

Money Matters

RESPs and Other Ways to Save

“How can I get ready for the future?”



Founding Sponsor



Learning Outcome:

Plan ways to save for your future needs.

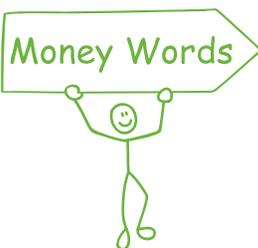
What Will You Learn?

This unit is about **savings**. You'll take a look at ways to make the money you save grow over time.

You'll learn about **registered savings plans** to help you get ready for your **future**.

Have kids? Then it's important for you to know that there are registered savings plans to help you help your children with their future education.

This booklet will introduce you to the **Registered Education Savings Plan (RESP)**, and the **Canada Learning Bond** and **Canada Education Savings Grants** available from the Canadian government.



A **savings account** is a bank account that pays interest on the money you deposit.

Registered savings plans are savings accounts registered with the Government of Canada. These plans may offer tax breaks or money bonuses to help you meet your future needs.

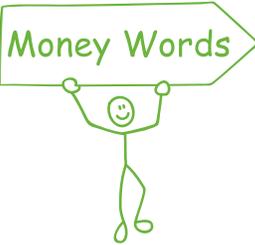
Activity 1



Pay Yourself First

Many people have trouble saving because there is no money left by the time they pay for everything else. One solution is to pay yourself first.

That means taking money off the top of each pay cheque to put into your savings account. After that, take care of your bills and other needs.



Net income is the amount you receive after taxes and other deductions are taken off your pay cheque.



Do the Money Math

What is 10% of your net income?

To figure it out, divide your net income by 10.

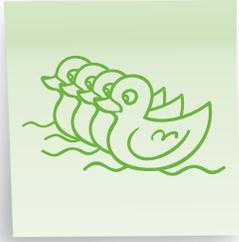
For example:

$$\$10,000 \text{ divided by } 10 = \$1,000$$

$$\underline{\hspace{2cm}} \text{ divided by } 10 = \underline{\hspace{2cm}}$$

My net income

Activity 2



Getting Your “Money Ducks” All in a Row...

Think about your spending habits.

Use 10% of your net income as the savings target.

My Target: _____

Ideas for my saving:

Money saved:

- | | |
|----------|-------|
| 1. _____ | _____ |
| 2. _____ | _____ |
| 3. _____ | _____ |
| 4. _____ | _____ |
| 5. _____ | _____ |

Total Savings: _____

Did you reach your target?

If you aren't able to save enough to reach your target, don't give up on saving. Save what you can.

A Place for Your Notes:

Activity 3

Make Your Money Grow



Through savings accounts and plans, you earn interest on the money you save. The amount you save grows.

How it works

Let's say you put your money into a savings account or plan where you get 5% interest. For every \$100 you save in a year, you'll get an extra \$5.



The next year, you'll get 5% interest on \$105 (instead of \$100). Your money is growing again. This is called compound interest.

A Place for Your Notes:

Activity 4

Registered Savings Plans



The Canadian government has set up special savings plans to help your money grow more quickly. Do one or more of the plans seem like they might work for you?

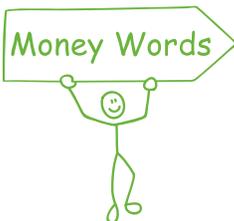
Type of Plan	Short Form	What it is	Money Notes
Registered Education Savings Plan	RESP	A savings account registered with the Government of Canada. It helps you save for a child's education after high school.	When you put money into an RESP, the Government of Canada will put money in it, too. If your income is limited, you might also get more financial help. You don't pay taxes on the interest you earn in an RESP. The student pays taxes on the money when he or she uses it to go to school.
Tax-Free Savings Account	TFSA	A savings account registered with the Government of Canada. It helps people save money more easily.	You can put up to \$5,500 a year into your TFSA. You don't pay taxes on the interest you earn in the account. You don't pay taxes on the money you take out of the account.
Registered Retirement Savings Plan	RRSP	A savings account registered with the Government of Canada. It helps people save for their retirement.	You don't pay taxes on the money you put into your RRSP or interest you earn on it until you take the money out of the plan.

Activity 5



Registered Education Savings Plan

Riley is worried about being able to save money for her children’s education after high school. One way for her to meet this future goal is to open an RESP.



RESP is short for **Registered Education Savings Plan**. It’s a way to save for a child’s future education.

Education after high school could be university, college, apprenticeships, or other training programs.



How it Works

The more money you put into the **RESP**, the more money you’ll save over time, and the more interest you’ll gain.

You can start saving when a child is born.

Both you and the child need a **Social Insurance Number** (SIN) for you to set up the RESP.

The money you put into the RESP grows tax-free. The child pays the tax when he or she withdraws money for school. Since most students have little or no income, though, the child will probably pay little or no tax.

The Canadian government offers two great ways to make your RESP grow more quickly: the **Canadian Learning Bond** and the **Canadian Education Savings Grants**.

Type of Plan	Short Form	What it is	Money Notes
Canada Learning Bond	CLB	Money from the Government of Canada to help you start saving for your child's education after high school.	<p>Your child could get \$500 now to help you start saving, and an extra \$100 each year up to the age of 15. That's up to \$2000 (plus interest) in bonds for your child's education. And you don't have to put any of your own money into the RESP to get this bond. An extra \$25 will be paid with the first \$500 bond to help cover the cost of the RESP.</p> <p>Who can get it? Anyone whose child was born after December 31, 2003, and who gets the National Child Benefit Supplement as part of the Canada Child Tax Benefit, commonly known as "family allowance" or "baby bonus."</p>
Canada Education Savings Grant - Basic	Basic CESG	Money from the Government of Canada to help you start saving for your child's education after high school.	<p>A payment of 20% on RESP contributions up until the year your child turns 17. That means for every \$10 you add to the RESP, the Canadian government adds another \$2.</p> <p>Who can get it? Anyone!</p>
Canada Education Savings Grant - Additional	Additional CESG	Money from the Government of Canada in addition to the CESG - Basic.	<p>A payment on top of what you've already received for the Basic CESG. You might get an extra 10% or 20% on the first \$500 (or less) that you put into your RESP in a year.</p> <p>Who can get it? The amount of money that your child can receive depends on the net family income of the child's primary caregiver.</p>

Activity 6



Do the Money Math

Riley makes \$22,000 a year. Let's say she sets up her oldest son's RESP when he is 10 years away from going to college. How much might she save over the 10 years?

Option 1

Riley puts \$50 a month in a jar in her kitchen.

$\$50 \text{ a month} \times 12 \text{ months in a year} = \600 a year

$\$600 \text{ a year} \times 10 \text{ years} = \mathbf{\$6000!}$

Money Words



A **Canada Learning Bond (CLB)** is a grant available from the Government of Canada. It is for families with lower incomes to help build up their RESP.

Option 2

Riley puts \$50 a month in a Savings Account.

$\$50 \text{ a month} \times 12 \text{ months in a year} = \$600 \text{ a year} + \text{interest}$

$\$600 \text{ a year} \times 10 \text{ years} = \mathbf{\$6000 + \text{interest!}}$

Money Words



A **Canada Education Savings Grant (CESG)** is money given to you by the Government of Canada and put into your RESP. The amount depends on how much money you put into the RESP and on your family income.



Option 3

Riley puts \$50 a month in an RESP and also receives money from the CESC and CLB.

\$50 a month X 12 months a year =
\$600 a year + \$120 (CESG) + interest

\$720 a year X 10 years + \$1400 (CLB) =
\$8600 + interest!

How much more money does Riley save (not including interest) with an RESP?

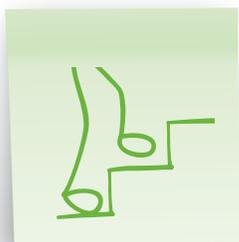
Hint Subtraction is the math skill used to figure it out!



Think now of your own family, and how much money you could put into an RESP each month.

How much, in general, might you have in the RESP account when your child is ready for college, university, apprenticeship or other program?

A Place for Your Notes:



Step by Step...

1. Get an RESP.

To get an RESP, you must have a Social Insurance Number (SIN) for both you and your child.

You can open an RESP at an RESP provider, which can be a bank or another financial institution, like a credit union, group plan dealer, or certified financial planner.

If you're interested in getting a CLB or Additional CESG, ask your provider if they offer them before setting up your account.

2. Get a CLB.

Ask your RESP provider to apply for the CLB.

The CLB money will be deposited directly into your child's RESP account.

Remember: you don't have to put any money into your RESP to get a CLB.

3. Get a Basic CESG.

Make a deposit in your child's RESP.

Once your deposit is made, your RESP provider will apply for the grant on your behalf.

4. Get an Additional CESG.

Ask your RESP provider to fill out the Additional Canada Savings Grant Form to find out if your child is eligible.



Check out more than one bank or financial institution before you choose a savings plan. **Compare the plans.** Which offers you the best plan for your money and future needs?

Learning More

For more information about the **Canada Education Savings Grant** or the **Canada Learning Bond**, contact the Canada Education Savings Programs at 1-800-O-CANADA (1-800-959-8281) or visit www.canlearn.ca.