

RESP Season



A SIMPLE PERSPECTIVE

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RESP Season! If your children are attending post secondary you know what I'm talking about! Time to start making those redemptions to pay for school!

I expect, as was my experience, during the final month or so of pregnancy you were likely inundated with sales campaigns vying for your RESP business for the baby who was just around the corner. You got it all set up and then didn't think much about it again until they were entering high school. If you have been faithfully contributing, for all those years... congratulations! But... if life has thrown you curveballs and you've needed to dip into that money, or weren't able to start, or just never took your time to wrap your head around how it all works - look no further. Below are some highlights you may want to know. (Subject to changes by the federal and/or provincial government.)

What is an RESP? It is a Registered Education Savings Plan. That means it is a program "registered" with the government. Being "registered" means the funds you set aside for your children's post secondary education will grow tax sheltered.

CONTRIBUTIONS

- Each year the gov't will match 20% of your contribution to a max of \$500 (any contribution above \$2500 is not matched)
- You can contribute a lifetime maximum of \$50,000 per child
- If you've missed past years you can catch up one year at a time. Eg. in 2022 you can catch up 2015's missed contribution for a total deposit of \$5000 per child; receiving \$500 grant for 2022 and \$500 grant for 2015
- Lifetime maximum grant is \$7200
- Grant payments end at the end of the year your child turns 17, whether maxed or not
- Plans can be individual (per child) or family (can carry over unused amount to siblings)

WITHDRAWALS

- Funds are broken into 2 categories 1) contributions or 2) grants and interest
- Funds from grants and interest are called "Education Assistance Payments" (EAP)
- EAP are considered income to students; they will be issued T4A and required to declare as income, (can get tricky if they've taken time off after high school to work)
- Full time students can withdraw up to \$5000 max within the first 13 weeks and then unlimited amounts afterward, (as long as they remain enrolled)
- Part time students can withdraw up to \$2500 max within the first 13 weeks and then unlimited amounts afterward, (as long as they remain enrolled)

Keeping in mind that an RESP is one part of your overall portfolio; it is important to understand the impacts of contributions and withdrawals on your big picture and your child's big picture. If you have questions contact our office for a free consultation. Come and experience the Lewkowitz difference!

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-education-savings-plans-resps.html>