

FLEXIBILITY, CONVENIENCE AND CHOICE

Registered Education Savings Plan

A Registered Education Savings Plan (RESP) is a tax-deferred education savings vehicle through which the federal government allows a subscriber to save money for a beneficiary's post-secondary education.

Self-Administered RESP with Olympia Trust Company

- Ability to take advantage of different types of investments such as arms length mortgages, qualified private Canadian company shares, mortgage investment corporation shares (MIC), publicly traded stocks and mutual funds
- Control over the plan and the investments
- Ability to save for the beneficiary's education and receive the Canada Education Savings Grant (CESG)
- No foreign content limit in an RESP

RESP Contributions

- RESP contributions are not tax deductible, therefore the subscriber is allowed to withdraw the contributions tax-free from the plan
- The income and growth in the plan remain tax deferred until it is withdrawn
- Effective January 1, 2007 there is no annual contribution limit. The lifetime maximum is \$50,000.
- The lifetime maximum applies to each beneficiary and not to each subscriber so if the beneficiary has more than one plan, the total contributions to all plans must not exceed the limits.

Canada Education Savings Grant (CESG)

- In order to encourage saving for a child's education, the government provides a basic grant of 20% of the annual contributions made to an RESP, up to a maximum of \$500 per year for each beneficiary. If there is unused grant room, the maximum is \$ 1,000 per year.
- The maximum lifetime grant paid per beneficiary is \$7,200.
- CESG is available up to and including the year in which the beneficiary turns 17.
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Alberta Centennial Education Savings Grant

- The Alberta government provides a \$500 grant for every child born to, or adopted by, Alberta residents in 2005 and after. Subsequent grants of \$100 will be available to children attending school in Alberta at ages 8, 11 and 14.
- An initial deposit to the RESP is not required to receive the \$500 Alberta grant but a minimum contribution of \$100 to the RESP is required to receive each subsequent \$100 grant.



Olympia Trust Company
Self-Administered RESP
offers flexibility, convenience and
broad investment choices.

Subscriber
Is the individual(s) making
contributions to the RESP on behalf
of the beneficiary(ies).

Beneficiary(ies)
Is the person(s) who will be attending
post-secondary education

Our flexibility gives you further reach.

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RESP Withdrawals

Withdrawals from an RESP can be classified into three main categories:

1. Refund of Contributions

- Contributions can be withdrawn from the plan tax free at any time by the subscriber, provided the applicable CESG is paid back to the government.

2. Educational Assistance Payments (EAP)

- Payments of an RESP's income and grant amounts made to the beneficiary to help finance his or her post-secondary education. Student must be enrolled in a full-time qualifying education program at a post-secondary institution or in a qualifying part-time program that requires at least 12 hours per month be spent on courses.
- EAP can be used to fund any education related expenses.
- The subscriber decides when and how much should be paid out of the plan to the beneficiary but there is a maximum EAP payment of \$2,500 for each 13-week semester of part-time study and \$5,000 in the first 13 weeks for full-time study.
- These amounts are included in the beneficiary's income in the year they are received.

3. Accumulated Income Payments (AIP)

- Investment earnings paid from the RESP that are not used for educational purposes (EAP).
- A refund of contributions, repayment of the CESG, EAP, a donation to an educational institution or a transfer to another RESP are not considered AIP.
- In order for AIP to be paid, the following conditions must be met:
 - recipient of the AIP is the subscriber;
 - subscriber must be a Canadian resident;
 - beneficiary is 21 years of age and not eligible to receive EAP; and
 - RESP has been in existence for at least 10 years.
- These payments are subject to income tax as well as an additional 20% penalty tax.
- Subscriber can avoid income tax by transferring AIP to a personal or spousal RRSP up to a maximum of \$50,000 (provided unused RRSP contribution room is available).

Eligible Investments include:

- Arms length mortgages on real property located in Canada
- Qualified Canadian private company shares
- Shares of a Mortgage Investment Corporation (MIC)
- Stocks listed on a recognized Canadian stock exchange
- Bonds and debentures of Canadian corporations
- Qualified mutual funds
- Guaranteed Investment Certificates
- Rights and warrants for stocks listed on a prescribed stock exchange
- Canadian Government and Government guaranteed debt obligations including Federal, Provincial and Municipal debt
- Stripped coupons from qualified bonds
- Listed foreign stocks on prescribed stock exchanges up to the allowed limit
- Cash (Canadian dollars only)



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Types of Plans

There are two types of Education Savings Plans: family and non-family.

The decision as to which plan to open will depend on the number of beneficiaries and their relation to the subscriber(s).

The details of both types of plans are outlined below.

Family Plan	Non-Family Plan
About Beneficiaries	
<ul style="list-style-type: none"> - One (1) or more Beneficiaries permitted - Connected by blood or adoption to subscriber - Under age 21 - CESG paid to a Beneficiary under age 18 - Can be added or replaced (with conditions) - CESG paid into RESP may be shared among all Beneficiaries under the Plan to a maximum of \$7,200 per Beneficiary 	<ul style="list-style-type: none"> - Only one (1) Beneficiary at any one time - No blood relationship required - No age restriction - CESG paid to a Beneficiary under age 18 - Can be replaced (with conditions) - CESG directed to the one Beneficiary
About Contributions	
<ul style="list-style-type: none"> - Only for Beneficiaries under 21 - Must be directed to a specific Beneficiary - Remain the property of the Subscriber - Have specific cut-off dates and dollar limits 	<ul style="list-style-type: none"> - Not limited by age of Beneficiary - Remain the property of the Subscriber - Have specific cut-off dates and dollar limits
Contributions to an RESP must Stop	
When the Beneficiary turns 21 OR 21 years after the year the Plan was entered into OR If transfer(s) have been made to the Plan, 21 years after the year of the earliest effective date(s) of the transferring Plan(s)	21 years after the year the Plan was entered into OR If transfer(s) have been made to the Plan, 21 years after the year of the earliest effective date(s) of the transferring Plan(s)

What if the beneficiary does not attend post-secondary education?

- The funds can be donated to an educational institution in Canada.
- A replacement beneficiary can be named if the original beneficiary does not attend a post-secondary educational institution. This can be anyone if it is a non-family plan but has to be connected to the subscriber by blood or adoption if it is a family plan.
- Contributions can be withdrawn by the subscriber, tax free, at any time.
- Accumulated Income Payments (AIP) can be taken according to conditions mentioned previously, subject to income tax and a penalty tax.
- AIP can also be transferred to the subscriber's RRSP subject to available contribution room to a maximum of \$50,000.

The information is general in nature and is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting or professional advice. Readers should consult with their own accountants and/or lawyers for advice on the specific circumstances before taking any action.