Individual or Family RESP: Which is right for you?

Some Canadians already know that a **Registered Education Savings Plan (RESP)** can be a good way to maximize savings for post-secondary education since they have the ability to grow savings on a tax-deferred basis until the funds are withdrawn, and the potential for government grants[1]. Last year alone, Canadians held $44-billion worth of assets in RESPs[2], and more than half of parents have opened an RESP to save[3]. But within the "umbrella" of RESPs are individual plans and family plans, and parents may not know which to choose and why.

Zeljka Walker, TD advisor at TD Wealth simplifies it. "An individual RESP is meant for one child. A family RESP is for multiple children to share the savings."

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Individual RESP

Unlike a family plan RESP which requires the beneficiary to be under 21 when they are named to the plan, this age limit does not apply for an individual plan RESP. "An individual plan is great for the one-child family which doesn't have to worry about sharing those savings," says Walker. "It's also a good option if you would like to open an account for someone who isn't related to you, or if you want to save for your own future education needs."

Family RESP

If you have more than one child, a family plan may be the right option as the savings can be shared among all your children. In a family plan, all beneficiaries must be related, by blood or adoption, to the plan subscriber, such as grandchildren, great-grandchildren, brothers or sisters. Beneficiaries can also be added or changed over the RESP's lifetime. When allocating the money, each beneficiary must use a portion — although not necessarily equally. "This means that, if you have a child who will be going to medical school," says Walker, "he or she will be able to utilize more of the savings than another child who does a college diploma in media studies."

"Two fundamental questions are: who will go to school first and whose program will be more expensive?" says Walker. She advises parents to take a look at how far away school is, how much it will cost when the kids are ready to go, and who is likely to go to a post-secondary institution and who isn't.

In both plans, the federal government will grant up to a maximum of $7,200 per beneficiary until they turn 18 years of age. In a family plan, grant money can be shared, but the lifetime maximum of $7,200 per beneficiary must be respected. Any portion of the grant not used by beneficiaries must be returned to the government upon closing the RESP. And in both cases, RESPs must be terminated after 35 years of existence.

Which plan may be right for you?

If you can't decide which type of RESP to subscribe to, **talk to an advisor**. Saving for education may be difficult to fit into an already tight budget, but an advisor can also guide you on ways to save for post-secondary costs. The government grant portion of RESPs is "free" money, so making regular contributions may be well worth your time.

Legal

[1] Government of Canada. Information about Registered Education Savings Plans (RESPs) https://www.canada.ca/en/employment-social-development/services/student-financial-aid/education-savings/resp/info.html

[2] Employment and Social Development Canada. 2014 Annual CESP Annual Statistical Review https://www.moneytalkgo.com/family-resp-vs-individual-resp/#enref-2316-2

[3] CPA Canada. CPA Canada 2014 Canadian Finance Study Report https://www.moneytalkgo.com/family-resp-vs-individual-resp/#enref-2316-3