



How an RESP works

The **subscriber** (or a person acting for the subscriber) generally makes contributions to the RESP. Subscribers cannot deduct their contributions from their income on their Income Tax and Benefit Return.

The **promoter** usually pays the contributions, and the income earned on those contributions, to the beneficiaries. The income earned is paid as educational assistance payments (EAPs).

If the contributions are not paid out to the beneficiary, the promoter usually pays them to the subscriber at the end of the contract. Subscribers do not have to include the contributions in their income when they get them back.

Beneficiaries generally receive the contributions and the EAPs from the promoter. They have to include the EAPs in their income for the year in which they receive them. However, they do not have to include the contributions they receive in their income.

The Canada Revenue Agency registers the education savings plan contract as an RESP, and lifetime limits are set by the Income Tax Act on the amount that can be contributed for each beneficiary (see Contribution limits). Unless the RESP is a specified plan, the RESP must provide that no contributions (except transfers from another RESP) may be made to the plan at any time after the end of the year that includes the **31st** anniversary of the opening of the plan. Furthermore the plan has to be completed by the end of the year that includes the **35th** anniversary of the opening of the plan.

Here is an overview of how an RESP generally works.

1. A subscriber enters into an RESP contract with the promoter and names one or more beneficiaries under the plan
2. The subscriber makes contributions to the RESP. Government grants (if applicable) will be paid to the RESP. These grants can be the Canada Education Savings Grant (CESG), Canada Learning Bond (CLB), or any designated provincial education savings program
3. The promoter of the RESP administers all amounts paid into the RESP. As long as the income stays in the RESP, it is not taxable. The promoter also makes sure payments from the RESP are made according to the terms of the RESP
4. The promoter can return the subscriber's contributions tax-free
5. The promoter can make payments to the beneficiary to help finance his or her post-secondary education
6. The promoter can make accumulated income payments