



FAMILY SERVICES OTTAWA
SERVICES À LA FAMILLE OTTAWA

Understanding RESP's FOR LOW-INCOME FAMILIES



What is a RESP?

A Registered Education Savings Plan (RESP) is a government-registered plan that helps you save for a child's post-secondary education.

A RESP can include different types of savings options such as a savings account, Guaranteed Investment Certificate (GIC), or investments. You can set up a RESP to benefit one child, or a family plan so that more than one child can use the money to attend post-secondary education.



Why set up a RESP?

The cost of post-secondary education increases every year. **The Government of Canada will add funds to the RESP account to help you save for your child's education.**

The Basic Canada Education Savings Grant (CESG) is money from the Government of Canada that will add up to 20% to your RESP account, up to \$500 per year. For example, if you save \$500 in the RESP in one year, CESG will add an additional \$100 to the account. If you can save \$750 in the RESP, the CESG will add \$150 to the account.

BENEFITS FOR LOW-INCOME FAMILIES

- **Low-income families (with an income below \$49,020 in 2021) can receive an additional 20% up to \$100 per year.** If you save \$500 in the RESP you the CESG adds \$100 to the account and you qualify for an extra \$100. This means if you save \$500 in one year you will have \$700 in your RESP, plus any interest or earnings from your savings account or investment.
- Low-income families also benefit from the Canada Learning Bond. You can receive these funds even if you do not add money to the RESP account. **The bond will pay \$500 in the first year, and then pay another \$100 each year on the child's birthday until they reach the age of 15.** The income level depends on the size of the family and can be found on the website for Employment and Social Development Canada.

HOW DO I OPEN A RESP ACCOUNT?

You can open a RESP through your bank or other financial services company. Be sure to check the fine print for fees and understand what upfront charges exist or what changes there will be if you need to withdraw the money early. Your child will need to have a Social Insurance Number (SIN). Anyone can open a RESP – parents, grandparents, and non-family members.





WHAT CAN THE RESP MONEY BE USED FOR?

RESP funds can be used to pay for **apprenticeship programs, trade school, college, and university.**

WHAT IF MY CHILD DOES NOT GO TO POST-SECONDARY? DO I LOSE THE MONEY?

- If your child does not attend post-secondary after high school, **you can keep the funds in the RESP to see if they change their mind.**
- You may also be able to **transfer the CESG money to another child.**
- **The CESG will have to be returned if it is not used for school, but you keep the money you contributed.** You will have to pay tax on the money you withdraw but you may be able to save it in a Registered Retirement Savings Plan (RRSP) for your own retirement, which can help you save on the amount of taxes to be paid.

I CAN'T AFFORD TO SAVE MONEY IN A RESP!

The thought of saving money for something many years away can be overwhelming. **Adding even \$5 per week can quickly add up and the government will add money to the account.** Consider asking family and friends to spend less money on presents for birthday and other holidays and add a few dollars to the RESP. It's a gift that will last many years! **Remember, even if you can't contribute to the RESP every year, you may still receive the Canada Learning Bond, you just need to have a RESP account set up.**

WHAT ABOUT STUDENT LOANS?

It is true that your child may qualify for student loans and grants from the Ontario Student Assistance Program (OSAP) when they attend post-secondary. However, OSAP is not designed to cover 100% of the costs and students / families are expected to contribute to their educational costs. The RESP savings can be used to help your family contribute.

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