



Background

SUBJECT: New policy on RESPs from the Canadian Alliance of Student Associations (CASA)

RESP Overview:

- CASA's new policy addresses Registered Education Savings Plans (RESPs) and the federal grant programs available through RESPs (Canada Education Savings Grant and Canada Learning Bond).
- An RESP is a special savings account that parents can set up as a savings vehicle for their child's post-secondary education.
- Benefits of an RESP include:
 - The money in an RESP, and the money earned through investments in an RESP, is not taxed so long as it remains in the RESP.
 - Canada Education Savings Grant (CESG): the federal government matches RESP contributions of up to \$2,500 annually, at a rate of 20%. This grant is available regardless of a family's net income.
 - Additional Canada Education Savings Grant (A-CESG): the federal government provides an additional grant to match the RESP contributions of low- and middle-income families, at a rate of either 10% or 20%.
 - Canada Learning Bond (CLB): The federal government deposits \$500 into the RESPs of children from low-income families in the child's first eligible year, and a further \$100 each eligible year after that. The CLB is provided as long as the child has an RESP, regardless of whether or not the caregivers make contributions to the RESP.

CASA's RESP Policy:

- CASA's membership approved a new RESP policy on November 18, 2016.
- CASA's policy notes that while RESPs facilitate billions of dollars in savings by Canadian families for their children's education, higher income

households have disproportionately benefited from the savings program and its affiliated grants.

- For example, families with incomes over \$87,123 (who are eligible for only the CESG, not the A-CESG or CLB) represent almost two thirds of grant beneficiaries, even though families with incomes over \$90,000 represent about one third of Canadian families with children under 18.¹
- Meanwhile, only 31 per cent of children from eligible families received the CLB in 2014, which is geared specifically towards low-income families.
- Of those children who did receive the CLB, nearly 80% also saw their families make contributions to their RESPs.
- This demonstrates that providing an initial CLB contribution, even one that is not dependent on matching family contributions, encourages additional savings.
- Early interventions have proven to be effective in encouraging students from vulnerable backgrounds to participate in higher education. By expanding support for lower income students, RESPs can be made more progressive and have a stronger impact.
- CASA believes that RESPs should offer the greatest benefits to those Canadian families most in need of assistance in saving for the post-secondary education of their children.
- CASA advocates for CLB enrolment to be made automatic for those who qualify when filing their taxes, and that the grants be proactively sent to qualifying families without requiring an application. The grants could be provided in the form of a voucher to be deposited into a child's RESP, at a cost of approximately \$200 million.
- CASA advocates for reducing the CESG from 20% to 10% for families with a total annual income in the top quintile of income in Canada, in order to pay for the expansion of the CLB, saving roughly \$200 million.
- CASA calls on the federal government to investigate ways to ensure equal access to post-secondary education for all Canadians regardless of demographic, and to implement and invest in programs that encourage participation in higher education from a younger age.

¹ Employment and Social Development Canada, CESG Summative Evaluation Report, Ottawa ON, November 2015, Accessed Online:
http://www.esdc.gc.ca/en/reports/evaluations/2015/canada_education_savings_program.page?#h2.9-h3.1