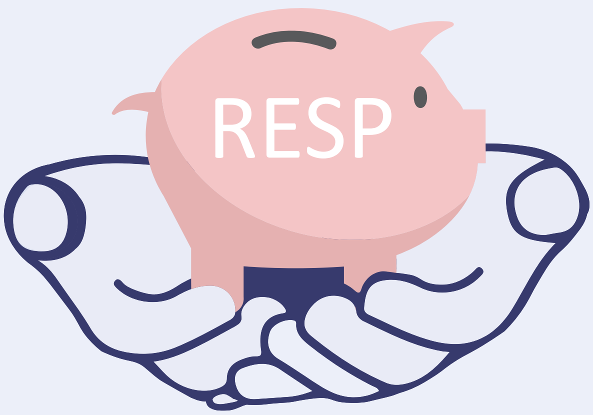
Registered Education Savings Plans and Education Savings Incentives for Children in Care



Toolkit for Public Primary Caregivers

Canada Education Savings Program
Employment and Social Development Canada
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Employment and Social Development Canada
Emploi et Développement social Canada

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Abbreviations

CESG	Canada Education Savings Grant
CESP	Canada Education Savings Program
CLB	Canada Learning Bond
CRA	Canada Revenue Agency
CSA	Children's Special Allowance
EAP	Educational Assistance Payments
ESDC	Employment and Social Development Canada
RESP	Registered Education Savings Plan
RDSP	Registered Disability Savings Plan
SIN	Social Insurance Number

1. Introduction

Post-secondary education—whether college, university, trade school, or an apprenticeship—is crucial in helping children in care build a better future. But only a small proportion of permanent wards continue their education after high school. Although children leaving care can often access federal, provincial, and territorial student financial assistance, they are unlikely to have money set aside for their education in a savings account.

Through Registered Education Savings Plans (RESPs), the Government of Canada can help children in care aspire to attend post-secondary education. The RESP is a savings vehicle used to save for a child's post-secondary education. Earnings in the plan are tax-sheltered. When child welfare organizations (referred to hereafter as public primary caregivers[1] or PCGs) open RESPs for children in their care, the federal government will deposit up to $2,000 for each child's education. **There is no obligation for the organization to contribute money of its own.**

However, if a public primary caregiver has the resources to save for children in their care using RESPs **it will receive matching contributions (as high as 40%) from the federal government.** Students can use this money to cover any costs associated with education after high school.

Employment and Social Development Canada (ESDC), through the Canada Education Savings Program (CESP), provides two education savings incentives that are deposited into the RESPs of eligible children and youth: the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB). This document was developed to facilitate access to these education savings incentives by children in care for whom the Children's Special Allowance (CSA)[2] is payable. This document does not include information related to care.[3]

This toolkit outlines the terms of federal laws and regulations relating to RESPs. However, provinces and territories also have their own laws and policies relating to managing property on behalf of children in care. Those policies and laws are not summarized in this toolkit. If there is an inconsistency between this toolkit and provincial laws or policies, consult the laws and policies of your jurisdiction.

Please let ESDC know if this information is useful to you. To provide feedback, please email the CESP Outreach team.

Note: all dollar amounts in this toolkit are based on 2021 figures. For up-to-date information, please refer to Education Savings on Canada.ca.

1 A 'public primary caregiver' refers to a child welfare department, agency, institution or organization eligible to receive payments under the *Children's Special Allowance Act* for a child in their care.
2 The CSA is a tax-free monthly payment authorized by the *Children's Special Allowance Act*, for a child who is under the age of 18, who physically resides in Canada, and who is under the care of a public primary caregiver. The monthly CSA payment is equal to the maximum Canada child benefit payment plus the child disability benefit under the *Income Tax Act*.
3 For the purposes of this toolkit, children are considered 'in care' if the CSA is paid to the public primary caregiver responsible for the child's care. Children are not considered 'in care' if they and their family/caregiver (biological, adoptive or otherwise) receive services from a child welfare organization, but the child is not in primary care of the organization and the family or caregiver directly receives the Canada child benefit under the *Income Tax Act*.

HOW TO GET EDUCATION SAVINGS INCENTIVES FOR CHILDREN IN CARE

Children in Care are automatically eligible for the Canada Learning Bond

Canada Learning Bond - *No RESP contributions required*

- The government makes an initial payment of $500 into a Registered Education Savings Plan (RESP)
- + $100 for each additional year of eligibility, up to age 15
- Maximum of $2,000 in government contributions

Canada Education Savings Grant - *RESP contributions required*

- The government adds 20% on the first $2,500 in annual contributions to an RESP until the child turns 17
- An additional 20% on the first $500 of contributions
- Lifetime maximum of $7,200 in government contributions

Obtain the Social Insurance Number (SIN)

THE CHILD'S SIN IS REQUIRED TO OPEN AN RESP

YOU CAN APPLY:

ONLINE

BY MAIL

IN PERSON

Open the RESP

CHOOSE AN RESP PROMOTER AND PLAN + PROVIDE THE CHILD'S SIN + COMPLETE RESP AND EDUCATION SAVINGS INCENTIVE FORMS + INDICATE ANY POTENTIAL RESP CONTRIBUTIONS (NOT MANDATORY)

Manage the RESP

THE CLB IS AUTOMATICALLY DEPOSITED

THE RESP BELONGS TO THE PUBLIC PRIMARY CAREGIVER

AUTHORIZE ANY RESP CONTRIBUTIONS (NOT MANDATORY)

Access the Money

THE CHILD ENROLS IN POST-SECONDARY EDUCATION

REQUEST AN EDUCATIONAL ASSISTANCE PAYMENT (EAP) FROM THE RESP PROMOTER

THE STUDENT USES THEIR RESP MONEY FOR PSE RELATED EXPENSES

Adoption and Aging Out: 3 Options for the RESP

1 Transfer the RESP assets

2 Keep the RESP open (continue to manage and access the account)

3 Close the RESP

Need more help?

Contact the Canada Education Savings Program through our website or by email

2. The Education Savings Incentives

The federal government offers two education savings incentives paid into RESPs that are available to children in care:

1 The Canada Learning Bond

The Canada Learning Bond (CLB) is available for children born in 2004 or later who experienced low income or for whom a public primary caregiver receives the CSA. The CLB provides an initial payment of $500, plus $100 for each additional year of eligibility, up to age 15, for a maximum of $2,000. This savings incentive requires no personal contributions, and previous years of eligibility can be requested retroactively until the eligible youth turns 21.

2 The Canada Education Savings Grant

The Canada Education Savings Grant (CESG) is available to eligible Canadians regardless of income and provides a basic grant of 20% on the first $2500 in annual personal contributions to a RESP. Children in care also receive an additional grant of 20% on the first $500 of annual personal contributions made to their RESPs.[4]

3. Obtaining the Social Insurance Number

To open an RESP for a child in care, the child's SIN is required. Learn how to verify or apply for a SIN online, by mail, or in person if you are a legal representative. Applying online is generally the most convenient option for public primary caregivers requesting SINs for many children.

To request a SIN for a child in care, the requestor must submit a Primary Identity Document for the child, as well as a number of other documents related to the public primary caregiver as an organization and the individual requesting the SIN. Children who are 12 years of age or older may apply for their own SIN.

▪ Primary Identity Document

A Primary Identity Document is an official document that proves the child's identity and status in Canada. The most common Primary Identity Document used to request SINs is a birth certificate issued by the province or territory in which the child was born. All documents must be valid originals. Photocopies are not accepted.

▪ Other Required Documents

In addition to the child's Primary Identity Document, a public primary caregiver representative will also need to provide:

- Valid photo identification confirming the employee's identity
- An original document or certified copy of a document that confirms their authority as legal representative of the child issued by a provincial or territorial authority (in Quebec, a notarized will is an acceptable document)
- Provincial/territorial employees must also provide an original letter of authorization issued by the public primary caregiver and signed by its director/administrator, authorizing the employee to apply for a SIN on its behalf; this letter must be on letterhead
- A proof of address, if the SIN application is made online (the response to the request will be mailed to this address)

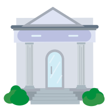
4 Children also receive this benefit if they live in a low-income household.

4. Opening a Registered Education Savings Plan

An RESP must be opened to receive the education savings incentives. An RESP is a trust account opened with a financial organization referred to as an RESP promoter. Approximately [85 private firms across Canada offer RESPs](), including banks, credit unions, insurance companies, investment brokers and group scholarship dealers. Establishing a relationship with a local RESP promoter can facilitate RESP applications and CESG/CLB requests for public primary caregivers.

RESP product plans vary widely in their complexity and levels of risk and reward. For example, there are some plans that do not charge any fees or require contributions. There are other plans that may charge significant fees and require fixed contributions. Some RESPs may have fees for transferring or closing an RESP, which are steps you may decide to take [when a child is adopted or ages out of care](). Public primary caregivers are encouraged to choose a product that meets their needs and the needs of the children. The [Financial Consumer Agency of Canada (FCAC)]() provides information on financial literacy, including RESPs.

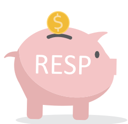
To open an RESP and request the education savings incentive payments for children in care:



Choose an RESP promoter

Provide the child's Social Insurance Number (SIN) and the Canada Revenue Agency (CRA) Business Number to the RESP promoter

Fill out the RESP application forms, incentive request forms, and any relevant annexes



Indicate any potential contributions (e.g., a portion of the CSA). You are not required to do this under federal law, but some provinces and territories may legally require agencies to contribute, and public primary caregivers are always free to contribute if they wish.

If someone other than the public primary caregiver, such as a foster parent, is opening an RESP for a child in their care, the public primary caregiver will have to provide its CRA Business Number to the person who is opening the RESP. They will also have to sign off on an annex to the RESP application form.

There are **two types of RESPs** that can be opened for children in care:

1. **Individual plans:** only one beneficiary is named, and are recommended for all children in care to ease the transfer of RESPs when the child is adopted or ages out of care
2. **Family plans:** can have more than one beneficiary if the children in care identified as beneficiaries are siblings related to the subscriber by blood or through adoption. Family plans are then an option for family members, including adoptive parents, wanting to open an RESP for current or former children in care, but for not for public primary caregivers.

A child brought into care may already have an RESP, and may have already received some CESG and CLB payments in that RESP. However, that does not prevent the public primary caregiver from opening a new RESP for the child.

An RESP can stay open for up to 36 years. For beneficiaries eligible for the disability tax credit under the *Income Tax Act*, the plan can stay open for up to 40 years.

5. Managing the Registered Education Savings Plan

Public primary caregivers opening RESPs for children in their care are responsible for managing the RESPs (mostly by approving any contributions made into the plan). An RESP belongs to the public primary caregiver as the subscriber, not the child. Any contributions deposited will remain the public primary caregiver's property; however, only the child can receive the CLB and CESG (and provincial education savings incentives, as applicable) as well as any income earned on these government incentives in the RESP.

The CLB will be automatically deposited every year, as long as the RESP remains open and the child remains eligible for the CLB (i.e., if they are in care or experiencing low income). The subscriber is not required to contribute to the RESP, however they are responsible for managing the RESP.

The public primary caregiver is required to authorize any contributions into an RESP. If the RESP is closed, all contributions will be returned to the public primary caregiver, regardless of who contributed them originally. It is the subscriber's decision whether to return this money to the original contributors.

Third parties can also open RESPs for a child, and there is no obstacle to a child having multiple RESPs. However, the parties who open each of the plans may have to coordinate to ensure the contribution and grant limits for the child are not exceeded. This is often easier to manage if all contributions are made into one RESP.

6. Adoption and Aging Out

The public primary caregiver decides what to do with the RESP once a child in care is adopted or ages out.[5] There are **three options**:

1 Transfer the RESP assets:

Advise the adoptive parents or the aged-out youth of the RESP. If they want to open their own RESP in their own name, you can arrange with your promoter to transfer the assets from your RESP to the RESP of the adoptive parents or the aged-out youth.

- The new RESP can be with the same promoter, or the adoptive parents or youth can choose a new promoter of their own.
- Any money that was deposited into the RESP by the public primary caregiver will become the property of the adoptive parents/the youth.
- Any earnings held in the RESP can be transferred to the new RESP. Incentives can also be transferred as long as the new RESP promoter offers those incentives; if not, they are returned to the Government of Canada. To prevent this from happening, adoptive parents or aged-out youth should ask their chosen promoter if they offer the CLB.
- After the transfer has been processed, some adoptive parents (especially those who have changed the child's surname) may encounter issues requesting further incentive payments for the child. If this happens, the parents should contact ESDC by telephone at 1-888-276-3624.
  This does not apply to aged-out youth.

5 Note that some RESPs may have fees for transferring an RESP. Subscribers should check with their RESP promoter to verify whether terms and conditions apply in the case of RESP transfer.

2 Keep the RESP open:

If the public primary caregiver chooses to keep the RESP open after adoption or aging out, they must continue to manage the money. Any contributions deposited into the RESP will continue to be the public primary caregiver's property. The *Income Tax Act* allows a plan to stay open for up to 35 years from the year of opening.

- If a public primary caregiver deposits their own money into the plan, but withdraws those contributions at a time when the child is not enrolled in post-secondary education, any CESG amounts that have been paid into the RESP based on that contributed money will be returned to the Government of Canada. The youth's lifetime CESG limit ($7,200) and lifetime contribution limit ($50,000) will be reduced accordingly.
- If the public primary caregiver is able to maintain contact with the youth post-adoption or post-aging out, the assets in the RESP can be used to fund their PSE as described in the section Accessing the Money.
- If the youth does not attend post-secondary education, or if the public primary caregiver loses contact with the youth:
    - The CESG and/or CLB in the RESP cannot be withdrawn, and will be returned to the Government of Canada once the plan is closed. At the latest, the plan must be closed 35 years after it is opened
    - The public primary caregiver can withdraw the contributions in the RESP
    - The public primary caregiver can withdraw all the earnings in the RESP, but only once the criteria for an Accumulated Income Payment have been met under the *Income Tax Act.*[6] Usually, these criteria can be satisfied once the child has turned 21. Once the earnings have been withdrawn, the plan must be closed.

3 Close the RESP:

If the public primary caregiver closes the RESP at the point of adoption or aging out, any CESG and/or CLB in the RESP will be returned to the Government of Canada.[7]

- Any contributions deposited into the RESP by the public primary caregiver will be returned to them. Unless the youth meets the criteria for an Accumulated Income Payment under the Income Tax Act, the earnings generated by the RESP will be gifted to a designated post-secondary educational institution chosen by the public primary caregiver (Note: this is not considered a charitable donation for tax purposes).[8]
- Adoptive parents or aged-out youth may be able to subsequently reclaim the lost CLB if they choose to open an RESP of their own, but the CESG is permanently lost (the child can only receive up to $7,200 in CESG across their lifetime). For the CLB to be reclaimed, it must be requested before the youth turns 21.

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6 The conditions are set out on CRA's website.

7 Note that some RESPs may have fees for closing an RESP. Subscribers should check with their RESP promoter to verify whether terms and conditions apply in the case of closing an RESP.

8 Assuming that youth age out of care or are adopted before the age of 21, a public primary caregiver can only withdraw earnings at that time if the youth has a severe and prolonged mental impairment that makes it reasonably likely that they will not attend post-secondary education. See CRA website.

7. Accessing the Money

When the child enrols in a qualifying post-secondary educational program, the RESP promoter issues an Educational Assistance Payment (EAP)[9] directly to the child. The EAP consists of the education savings incentive amounts paid into the RESP and earnings accrued over the years. The public primary caregiver must request an EAP before the money can be paid to the child.

RESP promoters each establish their own procedures for validating the beneficiary's enrolment in an educational program. Public primary caregivers should discuss this process with their chosen promoter.

Personal contributions are returned to the public primary caregiver as the RESP subscriber, although the subscriber can choose to leave the funds in the RESP to help support the child's education.

A student can use their RESP money for a wide range of post-secondary education related expenses including tuition, books, living expenses, transportation, food etc. RESP promoters are responsible for administering the RESP and may provide a list of allowable expenses.

If a child has a disability, such as severe or prolonged mental impairment, in some circumstances a public primary caregiver may reasonably expect that the child will never attend PSE. A public primary caregiver may wish to open a Registered Disability Savings Plan (RDSP) for the child, close the child's RESP, and transfer the contributions and earnings to the RDSP. Although the CESG and the CLB cannot be transferred to an RDSP, RDSPs have their own respective grants and bonds. The child must be assessed as eligible for the disability tax credit, under the Income Tax Act, before an RDSP can be opened.

8. Contact the Canada Education Savings Program

For more information, please contact us through our website or by email.

9 An EAP is a payment from an RESP to help an eligible beneficiary cover expenses associated with post-secondary education. An EAP is made up of educational incentive amounts paid into an RESP, as well as income earned on contributions and incentive amounts. The EAP must be included as income on the student's income tax return for the year payments were received.