

# Education saving options comparison chart



	Registered Education Savings Plan (RESP)	Non-Registered Account <sup>1</sup>	Tax-Free Savings Account (TFSA)	Life Insurance (Cash Value)	Trust	Private Company Dividends
<b>Cost/fees:</b> 1) Set-up costs 2) Ongoing fees	Usually none Potential annual administration fee for self-directed plans <sup>2</sup>	Usually none <sup>2</sup> Usually none <sup>2</sup>	Usually none <sup>2</sup> Potential annual administration fee for self-directed plans <sup>2</sup>	Usually none Cost of insurance (i.e. premiums)	Legal fees vary based on complexity. Maintenance fees vary depending on need for ongoing tax & legal advice plus annual tax return preparation fees. May also incur annual administration fees (e.g. trustee record-keeping responsibilities).	Usually none <sup>2</sup> Usually none <sup>2</sup>
<b>Contribution limits</b>	No annual limit <sup>3</sup> . But a lifetime contribution limit of \$50,000 per child. Over contributions are subject to monthly 1% tax penalty.	No limits	Annual limit of \$10,000 for 2015 plus unused contribution room <sup>4</sup> . You may recontribute any amount withdrawn starting January 1 of the year following the year of withdrawal.	Subject to policy's set limits.	No limits	No limits
<b>Eligibility for Canada Education Savings Grant (CESG)</b>	Yes — 20% of first \$2,500 contribution per year per child for a maximum annual CESG of \$500 <sup>5</sup> ; lifetime maximum of \$7,200. Additional government grants for qualified families <sup>6</sup> . If maximum contribution not made in a year (by December 31), unused CESG entitlement can be carried-forward subject to certain restrictions <sup>7</sup> .	No	No	No	No	No
<b>Age restrictions</b>	No age limit to contribute. CESG grant only available to children under 18 years of age <sup>8</sup> . In addition, Canada Learning Bond (CLB) grant available to low-income families until year child turns 15 <sup>9</sup> .	No	No age limit to contribute, but need to be of age of majority to open account (18 or 19, depending on province). Nevertheless, all Canadian residents aged 18 years of age or older accumulate TFSA room each year.	No	Any age: minor or adult child.	Children less than age 18 subject to "kiddie tax".



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	Registered Education Savings Plan (RESP)	Non-Registered Account <sup>1</sup>	Tax-Free Savings Account (TFSA)	Life Insurance (Cash Value)	Trust	Private Company Dividends
<b>Income tax implications</b>	Contributions not tax-deductible. Savings grow tax-deferred. <sup>10</sup> When used for educational purpose, withdrawals are taxed in the hands of the beneficiary or student (except for original contributions which are not subject to tax).	No tax deferral. All earnings taxable in the account holder's hands. Income attribution rules apply.	Savings grow tax-free. Contributions not tax-deductible. Can make tax-free withdrawals at any time.	Tax deferral of earnings inside policy during accumulation period. When policy ownership transferred to child/grandchild (age of majority), their withdrawals of excess cash value are subject to the child/grandchild's personal marginal tax rate. Death benefits usually tax exempt.	Income attribution rules could apply. Consult with your tax advisor for their professional guidance.	Children less than age 18 subject to "kiddie tax". Consult with your tax advisor for their professional guidance.
<b>Ownership/control of original contribution</b>	Subscriber	Account holder	Account holder	Policy owner. Ownership can be transferred tax-free from parent (grandparent) to child (grandchild) when they attain age of majority or after.	Trustee is the legal owner while beneficiaries have beneficial ownership. Trustee administers trust funds in best interest of beneficiaries in accordance with the trust document. Assets can remain under the control of the trustee after child attains age of majority subject to settlor's terms and conditions outlined in trust agreement.	Shareholder of private company.
<b>Use of funds</b>	To fund beneficiary's post-secondary education. If used for other purpose, withdrawal may be subject to adverse tax and government grant repayment consequences.	Any purpose	Any purpose	Any purpose	Must directly benefit beneficiary subject to terms and conditions specified in trust agreement.	Any purpose
<b>Disbursement of funds for qualifying post-secondary program</b>	If the beneficiary has enrolled in a qualifying post-secondary program: Contributions, grants, and income may be paid out.  If the beneficiary has not enrolled in a qualifying post-secondary program: Contributions and income may be paid out, but the grants are subject to repayment.	Withdraw anytime	Withdraw anytime	Withdraw anytime	Trustee's decision as long as conforms to terms and conditions specified in the trust document.	As declared by directors (e.g. quarterly or annual dividend declared from after-tax profits).
<b>Termination period</b>	Must end 35 years after the year it was opened (40 years in the case of a beneficiary eligible for the disability tax credit).	No limits	No limits	No limits	With the exception of the "21-year deemed disposition rule", no set duration.	No set duration. As long as private company continues to exist.

<sup>1</sup> Assuming non-registered account is opened in the name of the parent alone (i.e. no joint ownership). <sup>2</sup> Varies by financial institutions and type of account. <sup>3</sup> Subscriber can make contributions to plan for 31 yrs (35 yrs if beneficiary has disability). <sup>4</sup> Contact Canada Revenue Agency or refer to your TFSA Room Statement for unused contribution room. <sup>5</sup> In order to be eligible for the CESG, the RESP beneficiary must be a Canadian resident. If an RESP subscriber or beneficiary is or expects to become a non-resident, a consultation with a tax advisor is warranted. <sup>6</sup> Higher CESG amounts apply to low and mid-income families and there is also a Canada Learning Bond (CLB) for eligible low income families. In addition, residents of British Columbia, Saskatchewan, and Quebec may also benefit from grant programs related to the RESP. <sup>7</sup> The maximum CESG annual carry forward is \$500. For example, if there is unused CESG eligibility from previous years, an additional catch-up contribution of \$2,500 can result in an additional \$500 CESG for a total maximum annual CESG of \$1,000 (i.e. based on a total contribution of \$5,000, this would result in \$500 CESG for the current year plus another \$500 CESG for a prior year). <sup>8</sup> Subject to special eligibility rules for beneficiaries ages 15 and 16. <sup>9</sup> If eligible, CLB paid even if subscriber does not make a contribution. <sup>10</sup> Income can grow tax-sheltered in the RESP for maximum 35 yrs (40 yrs in the case of a disabled beneficiary).