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The Registered Education Savings Plan (RESP)

A client guide to saving for a child's post-secondary education — and getting money out tax-efficiently

GOVERNMENT GRANTS
Up to $7,200
in **CESG** per child, plus bonds

★ 2026 FIGURES

1 WHAT IS AN RESP?

A Registered Education Savings Plan is a **tax-sheltered account** to save for a child's education after high school. Its real power is **free government money** layered on top of your contributions.

- Investment growth is **tax-deferred** inside the plan.
- Contributions are **not** tax-deductible (they're after-tax dollars).
- A plan can stay open for up to **35 years**.

2 GOVERNMENT GRANTS

CESG	CLB	QESI
20% federal match on contributions	Up to $2,000 — **no contribution** needed	Quebec top-up (up to $3,600)

- **CLB** (Canada Learning Bond): $500 first year + $100/yr for lower-income families.
- Grants are paid until **Dec 31 of the year the child turns 17**.

3 CONTRIBUTIONS & LIMITS

- **Lifetime limit: $50,000** per beneficiary — **no annual cap**.
- Only the **first $2,500/yr** earns the full **$500 CESG** (the "sweet spot").
- **Catch-up:** a $5,000 contribution can claim up to **$1,000 CESG** using unused room.
- Over-contributions above $50,000 face a **1%/month** penalty.

CANADA EDUCATION SAVINGS GRANT

Everyone gets **Basic CESG** of **20%** on the first **$2,500** contributed each year. Lower-income families receive an **Additional CESG** on the first $500 (2026):

Family Net Income	Total on 1st $500	Max / Year
≤ $58,523	40%	$600
$58,523–$117,045	30%	$550
Over $117,045	20%	$500

Additional CESG adds 10–20% on the first $500 only. Lifetime CESG max: $7,200 per child. Thresholds per ESDC 2026 rates.

The $2,500 sweet spot

$2,500 × 20% = **$500 free grant** every year — an instant 20% return before any market growth.

GETTING MONEY OUT — TWO BUCKETS

When a student is enrolled, every withdrawal is split into two buckets:

Bucket	Contains	Taxable?
PSE	Your contributions	**Tax-free**
EAP	Grants + growth	**To student**

EAP is capped at $8,000 (full-time) / $4,000 (part-time) in the first 13 weeks — no cap after. Annual EAP over $29,459 (2026) needs expense documentation.

EDUCATION WITHDRAWAL (EAP/PSE)

The smart withdrawal order at school time:

1 — EAP first **2 — PSE later**

- Take **EAP first** while the student's income (and tax) is low — a T4A is issued in **their** name.
- Keep **PSE** (your tax-free contributions) as the safety net for later terms.
- **Proof of enrolment** is required on institution letterhead for every withdrawal.

IF SCHOOL DOESN'T HAPPEN

- **Capital** comes back to you **tax-free**.
- **CESG / CLB / QESI** grants must be **repaid** to the government.
- **AIP** (the growth): taxable to you at your rate **plus a 20% surtax**.
- **Best fixes:** name a **sibling** beneficiary, or roll up to **$50,000** of AIP to your **RRSP** (room permitting, via T1171).

» Watch the AIP trap

Winding up a plan can stack **regular tax + 20% surtax** — an effective rate near **70–75%** on the growth. A sibling transfer usually avoids it entirely.

THE WITHDRAWAL ROADMAP — FROM REQUEST TO DEPOSIT

How a withdrawal flows

Step 1	Step 2	Step 3	Step 4	Step 5
You request funds + student details	Provide proof of enrolment	BMO reviews buckets & EAP limits	e-Sign the withdrawal authority	Funds deposited (3–5 business days)

Decisions to confirm

- Is the student **full-time** or part-time?
- Expected **student income** this year?
- How much from **EAP** vs **PSE**?
- Any **sibling** who could use leftover funds?

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