

Managing your money

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Can you use an RESP for an apprenticeship?

By Chad Fraser

Think you can only use an RESP for full-time university or college? Think again — these powerful savings tools go well beyond academics.



Due to the **financial impact or health effects of COVID-19** ([/en/covid-19/](#)), you or your kids may have decided to put off or forego post-secondary education. But what does this mean for the money you have growing in a **registered education savings plan (RESP)** ([/en/explore-products/investments/rrsp-tfsa-and-resp/registered-education-savings-plan-resp/](#))? It's okay: you can still use it to reach a career goal.

Contrary to popular belief, an RESP doesn't only benefit young people bound for full-time college or university.

The list of eligible programs also includes apprenticeships in skilled trades such as electrical work, welding and plumbing. These are jobs that may be in high demand as the current generation of skilled tradespeople retires.

Schools don't typically track how students fund their apprenticeships. But Matthew Coverdale of the Southern Alberta Institute of Technology (SAIT) Office of the Registrar sees rising interest from students in RESPs.

"I would say more apprentices have been asking us to complete RESP forms than usual," he says. From its Calgary campus, SAIT offers 35 apprenticeships in programs ranging from cook to electrician to gasfitter to millwright and more. Apprenticeships typically last between 2 and 5 years and consist of a combination of on-the-job training and in-class instruction.

According to the **Canada Revenue Agency** (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/pymnts/p-eng.html>) (CRA), a program must last at least 3 consecutive weeks, each with at least 10 hours of instruction, to qualify for RESP funds.

What if the school under consideration is not on the federal government's **list of designated educational institutions** (<https://www.canada.ca/en/employment-social-development/programs/post-secondary/designated-schools.html>)? It's still worth calling your province's student financial assistance office to confirm.

What is an RESP and how does it work?

So what, precisely, is an RESP?

It's a **savings plan** (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/menu-eng.html>) you set up for a future student in your family or wider circle of loved ones. People typically set them up for their child(ren) or grandchild(ren). Once enrolled in an eligible program, the student – known as the beneficiary – receives the funds in amounts that you control.

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Friends and family members can contribute to the plan at any time. There's no **annual contribution limit** (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/cntrbtns/lmts-eng.html>), though the most you can contribute over the plan's lifetime is \$50,000 per beneficiary.

You can't deduct these contributions from your income at tax time, as you can with a **registered retirement savings plan (RRSP)** ([/en/explore-products/investments/rrsp-tfsa-and-resp/registered-retirement-savings-plan-rrsp/](#)), but the money grows tax-free.

What happens once the student is enrolled in a post-secondary education program? Then the non-contribution money withdrawn from an RESP is taxed in the student's hands, not yours. So assuming the student is in a lower tax bracket than you, less tax is payable.

What really sets RESPs apart, however, is that beneficiaries are eligible for government grants that bulk up the cash **view** faster.



Through the **Canada Education Savings Grant (CESG)** (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/cesp-pcee/csg-eng.html>), for example, the government matches 20% of your annual contributions up to \$500 a year, with a lifetime cap of \$7,200. Then there's the **Canada Learning Bond (CLB)** (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/cesp-pcee/club-eng.html>), designed to help students from low-income families, which could boost the amount in the plan by another \$2,000.

- [How to avoid RESP withdrawal penalties \(/en/tools-and-resources/money-and-finances/managing-your-money/how-to-avoid-resp-withdrawal-penalties/\)](/en/tools-and-resources/money-and-finances/managing-your-money/how-to-avoid-resp-withdrawal-penalties/)

RESPs: Just 1 of the tools in the apprentice's kit

One tremendous benefit of apprenticeships is that you're paid for the work you do while you're in training. Even if your wages are lower than those of someone with more experience, you're still building up a marketable skill-set. Plus, you can expect your wages to increase substantially when you finish your apprenticeship.

RESP funds can also work nicely with other funding options, such as the **Canada Apprentice Loan** (<https://www.canada.ca/en/employment-social-development/services/apprentices/loan.html>). Under this loan, apprentices can get up to \$4,000 in interest-free loans per training period. This is a boon even if interest does start to accrue as soon as they complete their programs.

How long can an RESP account stay open?

It's also worth keeping in mind that an RESP can typically be held open for up to **36 years** (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/resp-reee/hw-eng.html>) after the date it was first created. So there's no need to worry if the beneficiary hasn't made a decision right after high school.

And if they **don't choose post-secondary education** (</en/tools-and-resources/money-and-finances/managing-your-money/resp-what-happens-if-your-child-doesnt-go-to-university/>), you still have options.

What can you do with an RESP if you choose not to go to school?

You can close the RESP and roll the plan's tax-deferred growth into your RRSP. Remember, you'll need the RRSP contribution room to do so. Some other requirements are that:

- the RESP will have to have been in place for at least 10 years, and
- each person who is or was a beneficiary under the plan must have reached age 21.

Or you could potentially roll the RESP's tax-deferred growth into a registered disability savings plan (RDSP). The amount rolled over will count towards the RDSP's \$200,000 lifetime contribution limit, but won't attract a Canada Disability Savings Grant (CDSG).

With either rollover, you'll have to give any CESG and CLB funds that were in your RESP back to the government. Your original RESP contributions can come back to you tax-free because you would never have received a tax deduction for those contributions.

Can you transfer an RESP to another child or beneficiary?

You can also assign the RESP to another child or beneficiary. CLB funds, however, can't be transferred to another beneficiary.

Life is an uncertain journey; no one path is guaranteed. But RESPs are powerful tools that provide young learners with the flexibility to set their own course for success, whether that's a white-collar career or a skilled trade.

- To learn more about how an RESP can help you or your child's future, [talk to an advisor \(/en/find-an-advisor/\)](/en/find-an-advisor/).

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