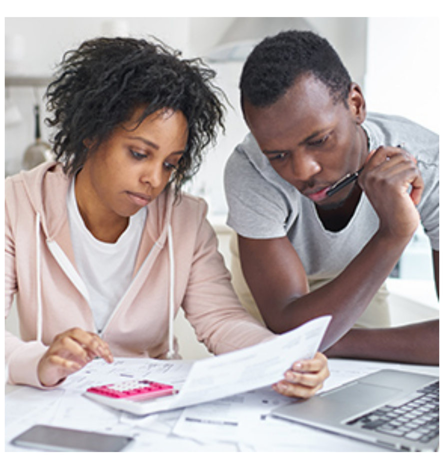
RESP Rules and Contribution Limits



With tuition fees increasing year-over-year, it's hard to predict the expenses required if or when a child (your child, your niece or nephew, for example), decides to pursue post-secondary education.

Knowing how to get the most out of your Registered Education Savings Plan (RESP) can help you ensure you're financially prepared to provide a meaningful start to this important phase of the child's life.

With a wide range of investment options available at TD and with the help of a TD Personal Banker, you're sure to find an RESP that's right for you.

Ready to get started? Explore your TD Canada Trust RESP options >

What is an RESP (Registered Education Savings Plan)?

An RESP is a government-registered plan that has been designed to help you save for your beneficiary's post-secondary education by allowing your investments to grow within the RESP tax-deferred until they are withdrawn.

With an RESP, you can grow your beneficiary's education investment on a tax-deferred basis, without incurring taxes on capital gains, interest and dividend payments as long as your money remains in the plan. Plus, your RESP may eligible for several federal and provincial grants, with additional grants for low to middle-income families.

Benefits of investing in an RESP

People choose RESPs as an educational savings vehicle for a variety of reasons. When you contribute to an RESP, you can benefit from:

Tax-deferred growth

Your money grows on a tax-deferred basis while it's in the RESP and you can contribute up to $50,000 per beneficiary. The money that your investment earns while it is in the RESP will not be taxed until money is taken out.

RESP Government Grants

The federal and some provincial governments offer grant and incentive programs to help increase your beneficiary's RESP savings, without impacting your RESP contribution room. For example, with the Canada Education Savings Grant (CESG), the government matches 20% of your contributions, up to $2,500 each year – and up to a lifetime maximum grant amount of $7,200 per beneficiary.

Flexibility

You can decide when and how much to contribute within the lifetime contribution limit of $50,000 per beneficiary. You are also free to decide how you want to invest your funds.

Variety of investment options

Your savings in an RESP can be used to invest in several investment products which include but are not limited to mutual funds, ETFs, GICs, stocks, and bonds. Your investment options will vary depending on the type of RESP plan you choose.

How do RESPs work?

The person that sets up an RESP plan is the only one that can make contributions and withdrawals in the plan and is known as a "subscriber". The subscriber can open a plan for one or multiple "beneficiary(s)," depending on the type of RESP. A beneficiary in an "individual plan" can be your child, grandchild, niece, nephew or family friend. A "family plan", on the other hand, restricts the RESP beneficiaries to people directly related to you by blood (or formal adoption). This includes your children, stepchildren, grandchildren and siblings.

While there are 3 types of RESPs (Individual, Family and Group), TD only offers Individual and Family plans. Both options can help to cover the costs of post-secondary education. For more details, view a list of **eligible post-secondary educational institutions.**

The RESP can hold a variety of investments including cash, GICs, and mutual funds, which can grow tax-deferred Your contributions to the RESP can be matched by the federal government through the Canada Education Savings Grant (CESG). This grant matches 20% of your contributions up to $2,500 each year. An RESP can remain open for a maximum of 35 years, with a lifetime contribution limit of $50,000 per beneficiary.

When your beneficiary enrolls at an eligible post-secondary institution and you are ready to withdraw the funds for educational purposes, the payments can be made from these funds. Remember that your investments grow in the plan on a tax-deferred basis so they will be taxed upon withdrawal. For more information, review our summary on **RESP withdrawal rules.**

If the beneficiary does not pursue post-secondary education, your options include but are not limited to: transferring it to another beneficiary if you have a family plan or transferring the RESP to an RRSP, subject to certain restrictions. To find out more, review a **summary of your options.**

Types of RESPs

You can choose to save for your child's education through a family RESP, an individual RESP, or a group RESP; however, family and individual plans are most popular due to their simplicity and ease of use.

Individual RESP

An individual RESP allows you to save for one beneficiary's education. This plan type is a great option for those who would like to save for a child's education, including non-primary caregivers.

Anyone can open and contribute to an individual RESP.

Family RESP

A Family RESP helps you save for one or more beneficiaries; however, the beneficiary must be related to the subscriber (either by blood or formal adoption. Family RESPs can be a great option for parents who want the flexibility to save for multiple children's education within the same plan.

All beneficiaries must be under the age of 21 when they are designated for a family RESP.

Group RESP

Group RESPs work differently from individual and family plans, with varying rules around contributions and withdrawals, depending on the provider. We recommend reading group plan rules carefully before signing up. It's also worth pointing out that group plans are not offered by TD.

RESP Contribution Rules & Limits

What is the RESP Contribution Limit?

There is no annual RESP contribution limit. However, to maximize your potential annual CESG grant of $500, it's recommended that you contribute up to $2,500 to your RESP per beneficiary per year. Keep in mind that the lifetime contribution limit for any one beneficiary is $50,000.

You can contribute to your RESP for up to 31 years, and the plan can remain open for a maximum of 35 years.

Are RESP contributions tax-deductible?

You do not get an RESP tax deduction for the money you put into an RESP, but your money can grow tax-deferred while it is in the plan. When funds are withdrawn for educational purposes, tax is applied to the investment income and government grants received when withdrawn from the RESP, not on the contributions you made using your funds. These amounts are taxed in the hands of the student, and this usually means little or no tax will be paid, because students typically fall into the lowest tax bracket. Review our guide on **RESP withdrawal rules** for more information.

Is there a penalty for overcontributing to an RESP?

When you overcontribute to an RESP, there are tax implications. Each subscriber for that beneficiary is liable to pay a 1% per month tax on their share of the excess contribution (that is not withdrawn by the end of the month). The tax is payable within 90 days after the end of the year in which there is an excess contribution. Payments made to an RESP under the CESG or any Provincial Education Savings Programs are not included when determining whether a beneficiary has an excess contribution.

Start saving for your child's future today

TD Personal Banker can help with your educational investment needs. We'll work with you to help determine the preferred path forward and help you develop a plan to achieve those goals.

Explore **TD's RESP Options** to get started.

See what types of RESPs TD Offers

TD offers a range of RESP options to help you achieve your educational investment needs

Get started

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