

Many people have become familiar with “Registered Education Savings Plans” and related “Government Incentives”<sup>†</sup>. Heritage Education Funds has compiled a list of the most frequently asked questions about RESPs.

## 1 Who is Heritage Education Funds?

Heritage Education Funds is one of Canada's leading Registered Education Savings Plan (“RESP”) providers. Established in 1965, Heritage Education Funds continues to help hundreds of thousands of families save for their children's post-secondary education. To date we have helped more than 500,000 Canadians save for the post-secondary education for their children and grandchildren.

## 2 What is the Heritage Educational Foundation?

The Heritage Educational Foundation is a non-profit corporation with **over \$1.3 Billion in assets** under management, created for the unique purpose of “encouraging and promoting the advancement of higher education through the provision of Educational Assistance Payments (EAPs) resulting from its Subscribers contributions to RESPs”. The Foundation also sponsors additional programs including the Heritage Post-Graduate Awards and the Heritage National Excellence Awards for Teachers (NEAT) in Early Childhood Education.

## 3 What is a Registered Education Savings Plan (RESP)?

An RESP is an education savings plan registered under Canada's Income Tax Act, which is established for the purpose of providing financial assistance to a Beneficiary (usually a child) when he or she pursues a post-secondary education. Income on savings within an RESP grows tax-sheltered until the child is ready for post-secondary education. The earnings are taxed in the hands of the student/Beneficiary, who typically pays little to no tax. In addition, RESPs may qualify for various government incentives that help parents, relatives and friends save for a child's post-secondary education. For more information on these incentives, please see question 5. Subscribers and Beneficiaries enrolled in an RESP must be Canadian residents and have a valid Social Insurance Number.

## 4 How much can I contribute?

The maximum lifetime limit is \$50,000 per eligible child. Depending on the amount of time before your child begins post-secondary education, you could open a Plan for less than \$5.00 per month<sup>†</sup>. The child/ Beneficiary must reside in Canada each time a contribution is made.

## 5 What are the Government Education Savings Incentives?

1. **Canada Education Saving Grant<sup>†</sup> (CESG)**
  - **Basic CESG:** The Canadian Government tops-up your annual RESP contributions by 20%, up to \$500 per year, per eligible child.
  - **Additional CESG:** Qualifying families may receive up to 40% on the first \$500 of annual RESP contributions. Both Basic and Additional CESG have a combined total lifetime maximum of \$7,200 per eligible child.
2. **Canada Learning Bond<sup>†</sup> (CLB):** For qualifying families who open an RESP, an initial CLB of \$500 from the Canadian Government is available to help you save for your child's post-secondary education and will be deposited into the child's RESP. Subsequent installments of \$100 will be available for children for each year of eligibility until age 15.
3. **Alberta Centennial Education Savings Plan Grant<sup>†\*</sup> (ACES):** Qualifying children born to or adopted by Alberta residents are entitled to a one-time Grant of \$500 to a child's RESP. Subsequent Grants of \$100 may be available to Alberta children at age 8, 11 and 14. A matching contribution of \$100 into the RESP is required in the year prior to applying for the Grant.

## 6 What are Heritage Plan RESPs and How Do They Work?

Heritage Plan RESPs were established for the purpose of helping parents save towards the ever-increasing cost of a post-secondary education.

Heritage Education Funds Inc. distributes the Heritage Plan RESPs. Heritage Plan RESPs are time-defined, goal directed savings programs for parents (or grandparents and other relatives or friends) who contribute on behalf of children who are under 15 years of age at the time of enrollment.

Subscribers save towards the first year of a post-secondary education and the Heritage Educational Foundation provides Educational Assistance Payments (EAPs) towards any of the second, third or fourth years for qualified students. You can alternatively select a Self-Determined Option that is best suited for students attending a program that is less than 2 years in length. It's that simple!

## 7 If my child does not continue his or her education, do I get my contributions back?

Absolutely! Your savings are always yours (less applicable fees), and will be returned at Maturity, which is typically age 18.

## FREQUENTLY ASKED QUESTIONS CONTINUED...

### 8 What about the interest that accumulates on my contributions? That's lost if my child doesn't go to school, right?

Not so! With the Heritage Plan RESPs the built in Self-Determined Option enables you (provided you so elect prior to the Maturity Date) to withdraw your interest earned, in the form of Accumulated Income Payments (AIPs), along with your savings (less Membership Fees, Depository Fees and if applicable, Insurance Premiums), to be paid out in whole or in part at any time, up to 25 years after enrollment<sup>†</sup>. An added advantage is that you can transfer up to \$50,000 of your RESPs accumulated interest into your own or a Spousal RRSP, or withdraw it in cash (subject to a 20% withholding tax on top of your regular tax rate). **You can even transfer the Plan to yourself** and use it for your own educational pursuits<sup>†</sup>.

### 9 Are there any income tax benefits?

Yes. Educational Assistance Payments (EAPs) are taxable in the hands of the student/Beneficiary, whose tax liability is typically low or non-existent due to the low income and high exemption status of most students.

### 10 Are my contributions at risk?

Contributions and interest earned are invested in lower-risk, fixed or variable securities like Guaranteed Investment Certificates, Federal and Provincial Bonds, Corporate Debt Securities, Term Deposits, Government Treasury Bills, Mortgage-backed securities and principal protected notes that earn a consistent and competitive return.

### 11 If my financial situation changes, can I make changes to my Plan?

Yes. You can increase or decrease the contribution amount when your needs change. We encourage Subscribers to contribute only what they can comfortably afford. The only limit is the Canadian Government lifetime maximum of \$50,000 in contributions per eligible child. Maximizing your savings will also maximize the Educational Assistance Payments (EAPs) and CESA available to your child, especially when you consider the power of compound interest.

### 12 What if my spouse or I pass away or become disabled before all of the contributions are made?

The Heritage Educational Foundation offers an optional protection benefit<sup>†</sup> on the Heritage Plan RESPs for eligible contributors which ensures that in the event of death or total disability (for a minimum of 9 consecutive months), your future contributions will be made on your behalf, securing your child's RESP and the most affordable and important gift you can give your child. . . a post-secondary education.

### 13 What fees or expenses must I pay for these Plans?

For the Heritage Plan RESPs, fees paid by the Subscribers are listed below:

- A \$100 per unit Membership Fee deducted from early contributions, **of which all or part may be returned** with the Educational Assistance Payments (EAPs), depending on the Scholarship Option chosen. Membership Fees are not refundable if your Plan cancels prior to Maturity.  
**Discretionary payments are not guaranteed.** You should not count on receiving a discretionary payment. The Foundation decides if it will make a payment in any year and how much the payment will be. If the Foundation makes a payment, you may get less than what it paid in the past. You may also get less than what the Foundation pays to Beneficiaries in other groups.
- A Depository Charge between \$3.50 - \$10.00 + GST. The amount of this fee depends on how you contribute to the RESP and is deducted from Savings.

### 14 Who can enroll a child in a Plan?

Any person of legal age (18 or older) who wishes to help provide for a child's future post-secondary education and who has a Social Insurance Number, may enroll a child in a Plan. A child must be a Canadian resident each time a contribution into an RESP is made.

### 15 Reasons why you should start a Plan today?

1. You can rest easy knowing that when it comes time to pay for a post-secondary education for your child, you'll be in a better position to afford it.
2. You will benefit from the power of compound interest working for you and your child immediately.
3. Your child's Plan will benefit from the Canada Education Savings Grant and may benefit from other Government Education Savings Incentives that you may qualify for, providing your child resides in Canada and has a valid Social Insurance Number.
4. With the Heritage Plan RESPs, contribution protection for eligible contributors commences as soon as you enroll with the Optional Insurance Coverage<sup>†</sup>.

### Can you afford NOT to find out more?

For more information, please contact:



*Working Together For Their Future.*

Heritage Education Funds Inc.

2005 Sheppard Ave. E, Suite 700, Toronto, Ontario M2J 5B4

Phone 416.502.2500 Toll Free 1.800.739.2101 Fax 416.502.2555

Email [customercare@heritageresp.com](mailto:customercare@heritageresp.com)

**HeritageRESP.com**

<sup>†</sup> Certain conditions apply. \* For Alberta residents only. Heritage Education Funds RESPs are offered by Prospectus only. Heritage Education Funds is the trade name of Heritage Education Funds Inc.