



Registered Education Savings Plan (RESP)



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What is an RESP?

The Registered Education Savings Plan (RESP) is designed to assist in saving for the post-secondary education of a beneficiary named on the plan by the subscriber.

Features & benefits

- Government incentives help grow the savings.
- Income earned grows tax-free in the plan.
- Subscribers can open more than one plan.
- An individual can be named as a beneficiary on multiple plans.

Who can open an RESP as a subscriber?

An individual who is the age of majority and has a valid social insurance number (SIN) may open an RESP as a sole subscriber or jointly with their spouse/common-law partner (CLP), or former spouse/CLP if they are the legal parents of the beneficiary(s). Individuals who are the age of majority may be both the subscriber and the beneficiary.

An RESP may also be opened by a public primary caregiver (the child care department, agency, or institution that is eligible to receive payments under the *Children's Special Allowances Act* for a child in their care).

The subscriber is responsible for naming the beneficiary(s) of the plan, making contributions, providing investment instructions, and requesting withdrawals.

Who can be a beneficiary of an RESP?

An individual who is a Canadian resident and has a valid SIN can be named as beneficiary by the subscriber on the RESP.

Individual Plan vs. Family Plan

When setting up an RESP, it's important to decide whether an Individual Plan or a Family Plan best suits the subscriber's needs. By understanding the key differences, subscribers can ensure their RESP aligns with educational savings goals and family structure.

Individual Plan

- Only one beneficiary is allowed on the plan.
- There is no requirement for the beneficiary to be related to the subscriber.
- There is no age restriction for the beneficiary.
- The beneficiary can be the subscriber.

Family Plan

- There may be one or more beneficiaries, who must be related to the subscriber(s) by blood or adoption. Stepchildren and step-grandchildren are also recognized as being related to the subscriber (all beneficiaries under a Family Plan must be siblings; cousin plans are not permitted).
- Income and certain incentives can be shared among the beneficiaries.
- Beneficiaries must be under age 21 at the time the plan is opened, unless they are currently a beneficiary under another RESP being transferred to the Family Plan.

Contribution guidelines

Subscribers make contributions to the RESP contract to save for a beneficiary's future post-secondary education expenses, such as tuition, books, living costs, and other related expenses. Contributions are not tax-deductible, but they grow tax-free within the plan.

Contribution limit

The lifetime contribution limit is \$50,000 per beneficiary and there is no annual limit. All contributions to a beneficiary's RESPs at any financial institution cannot exceed the lifetime limit.

Contribution deadlines

In an **Individual Plan**, contributions cannot be made after the end of the 31st year following the year the plan was opened or the 35th year if a specified plan (a plan where the beneficiary is eligible for the disability tax credit).

In a **Family Plan**, contributions cannot be made after the end of the 31st year following the year the plan was opened. Contributions for each beneficiary cannot be made after the beneficiary attains the age of 31.

Overcontribution

If contributions made by all subscribers to all RESPs for a particular beneficiary exceed the \$50,000 lifetime limit, the excess amount is subject to a tax penalty of 1% per month. Each subscriber is responsible for penalty tax on their share of the excess until withdrawn.

Federal government incentives

Canada Education Savings Grant (CESG)

To be eligible for CESG, the RESP beneficiary must be a resident of Canada on the date of contribution, have a valid social insurance number, and will not attain an age greater than 17 in the year of contribution. The maximum lifetime CESG limit is \$7,200 per beneficiary.

Basic CESG

- Basic CESG is paid at 20% on the first \$2,500 contributed annually.
- Grant room accumulates until the end of the year in which a beneficiary turns 17.
- Unused grant room is carried forward to future years.
- A maximum of \$1,000 grant can be paid each year per beneficiary.

Additional CESG

- Additional CESG is paid at either 10% or 20% on the first \$500 contributed annually.
- Eligibility and amount paid is based on the family net income of the beneficiary's primary caregiver*.
- Unused grant room is not carried forward to future years.

* An individual who is eligible for the Canada Child Benefit or a child care department, agency, institution or organization eligible to receive payments under the *Children's Special Allowances Act*.

Canada Learning Bond (CLB)

To be eligible for CLB, the RESP beneficiary must be born on or after January 1, 2004, a resident of Canada when the CLB is paid, and have a valid social insurance number. Eligibility is based on the family net income of the beneficiary's primary caregiver*. Contributions are not required to receive CLB.



The initial CLB payment is \$500, with annual instalments of \$100 until the beneficiary reaches the age of 15. The maximum lifetime CLB limit is \$2,000 per beneficiary.

Eligible beneficiaries accumulate entitlement to the CLB until they reach age 15, even if an RESP has not yet been opened. To receive the CLB entitlements, an application must be made before the beneficiary reaches the age of 21.

The CLB cannot be shared with other beneficiaries.

* An individual who is eligible for the Canada Child Benefit or a child care department, agency, institution or organization eligible to receive payments under the *Children's Special Allowances Act*.

Provincial government incentive

British Columbia Training and Education Savings Grant (BCTESG)

- BCTESG is available to children born on or after January 1, 2006.
- The incentive is a one-time payment of \$1,200.
- Beneficiary and custodial parent/legal guardian must be residents of British Columbia to apply for BCTESG.
- Application for BCTESG must be made when the beneficiary is between ages 6 and 9.
- Contributions are not required to receive BCTESG.

Withdrawals

Educational Assistance Payment (EAP)

An EAP is the distribution of accumulated income, Canada Education Savings Grant (CESG), Canada Learning Bond (CLB), and provincial grants from the RESP to assist a beneficiary with post-secondary education expenses. EAPs are reported as income by the beneficiary in the year received.

The beneficiary must be enrolled in a qualifying educational program (full-time studies) or in a specified educational program (part-time studies) at a post-secondary educational institution, either inside or outside of Canada.

An EAP request must be made by the subscriber(s) within 6 months of completing the program and be accompanied by proof of enrolment.

An EAP is limited to \$8,000 in the first 13 weeks of enrolment of full-time studies. However, withdrawals made after the 13 weeks are no longer subject to this limit.

The total amount of EAPs made to a beneficiary enrolled in part-time studies cannot exceed \$4,000 in a 13-week period.

Post-secondary education withdrawal

A post-secondary education withdrawal is a withdrawal of contributions where a beneficiary under an RESP is eligible for an EAP. Withdrawn contributions are not taxable. A post-secondary education withdrawal does not trigger a repayment of CESG, CLB and/or provincial grants.

Withdrawal of contributions

Where the subscriber(s) requests a withdrawal of contributions and no beneficiary of the RESP is eligible for an EAP, the withdrawal may trigger a repayment of CESG, CLB, and/or provincial grants. Withdrawn contributions are not taxable.

Accumulated Income Payment (AIP)

An AIP is the payment of income accumulated on contributions and government incentives from the RESP to a subscriber. An AIP can be made if the recipient subscriber is a Canadian resident, and any of the following apply:

- the RESP has been in existence for a minimum of 10 years and all living beneficiaries under the RESP have attained the age of 21 and are not eligible for an EAP;
- the AIP is made in the 35th year or the 40th year in the case of a specified plan (a plan where the beneficiary is eligible for the disability tax credit) following the year the RESP was opened; or
- all beneficiaries in the plan are deceased.

Where the AIP is paid to the subscriber, regular withholding tax rates would apply to the withdrawal, plus an additional 20% tax.

The subscriber can transfer the AIP (up to \$50,000) to an RRSP provided they have sufficient RRSP deduction room.

An AIP may be rolled over to a Registered Disability Savings Plan (RDSP) where the beneficiary under the RDSP is also the beneficiary under the RESP and certain conditions are met.

The RESP must be terminated before March 1 of the year following the year in which the first AIP is made from the RESP.

Any remaining CESG, CLB, and/or provincial grants must be repaid to the government.

Withdrawal of overcontributions

To reduce the monthly tax penalty charged on the overcontribution, a subscriber must withdraw the excess contribution.

Where the amount of overcontributions across all RESPs for the beneficiary is more than \$4,000, the withdrawal will result in repayment of CESG to the government.

Transfers

RESPs can be transferred between financial institutions; however, the receiving plan must be eligible to receive the types of incentives being transferred and the beneficiary must meet certain conditions to avoid overcontributions or repayment of the government incentives.

Plan maturity

An RESP must be closed on or before December 31 of the 35th year following the year the plan is opened or the 40th year for a specified plan (a plan where the beneficiary is eligible for the disability tax credit).

The subscriber may request the withdrawal of the contributions and may request an Accumulated Income Payment of any income that has not been paid out under an Educational Assistance Payment, or the income can be paid to a designated post-secondary educational institution. Any remaining Canada Education Savings Grant, Canada Learning Bond and/or provincial grant must be repaid to the government.

Death of subscriber/beneficiary

The death of the subscriber or beneficiary does not automatically require the plan to be closed or the incentives to be repaid.

Death of subscriber

Upon the death of a subscriber of an RESP held jointly with their spouse/common-law partner (CLP) or former spouse/CLP, all rights under the plan pass to the surviving spouse/CLP or former spouse/CLP.

If there is no joint subscriber on the plan, the RESP will be handled during the administration of the estate.

Death of beneficiary

Upon death of a beneficiary, the subscriber may name a replacement beneficiary. Alternatively, if there is only one beneficiary in the plan or if all beneficiaries in the plan are deceased, the plan is terminated and all incentives are returned to the government.

Amounts attributed to the deceased beneficiary in a Family Plan, except for the Canada Learning Bond, may be left in the plan to be used by other beneficiaries of the plan.

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