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EDUCATION SAVINGS

MY EDUCATION PRODUCT GUIDE

FOR EXCLUSIVE USE
BY FINANCIAL ADVISORS

REGISTERED EDUCATION SAVINGS PLAN – INDIVIDUAL AND FAMILY

A PARTNER YOU CAN TRUST.

INDUSTRIAL ALLIANCE
INSURANCE AND FINANCIAL SERVICES INC.

IA PACIFIC™

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1. GENERAL INFORMATION

1.1 THE GOAL OF A REGISTERED EDUCATION SAVINGS PLAN

The Registered Education Savings Plan, commonly known as an RESP, is a financial tool specially designed to accumulate savings to be used as a financial resource for a beneficiary's post-secondary education. As with an RRSP, the federal government allows the investment income to grow, in a tax shelter, until the money is withdrawn from the plan.

1.2 TARGET CLIENTELE

This financial vehicle is designed for people who want to accumulate money, tax-free, in order to provide a loved one with the opportunity of having a promising future thanks to a post-secondary education. The rising costs of indebtedness resulting from the increase in tuition fees over the past few years and the demands of the employment market, which favour post-secondary graduates, will most likely result in a significant increase in popularity for RESPs in the years to come.

Generally, the clients targeted by this product are:

✓ Prudent parents who want to avoid debt when their children attend a post-secondary institution;

✓ Young parents who have experienced significant increases in tuition fees and debt from student loans;

✓ Grandparents who would like to help finance their grandchildren's education;

✓ Parents and grandparents who have reached their RRSP contribution limits and are looking for another financial vehicle that is tax-exempt; and

✓ People who want to accumulate savings to upgrade their own education in the future.

2. PLAN TYPES

To meet the growing needs of its clientele, the My Education RESP is now offered according to two types of plan, the individual plan and the family plan. The differences between these two types of plan will be specified throughout the guide, when necessary. Here is a brief description of each one:

Individual plan: It offers the possibility to designate one beneficiary per plan. The beneficiary may or may not be related to the subscriber by blood or adoption.

FAMILY PLAN: It offers the possibility to designate several beneficiaries. however, they must all be linked to the subscriber by blood or adoption and be aged under 21 years old. moreover, the special feature of the family plan is that all children from the same family can be combined in a single education savings plan. the family plan is more suited to parents (and grandparents) whose family is complete so that they can take advantage of the longest possible accumulation period for each child. the family plan also offers the flexibility of distributing the amounts among the children as each one begins their post-secondary studies.

2.1 HOW THE RESP WORKS

The RESP contract is a savings vehicle that involves four parties: the subscriber, the beneficiary, the promoter and the trustee.

The subscriber:	The subscriber is the individual who makes the contributions to the "My Education" RESP.
The beneficiary:	The beneficiary is the person designated by the subscriber to receive the educational assistance payments when pursuing post-secondary studies.
The promoter:	Our Company is the company that will distribute and manage the plan.
The trustee:	Industrial-Alliance Trust Company is the trustee that irrevocably holds the amounts invested in the plan as required by the federal government for the purposes of the RESP.

The plan will take effect when a contract between the subscriber and the promoter is signed. At that time, the subscriber will designate one or more beneficiaries who will use the investment income generated by the plan and the grants paid by the Canadian government as educational assistance payments for a post-secondary education. Subscriber contributions are not tax-deductible and the accumulated income and grants are not taxable until they have been attributed to the beneficiary. Furthermore, the amounts invested in the plan must be held by a trust company at all times. Finally, no contributions can be made after the 31st year(1) of the plan's creation and the plan ceases to exist after 35 years(2).

(1) 35th year for plans whose beneficiary is eligible for the Disability Tax Credit (DTC).

(2) 40th year for plans whose beneficiary is eligible for the Disability Tax Credit (DTC).

3. WHO CAN BE A SUBSCRIBER?

Anyone with a Canadian address and a social insurance number (SIN) may subscribe to an RESP. This applies only to individuals (a company or trust may not act as subscriber to an RESP). Furthermore, the contract must be signed in the province that issued the agent's license. The subscriber and the beneficiary can be the same person if the subscriber designates him/herself as the beneficiary who will be pursuing a post-secondary education in the future.

Individual plan: The subscriber can be a parent, grandparent, uncle, aunt, godfather, godmother or any other person who, in most cases, would like to accumulate funds to be used for a child's post-secondary education.

Family plan: The subscriber must be related to the beneficiary by blood or adoption; a parent, grandparent, brother or sister. Uncles and aunts would not be possible.

Joint subscriber

The My Education RESP allows the designation of a joint subscriber (spouse - married or common law). A subscriber or joint subscriber can contribute to several Registered Education Savings Plans for one beneficiary or different ones.

3.1. CHANGE OF SUBSCRIBER

- **Change while subscriber is alive**

  Only the spouse or former spouse of the initial subscriber can be considered as the new plan subscriber if he/she acquires the rights of the initial subscriber following a divorce judgement or a written agreement between two individuals to share property after their union is dissolved.

- **Change upon subscriber's death**

  Following the death of the initial subscriber, anyone who inherits from the assets of a subscriber (including the estate) can continue to pay amounts into the plan on the beneficiary's behalf and is therefore deemed to be the new subscriber. The plan is passed onto the heirs or estate with no tax consequences.

4. WHO CAN BE A BENEFICIARY?

The beneficiary is a person designated by the subscriber to whom, or for whom, the promoter agrees to make educational assistance payments (EAP) if the beneficiary is eligible to receive such payments at the time they are paid.

Depending on the plan type chosen, the designation of the beneficiary varies as follows:

Individual plan: It allows for the designation of one beneficiary. Anyone can be appointed beneficiary of the plan: child, grandchild, nephew, niece, even the subscriber, etc. There are no restrictions concerning the age and relationship in a My Education individual plan.

Family plan: It allows for the designation of one or several beneficiaries. However, each one must be related to the plan subscriber through blood or adoption and be aged under 21. This includes child, grandchild, brother and sister but excludes nephew, niece, subscriber's spouse and the subscriber.

As per the federal government regulation, the beneficiary must have a social insurance number (SIN) and be a Canadian resident when a plan is created. The **SIN is mandatory** to open a plan and to be eligible for the Canada Education Savings Grant (CESG). It is the subscriber’s responsibility to submit a SIN request to Human Resources Centre of Canada (HRCC).

A child may be the beneficiary of more than one RESP subscribed by a parent or grandparent, etc.

4.1 CHANGE OF BENEFICIARY

The subscriber may change the beneficiary at any time. The subscriber may name another person of his/her choosing as the beneficiary of the amounts accumulated in the plan (except the amounts received for the Canada Learning Bond) and continue to contribute on behalf of the new beneficiary if the plan was created less than thirty-one (31) years[(1)] earlier. The criteria mentioned in section 4 must also be respected.

(1) 35th year for plans whose beneficiary is eligible for the disability tax credit (DTC).

4.2 USING PREVIOUS CONTRIBUTIONS AND GRANTS (CESGS, CLB, ACES, QESI)

Contributions

Generally when a beneficiary under an RESP is replaced by another, the contributions made for the former beneficiary will be considered to have been made for the new beneficiary. If the new beneficiary already has an RESP, the additional contribution history may create an overcontribution situation for the new beneficiary (see section 6.1).

It does not create an overcontribution of lifetime limits when one of these two criteria is met:

1. The new beneficiary is the brother or sister of the former beneficiary and is under 21 years of age, or:
2. The two beneficiaries (former and new) are related to the subscriber by blood relationship or adoption and neither beneficiary has reached 21 years of age.

Whether or not the new beneficiary has an RESP when the change is made, if there is a blood relationship, it will be possible to contribute $50,000 for the beneficiary in addition to the previous contributions made in the initial beneficiary's name.

Grants (CESG, BLC, ACES, QESI)

Furthermore, prior CESGs and the ACES or QESI paid into the RESP can be kept if the new beneficiary meets one of the two conditions outlined above. Since the BLC is not transferrable, it will have to be refunded to the government when the beneficiary changes. If the new beneficiary already has an RESP in his name, he can keep the excess CESGs and the ACES or QESI until educational assistance payments are paid out to him. It is only once the portion of educational assistance payments derived from the CESG (and the QESI if applies) reach the limit allowed per beneficiary ($7,200 and $3,600 respectively – see sections 8.1.1 and 8.3) that the excess will be repaid to the government.

Example A

Pauline opened an RESP for her nephew. For five years prior to 2007, she contributed $2,000 per year, i.e. $10,000. A total CESG of $2,000 was therefore paid out to the plan. Pauline just had a child and she decided to change the beneficiary to her son. Given that the new beneficiary does not meet one of the above conditions, the $2,000 in CESGs (but not the earnings they generated) must be repaid to the government at the time of the change of beneficiary.

Example B

John opened an RESP in the name of his son, Paul, and another in the name of his daughter, Julie. John contributed $2,000 per year to each of the plans. Here are the details:

Paul's RESP				**Julie's RESP**			
Year	Age	Contribution	CESG	Year	Age	Contribution	CESG
2006	17	$2,000	$400	2006	10	$2,000	$400
2005	16	$2,000	$400	2005	9	$2,000	$400
2004	15	$2,000	$400	2004	8	$2,000	$400
2003	14	$2,000	$400	2003	7	$2,000	$400
2002	13	$2,000	$400	2002	6	$2,000	$400
2001	12	$2,000	$400	2001	5	$2,000	$400
2000	11	$2,000	$400	2000	4	$2,000	$400
1999	10	$2,000	$400	1999	3	$2,000	$400
1998	9	$2,000	$400	1998	2	$2,000	$400
Total		$18,000	$3,600			$18,000	$3,600

Paul just told his parents that he found a job in a factory and that he will not be pursuing a post-secondary education. So, John decides to name Julie beneficiary of the Paul's RESP. Given that one of the two above criteria (in this case, both) is met, none of the contributions made to Paul's plan will be considered excess for Julie. Furthermore, the contributions made for Julie in future years will be eligible for the CESG until the young girl reaches the age limit stipulated by the program, which means that the total of the CESGs accumulated in the two plans will exceed the allowable limit of $7,200 per beneficiary. Once Julie attends a post-secondary institution and the portion of her EAPs has reached the $7,200 CESGs limit, the remaining amounts, which are in addition to the capital contributed by the contributor, will need to be repaid to the government.

4.3 ADDITION OF BENEFICIARIES – FAMILY PLAN ONLY

In a family plan, the subscriber can add beneficiaries once the plan is in force. Each new beneficiary must respect the eligibility criteria stipulated in section 4.

5. DURATION OF THE PLAN AND CONTRIBUTIONS

- The subscriber can only contribute to the RESP up to December 31 of the 31st [(1)] year after the plan's creation date (ex.: for a plan created in 2004, contributions may be made until December 31, 2035);

- For a family plan, the age limit at which a contribution can be made for a beneficiary is 30 years (beneficiary's age).

- The RESP plan is terminated, at the latest, on the last day of the year of the 35th [(2)]anniversary of the plan's creation date (ex.: a plan created in 2001 must be terminated, at the latest, by December 31, 2035);

- When funds are transferred from another RESP that was created at an earlier date, the creation date of the plan from which the funds are being transferred will be considered when establishing the termination date of the RESP into which the funds are paid and the termination date for contribution payments. If the transferee plan was created earlier, then its creation date would be the one used.

(1) 35th year for plans whose beneficiary is eligible for the Disability Tax Credit (DTC).

(2) 40th year for plans whose beneficiary is eligible for the Disability Tax Credit (DTC).

6. RESP CONTRIBUTIONS

RESP contributions are not tax deductible from the subscriber's income. However, as with an RRSP, the accumulation of investment income is tax-free as long as it remains in the plan. The contribution period corresponds to a calendar year, i.e. from January 1 to December 31. Also, the subscriber may not deduct from his/her income interest paid on a loan taken out to make RESP contributions. Finally, note that the subscriber’s contributions are not protected against potential creditors.

The contribution limits set by the federal government are the following:

- Annual limit: None;
- Total limit: $50,000 per beneficiary, for life;
- If the child is the beneficiary of more than one RESP, it is the subscribers' responsibility to ensure the contribution limit set by the federal government are not exceeded.

Flexibility:

- Contributions to the "My Education" RESP may be made at any time through lump sum payments (min. $100) or periodic payments (min. $25 per contract or $10 per beneficiary if there are several);
- While the subscriber has the flexibility to make contributions at any time to the plan, he/she is not required to make a minimum contribution each year.

6.1 TAX CONSEQUENCES OF EXCESS CONTRIBUTIONS

A 1% monthly tax penalty applies to contributions made on behalf of a beneficiary in excess of the total limit set by the federal government. The tax penalties are payable by each subscriber on his/her share of the excess contributions that are not withdrawn by the end of the month. The subscribers are solely responsible for ensuring that the contribution limits are respected.

The taxes payable by each subscriber subject to the penalty must be paid to the Canada Customs and Revenue Agency within 90 days following the end of the year in which the excess contributions were made. The subscriber must complete the T1E-OVP form "Individual Income Tax Return for RESP Overcontributions for 1996 and Future Years."

Example:

In 2002, Paul sets up an RESP for his daughter Laurie. His contributions are as follows:

2002 - 2006 : $4,000/year	2007 : $7,000	2008 : $7,000

In 2004, Laurie’s grandfather Lucas sets up another RESP for her. His contributions are as follows:

2004 - 2006 : $4,000/year	2007 : $5,000	2008 : $5,000

In December 2008, Paul withdraws $500 to reduce his overpayment.

Paul's share of the overcontributions for 2008

Paul's contributions to an RESP for Laurie		$34,000
Luke's contributions to an RESP for Laurie	+	$22,000
Total contributions to an RESP for Laurie	=	$56,000
Total limit	-	$50,000
Overcontributions for 2008	=	$6,000
Paul's share of the overcontributions ($34,000 ÷ $56,000) x $6,000		$3,643

Paul's tax payable for 2008

Tax is calculated for the months the overcontributions stay in the RESP

For July to November: $3,643 x 1% x 5 months		$182,15
For December ($3,643 - $500) : $3,143 x 1%	+	$31,43
Paul's tax payable on the overcontributions (the tax has to be paid by March 31, 2009)	=	**$213,58**

Luke calculates his share of the overcontributions and tax payable in the same way as Paul, based on his total of $22,000 in contributions. Unless Paul and Luke withdraw all of their overcontributions, they will continue to have to pay the 1%-per-month tax on the part of their share that stays in the plan.

6.2 WITHDRAWAL OF CONTRIBUTIONS

Part or all of the contributions made to an RESP can be withdrawn by the subscriber at any time, while the contract is still in effect or upon expiry of the plan, without any tax consequences. However, the CESG will have to be reimbursed if the withdrawal is made before the EAP payments have begun. The subscriber must be informed that the contributions are deemed to have been withdrawn in the following order:

- Subsidized contributions;
- Non-subsidized contributions paid in 1998 or after;
- Non-subsidized contributions paid in 1997 or before.

The contributions are not taxed upon withdrawal because they were not tax deductible when they were contributed.

The amounts withdrawn do not affect the contribution limits since the amounts withdrawn remain as part of the calculation for the total contribution limit.

Example:

A subscriber contributes $2,000 annually for 15 years, for a total of $30,000. In the 16th year, he decides to withdraw all of his contributions. The withdrawn amounts are not taxable. If the subscriber decides to continue contributing, he will be subject to the total limit of $20,000 ($50,000- $30,000) since he has already used $30,000 of the total contribution limit of $50,000.

7. RESP LOAN

7.1 TARGET CLIENTELE AND ADVANTAGES

The RESP Loan is particularly suited to contractholders whose children are approaching their post-secondary studies (age 12 and older). This concept allows contractholders to maximize the amounts set aside for their child's post-secondary education using a valuable leverage tool, and as a result, benefit from the maximum amount in Canada Education Savings Grants (CESG).

The advantages of the RESP Loan concept are as follows:

- Increases contributions without requiring additional sums from the contractholder
- Increases RESP returns using the CESG (20%)
- Recovers unused CESG room
- Capitalizes revenues within a tax shelter
- Refundable at all times
- Loan due at the end of the contract as long as the loan ratio does not exceed 75%

7.2 HOW THE CONCEPT WORKS

The amount granted in the scope of an initial loan can be as much as 100% of the contributions made to the contract from which the loan is being made.

Minimum loan: $500 per request
Maximum loan: $5,000 annually per beneficiary

Limit of the initial loan ratio

The loan/total value of contributions ratio cannot exceed 50% at the time of the initial loan.

$$\frac{\text{Loan}}{\text{Total value of contributions}} \leq 50\%$$

Where the *Total value of contributions* corresponds to the lesser of:

- The net value of total contributions, including those from the loan, paid into the contract.
- The contract balance less grants

The amount of all subsequent loans are granted as long as the loan ratio limit of 50% is respected after the supplementary loan has been granted.

Maximum loan ratio

Once the loan has been granted, the balance of the loan can climb to up to 75% of the total value of contributions, which provides the client with additional latitude.

$$\frac{\text{Loan (including accrued interest)}}{\text{Total value of contributions}} \leq 75\%$$

In the event that the loan ratio exceeds 75%, the client must make a partial reimbursement of any payable interest or make an additional contribution in order to bring the ratio back down to **50%**.

Following receipt of a written notice, the client has 10 business days to act. If the client does not respond, the Company will itself lower the ratio back down to 50% by debiting the client's contract of the necessary amount. <u>The application of this measure has a significant impact on the</u>

subscriber as this constitutes a withdrawal of contributions that also results in the refund of a CESG to the government.

Interest rate

The interest rate charged on RESP loans corresponds to the prime rate + 0.75%, which is highly competitive. The prime rate varies and is listed on the rates table on the extranet.

Interest rates are calculated on the daily balance and compounded annually on the balance of the loan.

Repayment details

No repayments are required while the contract remains in force. However, the subscriber may repay the loan using fixed PAC payments (minimum monthly amount of $25) or a series of several or one lump-sum payment at his/her convenience.

Interest is capitalized as long as the balance of the loan (loan + accrued interest) does not exceed the maximum allowable loan ratio of 75%.

The RESP loan must be repaid in whole by no later than December 31 of the contract's 25th year. The contract ends on this date and all amounts must be withdrawn from the RESP.

The contributions that have accumulated in the plan through the RESP loan are used to repay the balance of the loan (contributions made + payable interest) at the end of the loan term.

8. Grant Programs

8.1 Canada Education Savings Grant (CESG)

In January 1998, the federal government implemented the Canada Education Savings Grant for all contributions made to an RESP. This is a very good bonus since it allows for a concrete and substantial increase in the savings destined for the post-secondary education of beneficiaries.

8.1.1 How the CESG works

- The basic CESG is equal to 20% of the first $2,500 ($2,000 before 2007) - or less - of annual contributions made to a beneficiary's RESP

Additional grant

In 2005, the program was enhanced by an additional grant based on the parents' family income. This additional grant is established as follows:

Net Family Income		Additional Grant	Maximum
2009	Below $38,832	Additional 20 % on the first $500 of contribution	$100
	From $38,832 to $77,664	Additional 10 % on the first $500 of contribution	$50
2010	Below $40,970	Additional 20 % on the first $500 of contribution	$100
	From $40,970 to $81,941	Additional 10 % on the first $500 of contribution	$50

Net family income:
The net family income is the net income of the beneficiary's family which is used to determine eligibility for the Canada Child Tax Benefit. A family can consult its Canada Child Tax Benefit notice to obtain its net family income. The family can also refer to line 236 of both parents' **last** federal tax return.

Note that :

- Family income is the amount declared in the last income tax return, i.e. the amount for the previous year;
- The eligible annual income is updated each year according to rate of inflation

- Annual maximum: $500, $550 or $600 per beneficiary according to the family income.
- Cumulative limit (including the basic CESG and the supplementary CESG): $7,200.

  The maximum annual amount can reach $1,000 per beneficiary when there are unused CESG rights and up to $1,100 if the family also qualifies for the additional 20% (see section 8.1.3).
- The amounts received as a CESG accumulate in a tax shelter. They are added to the return obtained on the investments that will be paid as income in the form of educational assistance payments during a beneficiary's post-secondary studies.
- CESG amounts are not considered in the calculation of the total contributions ($50,000) allocated per beneficiary.

8.1.2 CESG ELIGIBILITY CRITERIA

- The beneficiary must have a social insurance number and be a Canadian resident for the plan to benefit from the CESG.
- The CESG is paid directly into the beneficiary's RESP. The promoter applies to the government for the CESG on behalf of the subscriber, once it receives a copy of the duly completed form prescribed by the government. The forms are available on the Extranet under "Individual Savings and Retirement/Administration and Forms".
- Any beneficiary aged seventeen (17) years or under is entitled to the CESG.
- Children aged sixteen (16) or seventeen (17) years are entitled to the CESG if one of the following two criteria is met:
  - At least $2,000 in contributions to RESPs have been made for the beneficiary and not withdrawn before the end of the calendar year in which he/she reached the age of 15 years, or;
  - Annual contributions of at least $100 have been made to RESPs and not withdrawn for the beneficiary during any four years, consecutive or not, prior the end of the calendar year in which he or she reaches age 15.

8.1.3 CARRY OVER OF THE CESG RIGHTS

Only the $500 basic CESG rights ($400 before 2007) are cumulative, as of January 1, 1998 (date on which the government program was created) or starting from the beneficiary's date of birth, whichever is more recent. If no contributions are made in a given year or if the contributions are not sufficient to provide the maximum CESG, the unused CESG rights are automatically deferred to subsequent years, for as long as the beneficiary is eligible.

The basic CESG amounts received each year cannot exceed $1,000 ($800 before 2007).

Period	Basic CESG annual rights	Minimum contributions required for annual basic CESG rights	Annual Ceiling for basic CESG	Minimum contributions required for annual ceiling basic CESG right
1998 to 2006	$400	$2,000	$800	$4,000
2007 to now	$500	$2,500	$1,000	$5,000

No CESG can be paid after the end of the calendar year in which the beneficiary reaches the age of seventeen (17) years.

It is highly recommended that different subscribers who contribute to an RESP for the same beneficiary consult each other in order to benefit the most from CESG rights.

Example A:

You subscribed to an RESP for your daughter Laurie in 2002, the year she turned 8. In 2005, you declared a family income of $95,000.

The grant rights have been accumulating since the most recent of the following two dates:

- 1998
- Beneficiary's birth year

Since Laurie was born before 1998, her grant rights have been accumulating since 1998. The following table presents the contributions made to date in Laurie's RESP, as well as the status of the grants:

Years giving right to a grant	Grant rights	Contributions	Basic CESGs paid	Unused CESG rights balance
1998	$400			$400
1999	$400			$800
2000	$400			$1,200
2001	$400			$1,600(1)
2002	$400	$2,000	$400	$1,600(2)
2003	$400	$1,000	$200	$1,800
2004	$400	$0	$0	$2,200
2005	$400	$5,000	$800(3)	$1,800
2006	$400	$4,000	$800	$1,400
2007	$500	$6,000	$1,000(4)	$900

Note: Given your family income, Laurie is not eligible for the additional grant.

(1) Balance of unused CESG rights at the end of 2001:
Grants for 1998, 1999, 2000 and 2001
$400 + $400 + $400 + $400 = $1,600

(2) Balance of unused CESG rights at the end of 2002:

Balance at end of 2001	$1,600
Plus:	
CESG rights for 2002	$400
Less:	
Grant paid in 2002	($400)
Unused rights at the end of 2002	**$1,600**

(3) Prior to 2007, the basic maximum annual CESG was $800

- Current year grant: Maximum $400
- Unused rights: Maximum $400

(4) Since 2007 inclusively, the maximum annual basic CESG is $1,000

- Current year grant: Maximum $500
- Unused rights: Maximum $500

Example B:

Let's take another look at Laurie's case, but based on the assumption that her family's net income was $30,000 in 2005, $33,000 in 2006 and $45,000 in 2007.

Years giving right to a grant	Grant rights	Contributions	Basic CESGs paid	Supplementary CESGs received	Unused CESG rights balance
1998	$400				$400
1999	$400				$800
2000	$400				$1,200
2001	$400				$1,600
2002	$400	$2,000	$400	N/A(1)	$1,600
2003	$400	$1,000	$200	N/A(1)	$1,800
2004	$400	$0	$0	N/A(1)	$2,200
2005	$400	$5,000	$800	$100	$1,700(2)
2006	$400	$4,000	$800	$100	$1,200
2007	$500	$6,000	$1,000	$50(3)	$650

(1) The additional grant was introduced in 2005.

(2) The additional CESG is added to the basic CESG to reduce the balance of unused rights.

> The additional CESG is not cumulative. If no contribution was made in 2005, 2006 and 2007, the unused additional CESG would not have been added to the balance of unused rights. However, each additional CESG paid reduces the balance of unused rights, since it is part of the cumulative lifetime limit of $7,200 per beneficiary.

(3) In 2007, a family income between $37,179 and $74,357 entitled the family to an additional CESG of 10% of the first $500 of contributions.

As we can see, total grants of $900 in 2005 and 2006 and $1,050 in 2007 were paid into Laurie's RESP based on her family income.

8.1.4 WITHDRAWALS WITH RESPECT TO THE CESG

Even though the subscriber can withdraw all or a portion of the contributions made to the RESP at any time, the federal government has implemented an anti-avoidance measure to prevent abusive contributions. This measure prevents a subscriber from recycling previous contributions that were not entitled to the CESG, into new contributions that would then qualify for the grant.

- If a subscriber withdraws amounts contributed prior to 1998 (amounts that were not eligible for the CESG), the beneficiary of the RESP is deprived of the CESG for the remainder of the year in which the withdrawal was made and for the next two years;
- This type of withdrawal also deprives the beneficiary of the accumulation of unused portions of the CESG during the next two years;

However, if a partial or total withdrawal were to occur, it would be preferable to withdraw the contributions in the following order:

- Subsidized contributions
- Non subsidized contributions after 1997
- Non subsidized contributions before 1998

Note:

Contributions made prior to 1998 can be withdrawn without penalty if:

- The total unassisted contributions withdrawn during the year do not exceed $200, or;
- The withdrawal is made at a time when the beneficiary of the RESP is eligible to receive an educational assistance payment (EAP), or;
- The withdrawal constitutes an eligible transfer.

8.1.5 INVESTMENT OF THE GRANT WITHIN THE MY EDUCATION CONTRACT

The CESG is invested in the Ecoflex contract according to the AIT (Automatic Investment Term) selected unless specific instructions are received by the subscriber.

8.1.6 REFUND OF THE CESG

If the contributions that were entitled to a CESG are withdrawn from the RESP and the designated beneficiary is not entitled to an education assistance payment, an equivalent amount of the original grant received or the current balance of the CESG must be repaid to the government, whichever is lower. Such a withdrawal has no impact on the right to make future contributions.

Example:

When she is 12 years old, Laurie's father requests a withdrawal of $5,000, which had been eligible for the CESG in its entirety. The CESG amount paid into the RESP on this $5,000 will have to be repaid to the federal government as the withdrawal is made before Laurie is attending a post-secondary institution.

8.2. CANADA LEARNING BOND (CLB)

The Canada Learning Bond is a grant offered by the government of Canada to help low income families to begin saving early for their child's post-secondary studies. The RESP promoter applies to the federal government for the grant on behalf of the subscriber. The prescribed form, duly completed, must be sent to head office.

The CLB is paid directly into the RESP of the child who is named beneficiary.

CLB Eligibility

To be eligible, a beneficiary must meet the following requirements:

- Be born after December 31, 2003;
- Be a resident of Canada;
- Have a valid social insurance number (SIN);

  and:
- The primary caregiver* of the beneficiary is entitled to the National Child Benefit Supplement** which is paid from the Canada Child Tax Benefit (commonly called "family allowance").

* **The person in charge** is the person who receives the Canada Child Tax Benefit each month. It is usually the child's mother. The person in charge can also be the department, agency or establishment that receives a special allocation under the *Children's Special Allowances Act*.

** In general, the supplement is meant for families whose net annual income is lower than $38,832 (2009 income) and $40,970 (2010 income).

CLB Amount

- $500 the first year of eligibility
- $100 in each subsequent year of eligibility until the child reaches age 15.

The cumulative limit of CLB offered to a child can therefore reach $2,000.

Rules Surrounding the RESP that Receives the CLB

- One RESP at a time can be designated for the CLB.
- The primary caregiver must designate the RESP in which the CLB will be paid.
- The primary caregiver does not have to be the subscriber.
- The plan must be either of the following to be designated for CLB purposes:
  - An individual plan;
  - A family plan in which all beneficiaries are brothers or sisters;
  - For a family plan, each beneficiary must have their own CLB account.
- RESP contributions are not mandatory to receive the CLB. The government of Canada can still deposit the CLB even if no contributions were made to the RESP.
- An initial deposit must be made to open an RESP.

Years During Which the CLB Can Be Applied For

From birth to age 18 years:

The RESP can be opened by the subscriber (the person in charge having designated the plan). If the person in charge of the child is late in applying for the CLB, the government of Canada will still make the payments for prior eligible years.

From age 18 to 21 years:

A person can open an RESP in his/her own name and apply for the CLB for all years in which he/she was eligible.

Starting at age 21:

If no application was made on the beneficiary's 21st birthday, his/her right to the CLB is withdrawn. However, keep in mind that the RESP beneficiary must be born after December 31, 2003.

Using the CLB

When a beneficiary is registered for a qualifying post-secondary education program, the CLB and the CESG, as well as the return obtained on the amounts invested in the RESP can be paid to him/her as Educational Assistance Payments (EAP). Each EAP contains a specified amount from the CLB.

If the beneficiary doesn't pursue post-secondary studies, the CLB must be reimbursed to the government of Canada.

The CLB cannot be used by another child.

Transfer of the CLB

- The CLB is reserved exclusively for a specific beneficiary
- The CLB can be transferred under the following conditions:
  - The assignee plan is an individual RESP destined for the beneficiary;
  - The assignee plan is a family RESP destined for the beneficiary and brothers or sisters.
- There can be a partial transfer of the CLB

8.3 QUEBEC EDUCATION SAVINGS INCENTIVE (QESI)

In its 2007 budget, the Quebec government announced the implementation of the Quebec Education Savings Incentive, which aims to improve access to post-secondary studies for Quebec youth. This program consists of a refundable tax credit paid by Revenu Québec to the RESP trustee on behalf of the beneficiary.

The start date of the program was set for February 21, 2007. As a result, all RESP contributions made after February 20, 2007, are eligible for the tax credit according to the following terms:

Program Terms

Basic Tax Credit

The annual basic tax credit corresponds to 10% of the first $2,500 (or less) net contributions (contributions-withdrawals) paid during the calendar year (for 2007, net contributions paid after February 20).

Gross-up

A gross-up (increase) based on family income, is offered to low-income families. Only the first $500 of contributions is eligible for this increase.

	Net family income	Gross-up	Maximum
2009	Less than $38,832	10% of the first $500 net contributions	$50
	Between $38,832 - $77,664	5% of the first $500 net contributions	$25
2010	Less than $40,970	10% of the first $500 net contributions	$50
	Between $40,970 - $81,941	5% of the first $500 net contributions	$25

Family income

Family income is the income of two spouses, members of the family unit, according to the terms of the *Refundable Tax Credit for Child Assistance (RTCCA)* for the year preceding the year of the request. A family may refer to line 275 of its **last** Quebec income tax return (TP1) for both parents, in order to know its net family income.

Important:

- The family income is that of the last income tax return, consequently, that of the preceding year;
- The eligible annual income is revised each year according to the inflation rate;
- For a family plan, each beneficiary can receive the gross-up.

- Annual maximum: $250, $275 or $300 per beneficiary, according to family income.
- The maximum annual amount may attain up to $500 per beneficiary when there are unused rights, and up to $550 if, in addition, the family qualifies for the additional 10% grant.
- Cumulative limit: $3,600 per beneficiary, including the gross-up.

To find out the tax consequences of a change of beneficiary, refer to sections 4.1 and 4.2 since the rule that applies to the QESI is the same as for the CESG.

The accrued credits, for a given year, are calculated as follows:

($250 x A) - B

Or

A = The number of years included between January 1, 2007 and December 31 of the year in which the QESI is requested and in which the beneficiary was born and residing in Quebec.

B = All QESI amounts granted for the previous year, without taking gross-ups (dividend increases) into consideration.

Example

Karina was born in 2007. In 2011, her parents open an RESP for her and they wonder what the QESI tax credit will be, given different contribution scenarios.

Their family income, according to the terms of the *Refundable Tax Credit for Child Assistance (RTCCA)* for 2010, is $65,000.

The table below presents three possible contribution scenarios for 2011.

Years entitling right to the tax credit	Entitlement to the tax credit	Contributions	Base Tax Credit Paid	Increase (Gross-Up)	Total Tax Credit Paid
2007	$250	$0	N/A	N/A	N/A
2008	$250	$0	N/A	N/A	N/A
2009	$250	$0	N/A	N/A	N/A
2010	$250	$0	N/A	N/A	N/A
2011	$250	$1,500 $2,500 $7,000	$150 $250 $500	$25 $25 $25	**$175** **$275** **$525**

Balance of rights accumulated for the year 2011: ($250 x A) - B
($250 x 5 years) – $0 = $**1,250**

As we can see, if Karina's parents contribute $7,000 in 2011, they will have the right to a maximum annual tax credit of $500, as a result of their accumulated rights. In addition, because of their income level, they will have the right to a $25 increase, resulting in a total tax credit of $525, which will be paid into Karina's RESP in 2012.

Contrary to the basic tax credit, rights to an increase (gross-up) are non-cumulative. For example, if no contribution was made in 2007, the right to an increase may not be deferred to another year. It would be forfeited.

For 2012, the balance of rights accumulated will be the following:

($250 x 6 years) – $500 = $**1,000**

Eligibility for the QESI

- The beneficiary must reside in Quebec at the end of the year in which the contribution that is subject to the request for the tax credit was made.
- If a request is made concerning contributions made during the year in which the beneficiary reaches age 17, the RESP must have been registered in the name of the beneficiary for the four-year period preceding the contribution.
- The plan trustee, in this situation, the sponsor, must have a place of business in Quebec.

Administrative Formalities

- The request for a tax credit must be sent only once a year, by the plan sponsor, and must be sent in the first 90 days of the year following that in which the contribution was made (exceptionally, June 30, 2008, for contributions in 2007).
- The Ministère du Revenu du Québec commits to paying the tax credit in the 45 days following the annual request.
- There is no form or other document to have the client sign.

8.4 ALBERTA CENTENNIAL EDUCATION SAVINGS PLAN (ACES)

The Alberta Centennial Education Savings Plan was adopted by the Government of Alberta to encourage families to save for their children's post-secondary studies.

Amounts Paid

- Initial grant: $500
- Subsequent grants: $100 paid at ages 8, 11 and 14

Eligibility Criteria

For the initial $500 grant:

- The child must be born or adopted after December 31, 2004;
- The parent or guardian must be an Alberta resident when the application is made or a resident when the child was born;
- The child must have an RESP in his/her name.

For each subsequent grant of $100:

- The parent or guardian must be an Alberta resident when the application is made and normally be present in the province;
- The child must have an RESP in his/her name;
- The child who attains the ages of 8, 11 or 14 on or after January 1, 2005;
- The child must attend school in Alberta;
- A $100 deposit must be made in the child's RESP in the year preceding the presentation of the application.

The grant can only be paid to:

- An Individual RESP
- A family RESP in which all beneficiaries are brothers or sisters

Grant Applications

The RESP provider must obtain the following information for each grant application:

- Child's name, date of birth and sex
- Name and proof of residence of the parent or primary caregiver. The RESP provider must note the type of document provided as proof of residence on the application form. Proof of residence documents can include:
  - A driver's license
  - A photo identification card issued by Alberta
  - An Alberta health insurance card
  - A bank statement, copy of a lease, utility bill
  - Proof that the child is attending a school deemed satisfactory to the Alberta Ministry of Advanced Education
  - Proof that at least $100 has been paid in an RESP in the child's name in the year preceding the presentation of the application

The following deadlines must be respected for grant applications:

- For the initial $500 grant:
  The application must be sent less than six years after the child's date of birth
- For $100 subsequent grants:
  Applications must be sent less than six years after the birthdays in question

Grant Payment Terms

- As with the CESG and the CLB, the Alberta Centennial Education Savings Plan is managed by the Canada Education Savings Program (CESP).
- The RESP promoter takes care of sending CESP grant applications. the form is available in the Extranet under Individual Savings and Retirement/Administration and Forms.
- Once the CESP has processed the application, the grant is deposited directly in the RESP.
- If a grant is subject to more than one application, the grant will be paid for the first application received and processed by the CESP.

Withdrawal of Alberta Centennial Education Savings Plan Grants

- When a beneficiary is registered in a qualifying educational program, the grants received from ACES can be paid to him from the Educational Assistance Payments. Each EAP contains a determined amount of ACES grant.
- The subscriber or beneficiary can apply for the EAP.
- The grants can be assigned to another eligible beneficiary who is the brother or sister of the beneficiary.
- If the grants cannot be paid as EAPs, they must be reimbursed to the Government of Alberta.

For More Details
For additional information, contact the program managers using the following coordinates:

Website:
http://www.albertacentennial.ca/programs/cesp.html

Address:
2005 Centennial Initiative
500 HSBC Building
10055-106 Street
Edmonton AB T5J 1G3

Toll-free:
1 888 257-2005

9. TRANSFER BETWEEN RESPS

It is possible to make partial or total RESP transfers from another financial institution (individual or family) as long as:

- The transferring plan (where the money leaves) allows it.
- The beneficiary of the other RESP is the same as the beneficiary of the "My Education" RESP.
- The other plan has never made any accumulated income payments (AIP) to the subscriber as described in section 10.

The *Registered Education Savings Plan (RESP) Transfer* form SDE-0050 must be completed.

The amounts transferred from another RESP are not considered new contributions and, consequently, are not eligible for the CESG. The amounts will be invested in the "My Education" RESP in accordance with the subscriber's choice of investment options.

For every transfer, the transferring plan must provide us with the proportion of invested capital, grants and investment income.

As well, if the transferring plan was created before the creation date of the "My Education" RESP, the "My Education" RESP is presumed to have been established on the same date as the other RESP. No amounts may be transferred to the "My Education" RESP from the transferring plan after the 31st anniversary following the year of the creation of the transferring plan.

9.1 TRANSFER FROM AN INDIVIDUAL TO A FAMILY PLAN

Upon the subscriber's request, it is possible to transfer one or several individual plans to a family plan. However, fees described in the contract are applicable. The individual plans are closed and a new contract number is assigned to the family plan. Each investment is recreated with a new initial date.

Warning
A 4 year or more age gap among beneficiaries could be penalizing for the subscriber. It is important to verify the last contribution date as well as the plan termination date before requesting such a transfer.

10. EDUCATIONAL ASSISTANCE PAYMENTS (EAP)

The EAP is paid to the beneficiary. (EAP) of the RESP to help pay the cost of post-secondary studies including tuition, lodging, school supplies, transportation, food, etc. It is made up of the CESG, the CLB, the ACES if applicable and accumulated investment income.

For a beneficiary, to be eligible to receive the RESP income (made up of the CESG (plus the CLB, the QESI and the ACES if applicable) and the investment income), he/she must be enrolled in a qualifying educational program at a designated educational institution and meet one of the following two conditions:

- Be registered as a full-time student (minimum of 10 hours of classes per week) in a qualifying educational program at a designated post-secondary institution;
- Be registered part-time (minimum of 12 hours of classes per month) in a qualifying educational program.

10.1 PAYMENT METHODS

- Proof of the beneficiary's enrolment must be included with the request for payment sent to the promoter;
- The withdrawal request form allows to specify the proportion in which the withdrawal must be distributed between the EAP and the withdrawal of contributions. We can also request that the withdrawal of contributions be included in the EAP paid to the beneficiary or request that they be paid to the subscriber;
- The subscriber decides the amount and frequency of payments to the beneficiary, as long as they do not exceed $5,000 during the first thirteen (13) weeks for a full-time student and $2,500 per thirteen (13) weeks semester for a part-time student;
- The promoter will pay the amounts directly to the beneficiary or the designated educational institution where the beneficiary is enrolled in a qualifying educational program;
- The beneficiary can receive EAPs for up to 6 months after he/she is no longer attending a post-secondary institution. In this case, said former student must furnish proof of attendance for their last educational session.

Family plan

A family plan gives the subscriber more flexibility when it comes time to make educational assistance payments (EAPs) because EAPs need not be limited by the proportion of each beneficiary's "share" of the contributions. This allows for the contributor who has named his or her three children, for example, to direct the entire income to the two children pursuing post-secondary education if the third child is not eligible or chooses not to further his/her education.

In the event one of the beneficiaries dies, the subscriber may distribute the deceased beneficiary's share of the CESG, investment income and education bonus between the other beneficiaries, as he/she sees fit. If there are no other beneficiaries and the subscriber does not designate a new beneficiary, the plan terminates and the CESG is returned to the federal government. The subscriber recovers the contributions made and can withdraw the accumulated income payments (AIP) according to government rule

10.2 Taxation of withdrawals when the beneficiary pursues postsecondary studies

For each withdrawal request :

The form provides that the subscriber can specify which proportion of the withdrawal is the EAP and which proportion is the withdrawal of a contribution. Two cheques will be issued.

- The EAP portion is paid to the beneficiary. This portion is taxable and the beneficiary must include this income on his/her tax return for the year in which it was received.
- The portion corresponding to contributions is not taxable and is paid to the contributor.
- In the form, the contributor can request that the contributions be paid to the beneficiary. In this case, only the EAP portion will be subject to a tax slip.

10.3 Designated post-secondary institutions

The following types of institutions are considered by the federal government as being designated post-secondary educational institutions:

- A university, college (CEGEP) or any other teaching institution located in Canada, including some technical and professional training schools, which has been certified by the Lieutenant-Governor-in-Council of a province as a certified educational institution in application of the Canada Student Loans Act, or recognized by the Minister of Education of Quebec for purposes of that province's Student Loans and Scholarships Act.
- A teaching institution in Canada recognized by the Human Resources Development Minister that offers non-credit courses aimed at providing or enhancing the skills required to exercise a profession.
- A foreign university, college or other teaching institution that offers post-secondary level courses, if the beneficiary is registered for a minimum of 13 consecutive weeks.

Note: There is no exhaustive list of acceptable programs or institutions. Contact the district tax office to obtain confirmation that an institution is recognized by the Human Resources Development Minister.

10.4 Qualifying educational program

A qualifying educational program meets the following criteria:

- An educational program that lasts for a minimum of three consecutive weeks;
- The student must devote a minimum of 10 hours per week to courses and homework;
- While participating in the educational program, the student is not receiving any employment income (with the exception of temporary or part-time work to help pay for his/her studies);
- It is not connected to the student's employment in any way

11. Options available when a beneficiary does not pursue a post-secondary education

The subscriber may choose between various options to recover the accumulated investment income generated by the RESP when a beneficiary, or all of them within a family plan, decide not to pursue a post-secondary education. Following are the four options available to the subscriber:

11.1 Name another beneficiary

The subscriber may name another beneficiary in the RESP and continue to contribute to the plan as long as the time limits regarding contributions and the plan's lifetime allow it. Please refer to section 4.2 for more details regarding the use of contributions and past grants.

11.2 Withdraw Accumulated Income Payments (AIP)

An accumulated income payment is a payment of the accumulated investment income from an RESP. The subscriber may withdraw this investment income accumulated if the following three conditions[1] are met:

- The subscriber lives in Canada;
- The beneficiary for whom the subscriber has paid the contributions is at least 21 years of age and is not currently eligible to receive educational assistance payments or is deceased;
- The RESP has been in existence for at least 10 years. The reimbursement of accumulated income is possible, even if the plan has existed for less than 10 years, if the beneficiary is deceased and is also:
    - the subscriber;
    - a relative of the subscriber, or;
    - a niece, nephew, great-niece or great-nephew of the subscriber.

Note: If these three conditions can not be met prior to the maturity date of the RESP, the accumulated income will be given to a recognized educational institution of the subscribers choice.

All accumulated income payments (AIP) must be paid to the subscriber no later than the end of February of the year following the year in which the first payment of the accumulated income was made;

The CESG must be returned to the federal government.

The AIPs must be added to the subscriber's annual taxable income in accordance with his/her marginal tax rate. The AIPs will also be subject to an additional 20% federal tax. In Quebec, the subscriber is also subject to a provincial tax. In order not to exceed the 20% tax payable by subscribers in other provinces, the additional tax in Quebec is set at 8% and the additional federal rate is reduced to 12%. A T1172 form - Additional Tax on Accumulated Income Payments from RESPs - must be included in the subscriber's tax return by April 30, at the latest, following the year in which the payments were made.

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1 The last two conditions may not apply if the beneficiary suffers from a prolonged and serious mental impairment that prevents him/her from attending or completing an eligible post-secondary program.

11.3 TRANSFER THE ACCUMULATED INCOME INTO AN RRSP

In order to eliminate or ease the tax impact of cashing in the accumulated income payments, the subscriber may transfer the accumulated income to his/her RRSP or to a spousal RRSP, without having to pay taxes on the amount, as long as the subscriber has unused contribution room.

The subscriber must respect the three conditions listed in section 11.2 in order to transfer the accumulated income to his/her RRSP or to a spousal RRSP.

When an AIP transfer takes place, the plan terminates February 28 of the year following the transfer. The subscriber recovers his/her capital and the CESG is returned to the federal government. The maximum amount that is allocated for transferred accumulated income is $50,000. The subscriber may request that the promoter transfer the payment directly into his/her RRSP or his/her spouse's RRSP by returning to the promoter the completed form T1171 – Tax Withholding Waiver on Accumulated Income Payments from RESPs.

11.4 DONATE THE ACCUMULATED INCOME

The accumulated income in an RESP can also be donated to a registered educational institution of the subscriber's choice.

12. INVESTMENT OPTIONS

- **Daily Interest Fund (DIF)**

- **Guaranteed Interest Funds ($500 minimum)**

Fixed rate terms offered:

- One month (automatically renewable)
- One to five years
- Ten years

Progressive rate term offered:

- Five years (not eligible for the automatic investment term [AIT] or available to non-residents)

Type of Interest Credited

For investment terms longer than one year, the client may choose between

- Compound interest at the current rate

  Each year, on the anniversary date of the investment, the interest is paid in the DIF and reinvested according to the automatic investment term (AIT) at the current rate.

  OR

- Compound interest at the guaranteed rate

  Interest is added to the principal as it is credited and bears interest at the guaranteed rate. The interest is credited at the end of the term.

Compound interest at the current rate applies automatically to terms of one year or less.

Interest Rate Structure

The interest rate credited on an amount invested in a guaranteed interest fund varies according to the amount invested and the balance of the contract when the investment is made.

Rate Structure by Band	Credited Interest Rate
$500 to $999.99	Refer to the rate schedule for current rates.
$1,000 to $24,999.99	
$25,000 to $99,999.99	
$100,000 to $199,999.99	
$200,000 to $499,999.99	
$500,000 and more	Contact Head Office.

Interest can be paid monthly on contracts valued at $10,000 or more.

Surrender Value

The subscriber can make a total or partial surrender of a guaranteed interest fund at any time.

If the surrender is made at maturity, the surrender value corresponds to the amount invested, plus interest credited until maturity, without penalty.

If the surrender is made before maturity, the surrender value corresponds to the amount invested, less

- An adjustment to reflect the market value, calculated according to a current interest rate plus 1% (see the contract for the complete formula)

  and
- A charge to recover unamortized sales charges equal to [0.065% x deposit x number of months remaining until maturity]

• Segregated Funds

Segregated funds offer investors an opportunity to benefit from the long-term growth potential of mutual funds. Our wide range of funds allows for optimal diversification in terms of geography, asset categories, and management styles. Your clients will have access to some of the best fund managers on the market.

For first time investments, investment choices must be made by completing the investment application (F24) and the investor profile (F51-122).

- The amounts deposited in the RESP (contributions + CESG + transfers from another RESP) are invested in accordance with the subscriber's investment instructions.
- All terms contained in the “My Education” contract apply.
- Surrender fees do not apply when the subscriber withdraws amounts from the plan under one of the following situations:
  - Option of withdrawing up to 10% of the total funds accumulated as at December 31 of each year *with no surrender fees* if the educational assistance payments (EAPs) have not been made to the beneficiary
  - Option of withdrawing up to 20% of the total funds accumulated as at December 31 of each year *with no surrender fees* if educational assistance payments (EAPs) have been made to the beneficiary (investment funds and guaranteed funds)

12.1 SEGREGATED FUND GUARANTEES

The terms of the investment fund guarantee have been modified in order to adapt to the duration of the registered education savings plan, which must terminate 35 years after its creation.

The three main elements of the guarantee—the maturity date of the guarantee, the guaranteed minimum value (GMV), and application of the guarantee—are described below.

12.1.1 GUARANTEE AT MATURITY

Under the guarantee at maturity, the client is guaranteed to recover at least 100% of the invested premiums regardless of market fluctuations.

The guarantee is 75%

- If the annuitant is 72 or over
- For premiums invested in specialty funds
- When new premiums are invested during the 10 years preceding maturity

12.1.1.1 MATURITY DATE OF THE GUARANTEE

Establishment of the maturity date of the guarantee

The maturity date of the guarantee must be specified in the "My Education" investment application and must be at least ten years from the date the first units were purchased without exceeding the maturity date of the RESP, which is set at 35 years after it is established.

Modification of the maturity date of the guarantee

Up to ten years prior to the maturity date of the guarantee, the subscriber may modify the maturity date and set it for a date that is at least ten years from the date the modification was made, but without exceeding the maturity date of the "My Education" RESP.

Extending the guarantee

On the maturity date of the guarantee, a new maturity date of the guarantee corresponding to the maturity date of the plan will automatically be set.

12.1.1.2 GUARANTEED MINIMUM VALUE AT MATURITY

At over ten years before the maturity date of the guarantee

The guaranteed minimum value at maturity is equal to 100% of deposits (including transfers from an RESP or CESGs) made into the funds on the initial investment date.

However it is always 75%

- When the annuitant is 72 years of age or over
- For premiums invested in specialty funds

It may vary as follows:

- It increases by 100% of subsequent deposits invested in the funds (75% if the annuitant is 72 years of age or over or if invested in specialty funds), except for transfers between funds with the same guarantee.

- When the client makes withdrawals (except for transfers between funds with the same guarantee), it is reduced in proportion to the amount withdrawn against the total market value of the funds.

  Example

Amount invested:	$30,000	
Guaranteed minimum value at maturity: 100% x $30,000		$30,000
Market value before the withdrawal (surrender):	$35,000	
Withdrawal:	$3,000	
Decrease in the guaranteed minimum value at maturity:		
$30,000 x ($3,000 ÷ $35,000) = $2,580.00		$2,580
Guaranteed minimum value at maturity after the withdrawal		**$27,420**

At exactly ten years before the maturity date: automatic reset

Following this reset, the guaranteed minimum value at maturity is equal to the higher of

- The current guaranteed minimum value at maturity
- 100% of the market value (75% for specialty funds) if the annuitant is under 72 years of age, or
  75% of the market value if the annuitant is 72 years of age or over

During the ten years preceding the maturity date of the guarantee

The guaranteed minimum value at maturity is equal to

- The value following the automatic reset made at ten years from maturity

  PLUS

- 75% of new deposits invested in the funds (except transfers between funds)

  LESS

- Withdrawals made by the client (except transfers between funds). The reduction is made in proportion to the surrendered amount against the total market value of the funds (see example on preceding page)

The guaranteed minimum value at maturity becomes nil after contract termination or cancellation.

12.1.1.3 Application of the Guarantee on the Maturity Date of the Guarantee

On the maturity date of the guarantee, the value acquired by the client is the higher of

- The current guaranteed minimum value at maturity
- The market value of the investment in the funds

If the guaranteed minimum value at maturity is higher than the market value, the Company will make up the difference by crediting Money Market Fund units.

On the maturity date of the guarantee, the client may choose between

- Purchasing an annuity of his or her choice from the Company
- Cashing in the contract
- Maintaining the contract until the end of the plan

12.1.2 Guarantee at Death

With the guarantee at death, the client is guaranteed that upon his or her death, at least 100% of the premiums invested before the age of 80 and at least 75% of premiums invested thereafter (75% at all times for specialty funds) will be recovered, regardless of market fluctuations.

12.1.2.1 Guaranteed Minimum Value at Death

At over ten years before the maturity date of the guarantee

The guaranteed minimum value at death is equal to 100% of deposits (including transfers from an RESP or CESGs) made into the funds on the initial investment date.

However it is always 75%

- When the annuitant is 80 years of age or more
- For premiums invested in specialty funds

It may vary in the following ways:

- It increases by 100% of subsequent deposits invested in the funds (75% if the annuitant is 80 years of age or over or if invested in specialty funds), except for transfers between funds with the same guarantee.
- It is reduced in proportion to the amount withdrawn against the total market value of the funds when the client makes withdrawals (see example in section 12.1.1.2).

At exactly ten years before the maturity date of the guarantee: automatic reset

Following this reset, the guaranteed minimum value at maturity is equal to the higher of

- The current guaranteed minimum value at death
- 100% of the market value (75% for specialty funds) if the annuitant is under 80 years of age, or
  75% of the market value if the annuitant is 80 years of age or over

During the ten years preceding the maturity date of the guarantee

The guaranteed minimum value at death is equal to

- The value following the automatic reset made at ten years from maturity

  PLUS
- 75% of new deposits invested in the funds (except transfers between funds)

  LESS
- Withdrawals made by the client (except transfers between funds). The reduction is made in proportion to the surrendered amount against the total market value of the funds (see example in section 12.1.1.2)

The guaranteed minimum value at death becomes nil when the contract is cancelled or terminated.

12.1.2.2 Application of the Guarantee at Death

At the annuitant's death, the guaranteed minimum value payable by the Company is the higher of

- The guaranteed minimum value at death on the date on which the Company receives all documents required to confirm the death
- The market value of the funds on the date on which the Company receives all documents required to confirm the death

12.2 SEGREGATED FUNDS OFFERED IN MY EDUCATION

Focus Funds
Focus Prudent
Focus Moderate
Focus Balanced
Focus Growth
Focus Aggressive

Income funds
Money Market
Short Term Bonds
Bonds
Bonds - Series 2

Diversified Funds
Diversified Security
Diversified
Diversified Opportunity
Fidelity Canadian Asset Allocation
Diversified Income
Global Diversified (Catapult)

Canadian Equity Funds
Dividend Income
Dividend Growth
Canadian Equity (Leon Frazer)
Canadian Equity Index
Canadian Equity Value
Canadian Equity (Dynamic)
Fidelity True North®
Canadian Equity Growth
Fidelity Canadian Opportunities

U.S. & International Equity Funds
Global Dividend (Dynamic)
Global Equity (Templeton)
Global Equity (Oppenheimer)
Fidelity North Star®
Global Equity Small Cap (DB Advisors)
International Equity Index
International Equity (Templeton)
International Equity (McLean Budden)
Fidelity European Equity
US Equity Index
US Equity (McLean Budden)
US Equity

Specialty Funds
Asian Pacific (Dynamic)
Emerging Markets (Mackenzie Cundill)
Global Health Care (Renaissance)
Real Estate Income
U.S. DAQ Index

13. ADMINISTRATIVE PROCEDURES

Each Registered Education Savings Plan request must include a "My Education" RESP application (individual plan F23A: IA or F23AP: IAP; family plan F28A: IA or F28AP: IAP), a “My Education” investment application (F24A: IA or F24AP: IAP) and a Your Investor Profile (F51-122A: IA or F51-122AP: IAP) if applicable. The applications must be completed as follows:

13.1 MY EDUCATION RESP: INDIVIDUAL F23A: IA OR F23AP: IAP
FAMILY F28A: IA or F28AP: IAP

The “My Education” RESP application must be completed in full.

Section 1a – Information about the subscriber

Indicate the subscriber’s complete information, including the SIN. He/she is the plan contributor.

Section 1b – Information about the joint subscriber

A joint subscriber can be named and the person must be the subscriber’s spouse. The SIN is mandatory.

Section 2 – Information about the beneficiary

Complete the information about the person named as beneficiary by the subscriber. Please note that the Canada Customs and Revenue Agency requires the beneficiary's social insurance number, regardless of his/her age, for the purposes of the plan.

Section 3 – Contribution deadline and contract termination date

The subscriber must identify the deadlines for contributions and termination of the contract. Ideally, these dates would be December 31 of the plans 31st and 35th years respectively.

Section 4 – Agent

Complete this section by giving the same information as in section 5 of the “My Education” investment application (F24A: IA or F24AP: IAP).

Section 5 – Investment instructions

As indicated in this section, the subscriber must complete section 2 of the “My Education” investment application (F24A: IA or F24AP: IAP) to provide his/her investment choices.

Section 6 – CESG Application

It is mandatory for the subscriber to complete the CESG section in order for it to be paid into the plan by the federal government. If, however, the beneficiary is 18 years of age or older, this section does not need to be completed since the beneficiary is not eligible for the CESG.

Section 7 – Authorization

The signatures of the subscriber, joint subscriber if applicable and agent (acting as witness) are required to enrol in the "My Education" RESP.

13.2 INVESTMENT APPLICATION (F24A: IA OR F24AP: IAP):

The "My Education" investment application must be returned with the "My Education" RESP application (F24A: IA or F24AP: IAP), and the following sections completed:

Section 1 – Annuitant

The subscriber or joint subscriber must be the individual designated as "annuitant" on the investment contract.

Section 2 – Investment instructions

The subscriber or joint subscriber is required to complete this section to provide investment instructions for the amounts deposited in the "My Education" RESP.

Section 3 – Waiver of the insurance benefits: CIDE/CID

The CIDE/CID insurance options are offered for the "My Education" RESP and the annuitant decides if he/she would like to adhere to this protection or not. If selected, the benefits must be taken up by both subscribers when applicable by completing section 10 to 12 accordingly. The usual rules and conditions of this protection apply to the RESP. A complete description of these benefits is found in appendix "A".

Section 4 – Maturity date of the guarantee

The maturity date of the guarantee, deferred at least 10 years from the date investment units are purchased for the first time, must not exceed the termination date of the "My Education" RESP as indicated in section 3 of the "My Education" RESP application.

Section 5 – Agent

Section to be completed by the agent.

Section 8 – Acknowledgement of receipt and signatures

IT IS VERY IMPORTANT TO OBTAIN THE REQUIRED SIGNATURES AT THE BOTTOM OF THE APPLICATION AND TO PROVIDE THE CLIENT WITH AN ECOFLEX INFORMATION FOLDER F13-282A OR F13-282AP AND THE SUMMARY FACT STATEMENTS F13-526A OR F13-526AP, IF APPLICABLE.

Section 9 – Pre-Authorized Cheque Payments (PAC)

This section must be completed whenever a subscriber wishes to systematically contribute to an RESP plan.

14. COMPENSATION

The compensation paid to the agent is that which applies to the Ecoflex investment option in which the amounts have been deposited. Compensation is paid on the following amounts:

- Contributions made by the subscriber;
- The amount of the CESG received from the federal government;
- RESP transfers from another institution.

APPENDIX “A”

DESCRIPTION OF THE CIDE/CID ADDITIONAL BENEFITS

Subscription procedures:

- The CIDE and CID benefits are only available when the subscriber contributes to the RESP by PAC.
- The subscriber can enrol in either the CIDE benefit only, or in both the CID and CIDE benefits together. The CID benefit cannot be taken on its own.
- When there are 2 subscribers, the chosen benefits will have to be purchased by both subscribers. The total RESP PAC premium will be waived on the disability or death of the first subscriber, if applicable.
- The benefits will be issued when both subscribers qualify according to the age and medical criteria. If one of the subscribers is not eligible, the plan is issued without the benefits.

A) Contribution in the event of the insured’s death (CIDE)

Under this benefit, if one of the insured dies, the Company makes the monthly contribution to the RESP (regardless of the insured's age). The first payment is made on the monthly PAC deposit date following the receipt of proof of death.

The contribution made under this benefit corresponds to the monthly PAC deposit chosen in the RESP.

Issue rules:

- Age at issue: This benefit is offered to insureds between the ages of 18 and 65.
- Premium payment period: Premiums are payable until the coverage termination date (maximum: December 31 following the 31st anniversary of the effective date of the education savings plan).
- Contribution period: Contributions are made until the PAC premium period expires.
  - Date of the 1st contribution:
    Corresponds to the monthly PAC deposit date provided for in the education savings plan following the death of the insured.
  - Date of the last contribution:
    Corresponds to the first of the following dates:
    - ~ on December 31 following the 17th birthday of each designated beneficiary at time of issue;
    - ~ on December 31 following the 31st anniversary of the effective date of the education savings plan.
- Termination of the coverage: the coverage terminates when the first of the following events occurs:
  - on December 31 following the 17th birthday of each designated beneficiary at time of issue;
  - on December 31 following the 31st anniversary of the effective date of the education savings plan;
  - on the date the coverage is cancelled;

- on the cancellation date of the education savings plan;
- upon the death of the insured.

B) Contribution in the event of the insured's disability (CID)

Under this benefit, in the event one of the insureds becomes disabled, the Company makes the monthly contribution to the RESP. The disability must occur before the insured reaches age 60 and the first payment is made 4 months after the onset of the disability.

The contribution paid under this benefit corresponds to the monthly PAC deposit chosen in the RESP.

Issue rules:

- Age at issue: This benefit is offered to insureds between the ages of 18 and 55.
- Premium payment period: Premiums are payable until the insured reaches age 60.
- Contribution period: Contributions are made as long as the insured is disabled, without exceeding the PAC premium period.
  - Date of the 1st contribution:
    Corresponds to the monthly PAC deposit date following the end of the 4-month elimination period during the period of the insured's total disability which began before age 60.
  - Date of the last contribution:
    Corresponds to the first of the following dates:
    - on the date of the monthly deposit preceding the end of the insured's total disability described under the title DEFINITION OF TOTAL DISABILITY of this clause;
    - on December 31 following the 17th birthday of each designated beneficiary at time of issue;
    - on December 31 following the 31st anniversary of the effective date of the education savings plan.

- Termination of the coverage: the coverage terminates when the first of the following events occurs:
  - on December 31 following the 17th birthday of each designated beneficiary at time of issue;
  - on December 31 following the 31st anniversary of the effective date of the education savings plan;
  - when the insured reaches age 60, if he/she is not totally disabled;
  - on the date this coverage is cancelled;
  - on the date the education savings plan is cancelled;
  - upon the death of the insured.

Definition of "total disability"

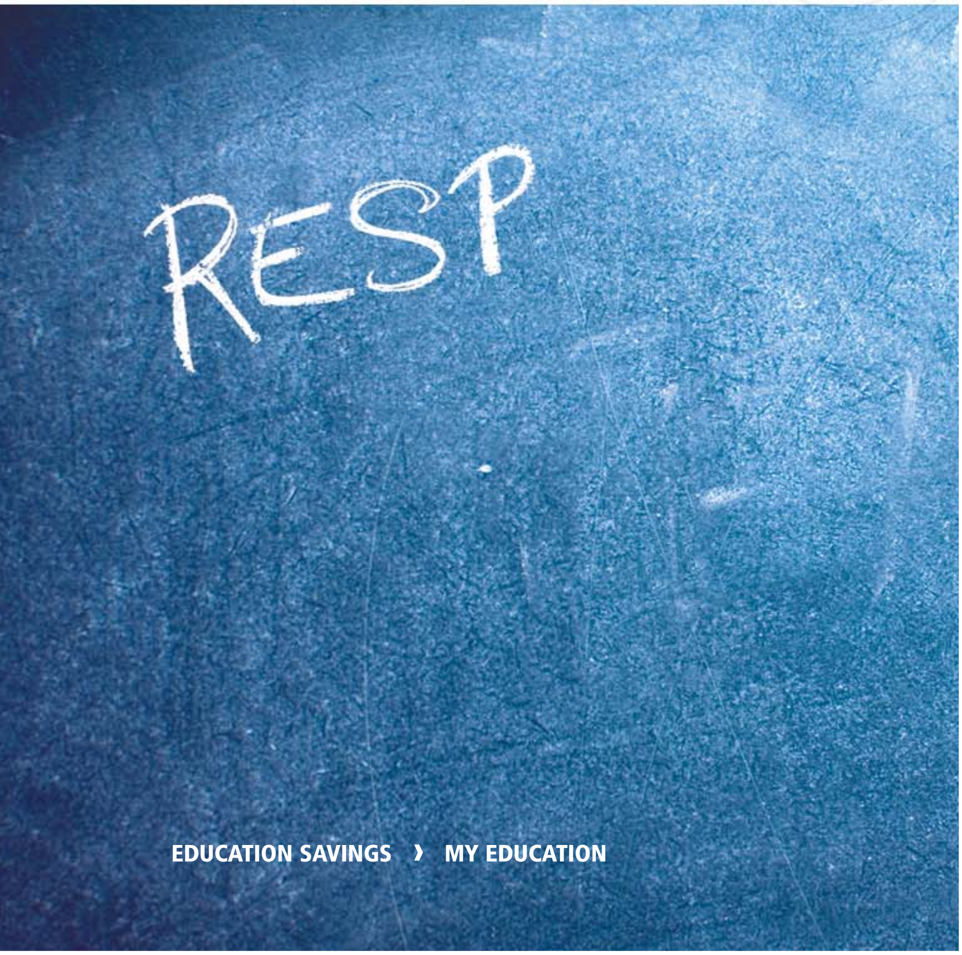
For insureds active on the job market at the onset of disability

- For the first 24 months following the onset of disability:
  - The insured's total and continuous inability to carry out the tasks of his or her main occupation following an illness or an injury.
  - For the insured who is unemployed, on employment insurance, retired or a student at the beginning of his or her disability: the total and continuous inability to carry out the normal activities of a person of that age.
- Subsequently:
  - Total and continuous inability to carry out any occupation whatsoever for which the insured is reasonably qualified, regardless of the availability of employment.
  - For the insured who is unemployed, on employment insurance, retired or a student at the beginning of his or her disability: the total and continuous inability to carry out the normal activities of a person of that age.

C) Rate schedule for CIDE / CID benefits

Annual rate for each monthly contribution of $10

MALE / FEMALE Age	CIDE	CID	MALE / FEMALE Age	CIDE	CID
18 to 40	4.80	4.80	53	12.78	10.32
41	5.13	4,81	54	13.93	11.20
42	5,45	4.82	55	15,16	12,24
43	5.78	4.82	56	16.92	N/A
44	6.10	4.83	57	18.72	N/A
45	6.43	4.84	58	20.40	N/A
46	7.03	5.34	59	22.20	N/A
47	7.67	5.88	60	24.00	N/A
48	8.33	6.47	61	26.40	N/A
49	9.05	7.10	62	28.80	N/A
50	9.80	7.78	63	31.20	N/A
51	10.73	8.64	64	33.60	N/A
52	11.71	9.44	65	36.00	N/A



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