

RESPs

and Education Solutions



A Guide to Registered
Education Savings Plans

Getting Started

- RESP Basics

Getting Ahead

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Getting What You Want

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Getting Started — A brief look at RESP basics

What exactly is an RESP?

A **Registered Education Savings Plan (RESP)** is an education savings vehicle established by the federal government to encourage parents to save money for their children's post-secondary education. Within an RESP, you can hold a range of investments including Guaranteed Investment Certificates (GICs) and mutual funds. The investments inside your RESP can be as conservative or aggressive as you are comfortable with, and can be changed to match your evolving financial situation and investment goals.

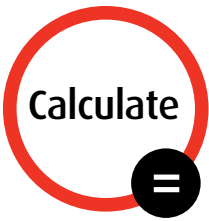


Why contribute to an RESP?

We all want the best for our children. And for many that means the benefits that post-secondary education can bring — a promising career and the enhanced earnings potential that come from higher education. But the costs associated with pursuing post-secondary education have been on the rise.

Tuition has been growing at a fast pace and, at times, faster than inflation. Current projections estimate the cost of a four-year degree at a Canadian university to reach between \$75,000 and \$100,000 over the next 10 to 15 years.¹

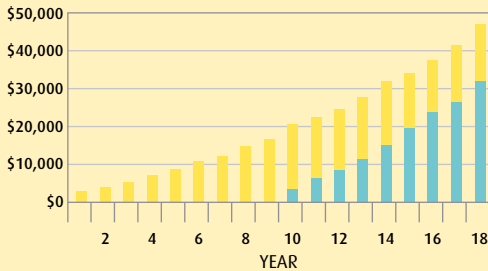
RESPs provide you with a vehicle that can help you provide the financial support your child will need for post-secondary education.



Visit our online **RESP Savings Worksheet** to find out how much you need to put away each month to save for your child's education. You can find our RESP Savings Worksheet online at bmo.com/resp.

It pays to start early

The years go by all too quickly and before you know it your toddler is a teenager and you have a lot of catching up to do. Start saving today and benefit from the power of compound growth — the sooner you start to invest the longer your money has time to grow.



- By investing \$100 a month for 18 years your \$21,600 principal investment grows to \$48,329.
- Investing \$200 a month starting 9 years later means your \$21,600 principal investment grows to only \$31,696.

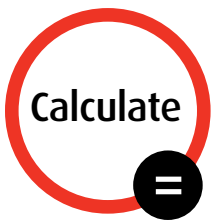
The contributions used in this example are made at the beginning of each month. It assumes an 8% effective annual rate of return compounded monthly.

Note: Calculations above do not include Canada Education Savings Grant (CESG) payments.

How much do you need to save?

It's always helpful to have a financial goal in mind when saving in a long-term investment plan like an RESP. An investment professional can work with you to design an investment plan to help meet your family's education savings needs. We have a tool to help you calculate your family's total cost for post-secondary education, how much you will need to save each month in order to meet your goals, and what your total savings will be at a specific time.





Our **Continuous Savings Plan (CSP) Calculator** helps you to see how quickly savings can accumulate, and allows for comparison between various savings scenarios. You can find our CSP Calculator online at [bmo.com/mutualfunds](https://www.bmo.com/mutualfunds).

How to save now

A Continuous Savings Plan (CSP) allows you to make automatic, pre-set contributions into your RESP directly from your bank account on a regular basis. It's a simple and convenient way to build savings over time, so you don't have to worry about coming up with a big lump-sum contribution all at once.

The benefits are rewarding

- **Compound Growth** – When you invest regularly, you generate returns on the amount you invest each month as well as on the amount that money has earned. As a result, your savings have the potential to grow faster than if you made a single contribution at a later date due to the power of compounding. Best of all, the growth on your savings is tax-deferred within the RESP.
- **Convenient and Manageable** – A CSP makes saving easy, affordable to maintain and a rewarding way to

save. A great way to maximize your education savings.

- **Dollar-cost Averaging** – When it comes to investing in mutual funds, a consistent monthly contribution helps you to take advantage of changes in the market by providing the flexibility to buy more mutual funds when the unit price is low, and less when the unit price is higher. Over time, this may help to reduce the average price paid per unit, compared to lump-sum investing.





Family vs. Individual RESP: Plan Options for Greater Flexibility

You have a choice between two types of RESPs:

The 'Family' RESP

- A **subscriber** (or **joint subscriber**) may name one or more children as **beneficiaries**.
- Each child must be related to the subscriber by blood relation or adoption, as defined by the Canada Revenue Agency (CRA).
- Each child must be under age 21 when named.
- If any of the children do not pursue post-secondary education, any other beneficiaries within the plan may take advantage of the accumulated savings, earnings and **Canada Education Savings Grant** (CESG) paid into the RESP, up to the maximum allowable limits applicable per eligible child.
- Contributions are only CESG-eligible up to December 31st of the year in which the beneficiary turns 17.²

- Contributions may only be made for beneficiaries who are under age 31.

The 'Individual' RESP

- A subscriber (or joint subscriber) may only name one person as beneficiary.
- The beneficiary may be anyone — even the subscriber. The beneficiary does not have to be related to the subscriber in any way.
- There are no age restrictions. Contributions may be made regardless of the age of the beneficiary.
- However, contributions can only be made for 31 years after the plan is established. Contributions are only CESG eligible up to December 31st of the year in which the beneficiary turns 17.

Learn



Need help understanding some terminology? Check out the reference chart on page 13.

Getting Ahead — The benefits of RESP investing

RESP Benefits

An RESP brings you three important advantages:

1. The Canada Education Savings Grant (CESG)

The CESG can make a substantial difference to the value of your education savings over time. However, you can only benefit from CESG payments by setting up an RESP and meeting certain eligibility requirements.

CESG Payments

The amount of the CESG you may be entitled to is based on your family income. The amount can change over time as your family income changes.

No matter what your net family income is, the CESG provides at least 20 cents for every dollar on the first \$2,500 of annual RESP savings made on behalf of a child.

Depending on your family income, your child could receive additional CESG:

- If your net family income is below \$38,832*, the CESG will be 40 cents for every dollar on the first \$500 you save in your child's RESP each year.

- If your net family income is between \$38,832* and \$77,664*, the CESG will be 30 cents for every dollar on the first \$500 you save in your child's RESP each year.

Your net family income is reported on your Canada Child Tax Benefit statement (commonly known as “baby bonus”, or “family allowance”) that you receive from the CRA each July.

In the event that you cannot make an annual RESP contribution of \$2,500 in order to receive the maximum annual CESG of \$500, your unused grant contribution room may be carried forward. Even if your child does not have an RESP, they are accumulating unused grant contribution room for every year of their life after December 31, 1997.³ However, the maximum annual CESG payable to a beneficiary is \$1,000 (\$5,000 contributions x 20% CESG), so you will be limited in how quickly you can “catch-up” on past unused grant contribution room.⁴

**This amount is based on 2009 income brackets and is updated each year based on rate of inflation.*



CESG Eligibility Requirements

In order to qualify for the CESG there are several beneficiary requirements that must be met. Contributions for an eligible beneficiary must have been made by December 31st of the year in which the beneficiary turns 17; the beneficiary must be a Canadian resident; and the beneficiary must have a valid Social Insurance Number (SIN) in order to register the RESP with the CRA and apply for the CESG payment. In order for beneficiaries who are 16 or 17 years old to qualify for CESG payments, a minimum of \$2,000 in RESP contributions must have been made before the year the beneficiary turns age 16. Alternatively, a minimum of \$100 in annual RESP contributions must have been made in any four years before the year the beneficiary turns age 16. If the child is 18 years of age or older, an RESP may still be opened however no CESG payments will be received.

2. You may be eligible for additional grants:

The Canada Learning Bond (CLB): Introduced in 2005, this grant is intended to benefit low-to-medium income families.

For qualifying families, the CLB grants \$500 for the first eligible year and \$100 for every additional eligible year until the child turns 15 years of age.

The Alberta Centennial Education Savings (ACES) Plan: Introduced in 2005, this plan grants families of newborns in the province of Alberta \$500 and an additional \$100 for all eligible 8, 11 and 14 year olds.



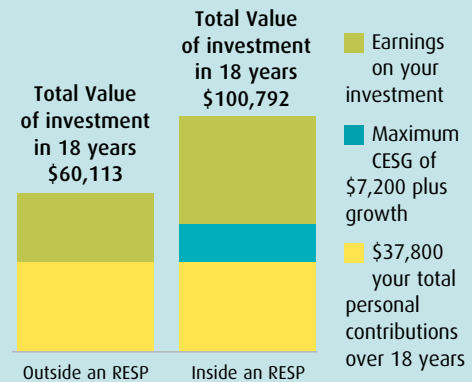


3. Tax-deferred growth

The money you contribute to an RESP grows **tax-deferred** so you save taxes now and in the future. When funds are withdrawn to pay for post-secondary schooling, the growth of your investment (including the CESG received) is taxed as income to the student, presumably at a much lower rate. Depending on the individual circumstances of the student, taxes may not be payable at all.

As the graph illustrates, these benefits can have a substantial impact on how much you are able to save over time.

The Big Tax Benefit: Inside Vs. Outside an RESP



This example is based on an 8% average annual rate of return compounded monthly with \$175 (which allows you to maximize the government grant) contributed at the beginning of each month over a span of 18 years. Assumes a marginal tax rate of 40% for investments held outside an RESP. Growth of investments within an RESP are tax-deferred. Canada Education Savings Grant (CESG) is 20% of total annual contributions.

Note: Since individual circumstances vary, a financial advisor should be consulted.

Getting what you want — RESP Solutions

Why choose a BMO RESP?

An investment professional can help you build a fully diversified portfolio that is matched to your investment needs and takes into account your comfort with risk and your investment time horizon. Your local investment professional can:

- Provide professional advice and service
- Estimate how much your family will need to start saving for post-secondary education
- Help you set your education savings goals
- Develop a savings and investment plan to help you reach your education savings goals.

BMO Term Investments

Guaranteed Investment Certificates (GICs) have an important role to play in any well-diversified RESP investment portfolio.

With BMO Term Investments, you can benefit from:

- A guarantee that your initial investment is always safe
- Stability of interest rate returns and predictable income
- Stability in the value of your investment over the investment term
- A 0.5% bonus on all 1 to 5 year BMO RESP GICs (excluding those held as part of a BMO Intuition RESP Savings Portfolio).

BMO Mutual Funds

BMO Mutual Funds offer you the opportunity to participate in a range of stock and bond markets using a sound, diversified approach. Mutual funds pool your money with that of many other investors to purchase a wide array of investments. Each unit you own lets you share in a diversified portfolio of stocks, bonds, or both.



With BMO Mutual Funds, you benefit from:

- A well-diversified family of mutual funds
- Investments in foreign securities for additional portfolio diversification
- Professional management
- No Loads⁵
- Liquidity
- Ease and convenience.

BMO LifeStage Plus Funds

With earnings locked in daily, capital preservation combined with growth, and a strategically evolving asset mix, all you need to do is select the Fund with the end date that suits your time frame. We'll take care of everything else.

Choose from four fixed end dates:

- BMO LifeStage Plus 2017 Fund
- BMO LifeStage Plus 2022 Fund
- BMO LifeStage Plus 2025 Fund
- BMO LifeStage Plus 2026 Fund
- BMO LifeStage Plus 2030 Fund.⁶

BMO Intuition® RESP Portfolios

BMO Intuition RESP Portfolios allow you to choose from five professionally managed portfolios.

Depending on your specific goals, time horizon, risk tolerance and the age of your beneficiary, you will be matched to a specific portfolio of investments that has been designed to help enhance your potential return while managing volatility given your level of risk tolerance.

With BMO Intuition RESP, you benefit from the power of asset allocation. Having the right asset allocation based on your risk and return objectives helps to ensure that you will have a properly diversified portfolio and not have all your eggs in one basket!

A portfolio that includes a diversified mix of asset classes can smooth out potential returns while at the same time helping to manage risk.

With the help of an investment professional at a BMO Bank of Montreal branch, you can determine which portfolio is right for you.

Frequently Asked Questions

Q: What are the minimum requirements to open a BMO RESP or BMO Intuition RESP Portfolio?

A: The minimum initial investment is \$500 per Fund/GIC or \$1,000 per Portfolio.

To make additional contributions, a Continuous Savings Plan makes it easy. The minimum monthly contribution is \$50 per Fund/GIC or \$100 per Portfolio and arrangements can be made to have your contributions transferred from your bank account directly into the BMO RESP or BMO Intuition RESP Portfolio.

Q: How is the CESG added to my RESP?

A: Human Resources and Social Development Canada (HRSDC) provides the CESG directly to BMO Investments Inc. which deposits the CESG into your BMO RESP.

Up to \$50,000 of accumulated RESP income may be transferred to the subscriber's Registered Retirement Savings Plan (RSP) if:

- Sufficient RSP contribution room remains⁷
- The RESP has been in existence for at least 10 years
- The beneficiary under the RESP is at least 21 years of age, and
- The beneficiary decides not to pursue post-secondary education.

Q: How is money withdrawn from an RESP when the beneficiary needs it for school?

A: Proper documentation, such as a Bursar's Certificate, must be provided as proof of enrolment in a qualifying program at a post-secondary institution. The RESP redemption form must be completed and the beneficiary must request an Education Assistance Payment (EAP) and/or a Post-Secondary Education (PSE) withdrawal.



Q: How are withdrawals from an RESP taxed?

A: RESPs are comprised of two parts —contributions and earnings.

Contributions: The contribution portion of an RESP is not taxed when withdrawn for post-secondary education needs. This type of withdrawal is known as a Post-Secondary Education (PSE) withdrawal.

Earnings: The earnings portion of an RESP is comprised of accumulated contribution earnings, and CESG payments and their growth. Called the Education Assistance Payment (EAP), this type of withdrawal generally incurs small or zero tax liability since beneficiaries are usually taxed at a very low rate.

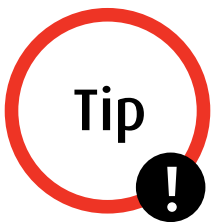
Q: What happens if the subscriber needs to withdraw money from the RESP for non post-secondary educational purposes?

A: Subscriber can withdraw an amount less than or equal to his/her total contributions, at any time without tax consequences.

However, if an RESP has received the CESG and the beneficiary is not enrolled in a post-secondary program, 20% of the amount withdrawn must be returned to the government (up to the total amount of CESG in the RESP).⁸

If a subscriber withdraws money from an RESP, that contribution room is lost and cannot be used again.





Be Prepared – A meeting with an investment professional will be more productive if you prepare beforehand. Outline your current savings; make sure you have the beneficiary’s Social Insurance Number (SIN) in order to benefit from the CESG; and prepare a list of questions and don’t be afraid to ask them.

Q: What happens to the money in an RESP if the beneficiary decides not to attend a post-secondary school?

A: Within a Family RESP, you can designate another qualifying beneficiary. Other beneficiaries can share in the accumulated savings, earnings, and up to \$7,200 of CESG per beneficiary. If there is no other beneficiary, contributions are returned to the subscriber and the total CESG (but not the accumulated income on the CESG) must be repaid to the federal government.

Within an Individual RESP, you can name another beneficiary.

However, to be eligible to keep the CESG, the replacement beneficiary must be under age 21 plus one of the following must be true:

- The replacement beneficiary is the brother/sister of the former beneficiary.
- Both the former and replacement beneficiaries are related to the subscriber by blood relation or adoption.

If no other beneficiary can be named, contributions are returned to the subscriber and the total CESG (but not the accumulated income on the CESG) must be repaid to the federal government.

Q: Can a beneficiary delay entry into a post-secondary school for several years?

A: Yes, but not indefinitely. The maximum life of an RESP is 35 years and must be terminated before the end of the 35th year following the year the RESP was established.

Q: Can I make transfers between RESPs?

A: Most transfers may be made on a tax-free basis from one RESP to another. To avoid any application of the penalty tax for over-contributions or any repayment of the CESG, the following rules must be observed:

- There must be a common beneficiary between the originating plan and the receiving plan, or
- A beneficiary under the receiving plan must be under 21 years of age, and a brother or sister of a beneficiary under the originating plan, and
- The subscriber must sign a Transfer Request Form.



Meet with an investment professional at your BMO Bank of Montreal branch to discuss your savings needs. They can help you choose an investment mix that's right for your child's RESP.

REFERENCE CHART

Subscriber:	The individual or joint-subscriber (if applicable) that contributes to an RESP, on behalf of a beneficiary. The subscriber must be an individual — a corporation, trust, church or charity may not be a subscriber.
Joint subscriber:	"Spouses" or common-law partners may be joint-subscribers.
Beneficiary:	The person or persons intended to receive the benefits of the RESP for payment towards post-secondary education.
Canada Education Savings Grant (CESG):	When a subscriber contributes to a beneficiary's RESP, the federal government will provide additional contributions if certain requirements are met.
Annual contribution limit:	There is no annual contribution limit; however, the lifetime contribution limit per beneficiary is \$50,000.
Lifetime contribution limit:	\$50,000 per eligible beneficiary.
Tax-deferred:	Contributions made to an RESP are NOT tax deductible, however, the money contributed to an RESP is allowed to grow and compound on a tax-sheltered basis. When the income is withdrawn from the RESP to pay for the beneficiary's education, the funds become part of the beneficiary's taxable income, which is usually low, thus resulting in a lower overall tax bill.
Educational Assistance Payments (EAPs):	An EAP is the payment of an RESP's income and CESG amounts to the beneficiary upon enrolment in a qualified post-secondary institution and is taxed in the hands of the beneficiary. A T4 will be sent to the beneficiary for the tax year in which the EAP was processed.



This brochure is provided to clients for informational purposes only, and should not be construed as investment, legal or tax advice to any party. Professional advice should be obtained with respect to any circumstance.

BMO Mutual Funds and BMO Intuition Portfolios are offered by BMO Investments Inc., a financial services firm and separate legal entity from Bank of Montreal.

Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments and the use of an asset allocation service. Please read the prospectus of the mutual funds in which investments may be made before investing, including mutual fund investments under an asset allocation service. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

BMO GICs are issued by Bank of Montreal Mortgage Corporation and unconditionally guaranteed by Bank of Montreal.

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¹ Education costs include tuition and a single residence room with meals and books. Projections are provided by CanLearn.

² See CESG eligibility requirements on page 5.

³ Unused grant contribution room must be used up by December 31 of the year in which the beneficiary turns 17 years of age.

⁴ If there is unused CESG contribution room carried forward, the maximum CESG that may be received is \$1,000 per calendar year (20% of the \$5,000 contributions).

⁵ No load is applicable to funds offered in BMO Bank of Montreal branches only.

⁶ In order to receive the highest daily locked-in value (the “Guaranteed Maturity Amount”), investors must remain invested in the fund until the fund’s target end date. If an investor redeems any of his or her units of the fund prior to the target end date, the investor will receive the price per unit based on the funds net asset value next determined after BMO Investments Inc.’s receipt of their redemption request, which may be less than the Guaranteed Maturity Amount. Please read the Fund’s prospectus before investing and for important information regarding the Guaranteed Maturity Amount.

⁷ If no RSP contribution room remains, the RESP income withdrawn may be subject to additional taxes.

⁸ CESG-eligible contributions are withdrawn before CESG-ineligible contributions. Withdrawals of CESG-ineligible contributions may limit future CESG payments.



Ask



We're here to help

At BMO Financial Group, we offer many education savings products and services, which in combination with a sound financial plan, can help you develop an education savings strategy that's right for you. Our investment professionals are highly trained and can help you make sound investment decisions, whether you want to plan for your child's education or save for other financial goals.

For more information on how an RESP can work for you:

- drop by your local BMO Bank of Montreal branch and speak to an investment professional
- call BMO Bank of Montreal Direct Banking at 1 888 771-0123 or BMO Investment Centre at 1 800 665-7700
- visit [bmo.com/resp](https://www.bmo.com/resp)

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