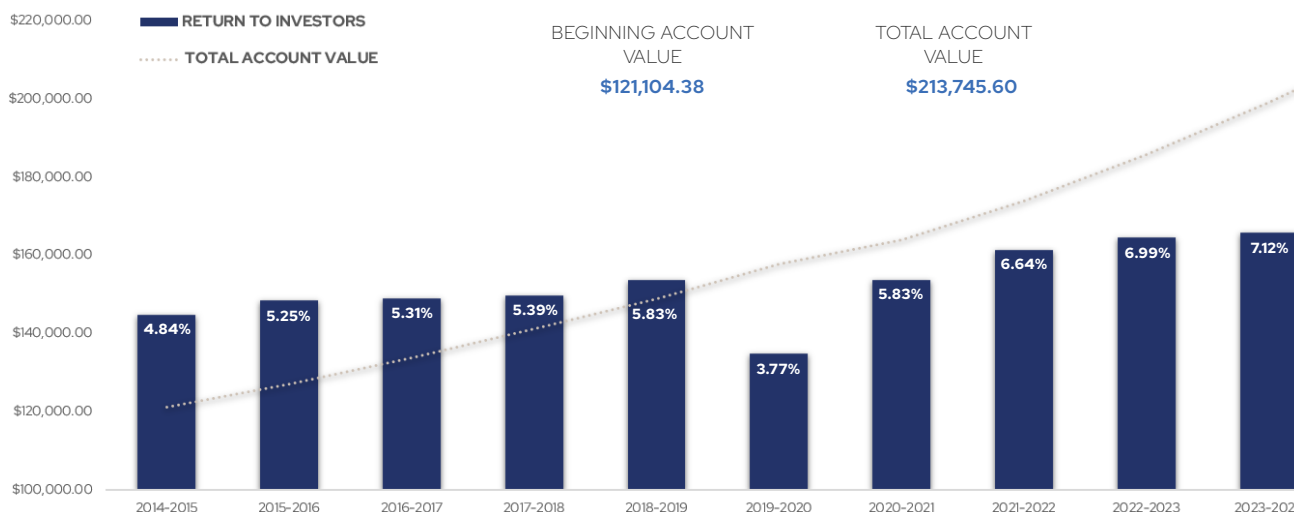
WHAT WOULD THE VALUE OF YOUR ACCOUNT BE IF YOU INVEST IN AWM DIVERSIFIED MIC FOR 10 YEARS?

The graph below is based on actual results and reflects the performance of a sample client who purchased fund units in AWM Diversified MIC. The graph shows the beginning account value effective April 1, 2014 (the beginning of AWM Diversified MIC's fiscal year) and no additional investment was made. Dividends are fully reinvested into additional shares of AWM Diversified MIC.



WHAT WOULD THE VALUE OF YOUR ACCOUNT BE IF YOU INVEST IN FIRST PLACE MIC FOR 10 YEARS?

The graph below is based on actual results and reflects the performance of a sample client who purchased fund units in First Place MIC. The graph shows the beginning account value effective November 1, 2014 (the beginning of First Place MIC's fiscal year) and no additional investment was made. Dividends are fully reinvested into additional shares of First Place MIC.



DISCLAIMER

Past performance is no guarantee of future results. Actual performance will vary. There is no assurance the MIC's managed by AWC will achieve its objectives or be able to pay dividends consistent with historical payments. As such, dividends are subject to all the risks of the MIC's operations and industry and investments generally, including the ability of borrowers to make applicable payments under mortgages comprising the MIC's portfolio, real estate values, interest rates, unexpected costs, competition, the economy generally, and other factors beyond the control of the MICs. There is a liquidity risk as shares of the MICs are not publicly traded and you may be unable to sell or redeem them in a timely manner, or at all. Important information regarding these investments is set out in each MIC's Offering document; Offering Memorandum for First Place MIC and Fund Information Document for AWM Diversified MIC, which should be reviewed prior to investing.

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 managed funds; AWM Diversified MIC, First Place MIC, and AWM Opportunity Fund LP (Opportunity Fund) as defined in National Instrument 33-105 Underwriting Conflict, because of common ownership and management between Alta West Capital, the MICs, and Opportunity Fund.

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