

RESPs:

One of the best gifts for grandchildren



Live your dream.

Wondering what to give your young grandchildren as a special gift? What a better present than to provide funds for their university or college education through a Registered Education Savings Plan (RESP). It's a gift that not only offers lifelong benefits to your grandchildren, but can also ease the cash flow burden of your adult children at a time when expenses are high.

RESPs offer three direct benefits:

- First, like an RRSP, investments in an RESP grow tax deferred until withdrawn, potentially up to 26 years when the plan must be closed. But unlike an RRSP, the original contributions are not taxed when withdrawn, by the contributor.
- Second, RESPs provide a 20% free grant on the first \$2,500 invested each year for each child until the year they turn 17, to a lifetime maximum of \$7,200. That's like getting a one-time 20% bonus on your original investment. Earnings on the grant also grow tax deferred. And, depending on your grandchildren's net family income (their parents' income), they may be eligible to receive a grant of up to 40% on the first \$500 invested.
- Third, when the RESP income is eventually used for education, it is taxed in the hands of your grandchild rather than at your own rates. Since most students don't earn much during school years, it is likely to be taxed at a low rate, or not at all!

You have the option of maintaining one account for each grandchild (individual plan) or a family plan. With a

family RESP, you can contribute to a single account for one or more grandchildren and even add beneficiaries as they are born. Another major advantage of a family RESP over an individual plan is that when your grandchildren start their education, the funds can be distributed based on individual needs, within certain limits. A child attending a more expensive school, for example, could receive a larger portion. And if one child doesn't continue their studies, the funds can be reallocated among the other beneficiaries.

If none of the beneficiaries uses the RESP for education within the 26-year timeframe, and there are no other eligible family members, the original contributions can be returned to the contributor tax free, although any unused grant will be lost. The earnings are then taxed to the contributor or, alternatively, could be transferred to the RRSP of the contributor; providing they have available RRSP room and are under age 71.

RESPs are one of the best gifts and smartest investments you can make for loved ones. As always, before making a sizeable gift, you should ensure your own financial needs are well looked after.

To learn more about RESPs, or for a review of your retirement plan, contact:

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