

education savings

2010-02

What investment vehicle should I use to save for my child's education?

What will happen if my child decides not to attend college or university?

IMAGINE ... Your child is three years old and you decide to put aside \$2,000 a year for her education. Fifteen years later she turns eighteen and breaks the news to you: she has no desire to attend university or college and never will. What happens to your investment?



	RESP ¹	RESP ²	IN-TRUST	OPEN ACCOUNT
Investment Value After 15 Years	\$ 83,879	\$ 83,879	\$ 69,899	\$ 69,899
CESG Repayment	\$ 6,000	\$ 6,000	\$ 0	\$ 0
Taxable Portion of Investment	\$ 47,879	\$ 47,879	\$ 29,924	\$ 29,924
Marginal Tax Rate	50%	70%	15%	50%
Tax Payable by Contributor	\$ 23,939	\$ 33,515	\$ 0	\$ 14,962
Tax Payable by Beneficiary	\$ 0	\$ 0	\$ 5,984	\$ 0
Final Investment Balance	\$ 53,940	\$ 44,364	\$63,915	\$54,937

¹ RESP scenario: if the contributor has at least \$50,000 of available RRSP carry-forward room

² RESP scenario: if the contributor does not have any available RRSP carry-forward room, 70% tax rate represents an additional 20% tax applied to the investment growth if the beneficiary does not attend post-secondary and the contributor has no allowable RRSP contribution room

Please note the following RESP restrictions:

- The plan must have been in effect for at least 10 years for the subscriber to withdraw accumulated income from the RESP
- The rollover provision of the growth inside an RESP to the contributor's RRSP is not permitted if the RESP has paid out any accumulated income payments
- The student must attend university or college full-time to be eligible as a beneficiary for RESP income payments
- RESP monies must be used to pay tuition, books, lab fees, or anything else that assists the beneficiary in his/her studies

The information contained herein is based on certain assumptions and is for illustration purposes only. While care is taken in the preparation of this example, no warranty is made as to its accuracy or applicability in any particular case.

This article was prepared by Christine LaLiberté, who is a Senior Investment Advisor with DundeeWealth. This is not an official publication of DundeeWealth. The views (including any recommendations) expressed in this article are those of the author alone, and they have not been approved by, and are not necessary those of DundeeWealth.

At DundeeWealth, we believe that having a financial plan forms the foundation necessary to grow, protect and transfer wealth from one generation to the next. We are committed to providing information on a variety of financial planning topics so our clients are able to make informed decisions.

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