Saving for your child's education may be **easier than you think.**

With the cost of tuition increasing every year, many parents are concerned about how they're going to pay for their children's post-secondary education. The best place to start is by considering a Registered Education Savings Plan (RESP).

RESPs allow parents or other individuals (subscribers) to contribute a certain amount of money into an RESP on behalf of a child (beneficiary). The benefits are unparalleled.

RESPs offer the ability to benefit from tax-deferred growth and the Canada Education Savings Grant (CESG), an incentive offered by the Government of Canada that pays a certain amount of money into the RESP on behalf of the child every year, up to a maximum of $500 annually and to a lifetime maximum of $7,200.

You may also be eligible for a number of additional grants – including The Canada Learning Bond, The BC Training & Education Savings Program, Saskatchewan Advantage Grant for Education Savings and the Québec Education Savings Incentive – offered by the federal and various provincial governments to make paying for your child's post-secondary education even easier.

Did you know?

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Putting away smaller amounts of money on a regular basis is a great way to save for your child's education without having to come up with a lump sum contribution each year.

Continued

Starting small can mean saving more

Saving is easier with a Continuous Savings Plan (CSP)

Many people find it difficult to come up with the money to make a large, lump sum contribution towards their child's education once or a few times each year.

That's why BMO introduced a Continuous Savings Plan that allows you to contribute as little as $50 into your child's RESP on a monthly, bi-weekly, or weekly basis. By contributing smaller amounts at regular intervals, you no longer have to save as much for those large, lump sum contributions and you can enjoy all the benefits of dollar cost averaging.

What is dollar cost averaging?

Dollar cost averaging occurs when you save a smaller amount of money at regular intervals. You buy more units of an investment (i.e., a mutual fund) when its net asset value (or price) is lower and buy fewer units when it rises in price. The goal is to average out at a lower overall price over the long term so that you own more units when you sell the investment. Dollar cost averaging can also help reduce the risk of investing all at once at the market peak.

When investing over long periods of time in your child's RESP, using dollar cost averaging can be an ideal strategy for potentially reducing your risk and increasing your long-term returns.

Dollar cost averaging in a fluctuating market

Below is an illustration of how dollar cost averaging works when prices are decreasing and increasing.

Average Net Asset Value per unit = $11.8868 + $12.0566 + $11.5671 + $10.9173 + $11.2567 + $10.9875 / 6 = **$11.4453**

Average cost per unit = Total Amount invested / Total # of units purchased = $1,200 / 104.993 = **$11.4293**

These numbers are hypothetical and are used for illustrative purposes only. Actual Returns will vary.

Learn more about BMO Target Education Portfolios

For more information on RESPs and the best plan and investment selections to suit your family's needs, please contact your financial advisor or call the BMO Investment Centre at 1-800-665-7700.

BMO Mutual Funds

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