

www.inalco.com
www.iapacific.com

EDUCATION SAVINGS

DIPLOMA PRODUCT GUIDE

FOR EXCLUSIVE USE
BY FINANCIAL ADVISORS



REGISTERED EDUCATION
SAVINGS PLAN

A PARTNER YOU CAN TRUST.

Table of Contents

1.	<u>GENERAL INFORMATION</u>	4
1.1.	WHAT IS THE GOAL OF A REGISTERED EDUCATION SAVINGS PLAN?	4
1.2.	WHAT SETS THE DIPLOMA RESP APART?	4
1.3.	HOW THE RESP WORKS	4
1.4.	WHAT ARE THE TAX IMPLICATIONS OF THE AMOUNTS DEPOSITED IN THE RESP?	4
2.	<u>SUBSCRIBER</u>	5
2.1.	WHO CAN BE A SUBSCRIBER?	5
2.2.	IS IT POSSIBLE TO CHANGE SUBSCRIBERS?	5
3.	<u>BENEFICIARY</u>	5
3.1.	WHO CAN BE A BENEFICIARY?	5
3.2.	IS IT POSSIBLE TO CHANGE THE BENEFICIARY?	6
3.3.	HOW ARE PREVIOUS CONTRIBUTIONS AND GRANTS HANDLED WHEN THE BENEFICIARY IS CHANGED?	6
4.	<u>RESP CONTRIBUTIONS</u>	6
4.1.	WHAT ARE THE CONTRIBUTION LIMITS?	6
4.2.	HOW ARE CONTRIBUTIONS TO THE DIPLOMA RESP MADE?	7
4.2.1.	MONTHLY PAC DEPOSITS (MANDATORY)	7
4.2.1.1.	GRACE PERIOD FOR LATE PAC CONTRIBUTIONS	7
4.2.2.	LUMP-SUM DEPOSITS	8
4.2.3.	RESP TRANSFER COMING FROM ANOTHER INSTITUTION	8
4.3.	WHAT ARE THE TAX CONSEQUENCES OF EXCESS CONTRIBUTIONS?	8
4.4.	CAN THE SUBSCRIBER WITHDRAW CONTRIBUTIONS?	9
4.5.	WITHDRAWALS WITH RESPECT TO THE CESG	10
5.	<u>LOANS ON RESP CONTRACTS</u>	10
5.1.	TARGET CLIENTELE AND ADVANTAGES	10
5.2.	HOW THE CONCEPT WORKS	11
6.	<u>GRANT PROGRAMS</u>	12
6.1	CANADA EDUCATION SAVINGS GRANT (CESG)	12
6.1.1	HOW DOES THE CESG WORK?	12
6.1.2	CESG ELIGIBILITY CRITERIA	13
6.1.3	CARRY OVER OF THE CESG RIGHTS	13
6.2	CANADA LEARNING BOND (CLB)	15
6.3	QUEBEC EDUCATION SAVINGS INCENTIVE (QESI)	17
6.4	ALBERTA CENTENNIAL EDUCATION SAVINGS PLAN (ACES)	19

7.	<u>EDUCATION BONUS</u>	21
7.1.	CALCULATION OF THE EDUCATION BONUS IN THE EVENT OF A REDUCTION IN THE PAC AMOUNT	22
7.2.	CALCULATION OF THE EDUCATION BONUS IN THE EVENT OF AN INCREASE IN THE PAC AMOUNT	23
8.	<u>INVESTMENT VEHICLE</u>	24
8.1.	DIPLOMA INVESTMENT FUND	24
8.2.	GUARANTEE APPLICABLE TO THE DIPLOMA INVESTMENT FUND	24
9.	<u>SURRENDER CHARGES</u>	25
9.1.	MANDATORY MONTHLY PAC DEPOSITS	25
9.2.	ADDITIONAL DEPOSITS AND CESG	26
10.	<u>ADDITIONAL BENEFITS</u>	26
11.	<u>EDUCATIONAL ASSISTANCE PAYMENTS (EAP)</u>	27
11.1.	WHAT IS AN EDUCATIONAL ASSISTANCE PAYMENT?	27
11.2.	WHAT ARE THE TERMS OF PAYMENT?	27
12.	<u>INSTITUTION AND QUALIFYING EDUCATIONAL PROGRAMS</u>	28
12.1.	WHAT ARE THE REGISTERED POST-SECONDARY EDUCATIONAL INSTITUTIONS?	28
12.2.	WHAT IS A QUALIFYING EDUCATIONAL PROGRAM?	28
12.3.	WHAT OPTIONS ARE AVAILABLE WHEN THE BENEFICIARY DOES NOT PURSUE POST-SECONDARY STUDIES?	28
12.3.1.	NAME ANOTHER BENEFICIARY	28
12.3.2.	WITHDRAW ACCUMULATED INCOME PAYMENTS (AIP)	29
12.3.3.	TRANSFER THE ACCUMULATED INCOME INTO AN RRSP	29
12.3.4.	DONATE THE ACCUMULATED INCOME	30
13.	<u>ADMINISTRATION FEES</u>	30
	<u>APPENDIX A - DESCRIPTION OF THE CID/CIDE ADDITIONAL BENEFITS</u>	31
	<u>APPENDIX B - ADMINISTRATION FEES</u>	34

1. GENERAL INFORMATION

1.1. WHAT IS 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. WHAT SETS THE DIPLOMA RESP APART?

The DIPLOMA RESP targets the average family. It is designed mainly to help parents systematically set aside funds each month for their children's post-secondary education.

The DIPLOMA RESP is based on a commitment by the subscriber to make monthly contributions through pre-authorized payments until December 31 of the year in which the designated beneficiary at issue reaches age 17.

The DIPLOMA RESP provides for an education bonus at the end of the commitment period. This education bonus is paid by the Company and is included in the amounts paid as Educational Assistance Payments (EAP).

1.3. HOW THE RESP WORKS

The DIPLOMA RESP is an individual education 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 DIPLOMA 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: | The Company distributes and manages the plan |
| The trustee: | Industrial-Alliance Trust Company is the trustee that will irrevocably hold the amounts invested in the plan as required by the federal government for the purposes of the RESP. |

When the subscriber enrolls in the DIPLOMA RESP, he/she must designate a beneficiary to use the investment income generated by the plan, the CESGs paid by the Canadian government and the education bonus paid by the Company. This income is to be used as financial aid so that the beneficiary can pursue his/her post-secondary education. No contributions can be made after the 31st calendar 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).

1.4. WHAT ARE THE TAX IMPLICATIONS OF THE AMOUNTS DEPOSITED IN THE RESP?

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. Also, the subscriber may not deduct from his/her income interest paid on a loan taken out to make RESP contributions.

The EAPs, which represent the investment income portion, the Canada Education Savings Grant and the education bonus, must be included in the beneficiary's annual taxable income during his/her post-secondary studies. Since students are generally low-income earners, the amount of taxes will probably be fairly low.

2. SUBSCRIBER

2.1. WHO CAN BE A SUBSCRIBER?

Anyone with a Canadian address and a social insurance number may subscribe to the DIPLOMA RESP. This applies only to individuals (a company or trust may not act as subscriber to an RESP). Also, the contract must be signed in the province in which the agent holds a license.

The DIPLOMA 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.

2.2. IS IT POSSIBLE TO CHANGE SUBSCRIBERS?

- Change while subscriber is alive

Only the spouse or former spouse of the initial subscriber can be considered as the new plan subscriber, and that is 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, the contract continues and a new subscriber must be designated. Usually, it's the person who inherits the subscriber's assets (including the estate). The commitment for the monthly PAC deposits on behalf of the beneficiary must continue to be respected, otherwise surrender fees may apply (see section 9.1). The plan is transferred to the heirs or estate with no tax consequence.

3. BENEFICIARY

3.1. WHO CAN BE A BENEFICIARY?

At issue, the beneficiary of a Diploma RESP must be a child age 14 or under. As per federal government regulations, the beneficiary must be a Canadian resident and must have a social insurance number (SIN) when a plan is created. 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. For example, a parent and grandparent may both be subscribers of separate RESPs for the same child.

3.2. IS IT POSSIBLE TO CHANGE THE BENEFICIARY?

The subscriber can replace the designated beneficiary. However, the subscriber must respect the original PAC contribution commitment when the DIPLOMA RESP was issued (until December 31 of the year in which the initial beneficiary reaches age 17).

3.3. HOW ARE PREVIOUS CONTRIBUTIONS AND GRANTS HANDLED WHEN THE BENEFICIARY IS CHANGED?

Contributions:

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.

The change of beneficiary does not create an overcontribution of the limit 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 or adoption and neither beneficiary has reached 21 years of age.

However, if the new beneficiary does not meet the above 2 criteria and already has an RESP, the previous contributions must be added and considered in the calculation of eligible future contributions for the new beneficiary's RESP. The additional contribution history may create an overcontribution situation for the new beneficiary (see section 4.3.).

Grants (CESG, BLC, ACES, QESI)(see Grant Programms, section 6)

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) that the excess will be repaid to the government.

4. RESP CONTRIBUTIONS

4.1. WHAT ARE THE CONTRIBUTION LIMITS?

The contribution limits set by the federal government are:

- 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.

4.2. HOW ARE CONTRIBUTIONS TO THE DIPLOMA RESP MADE?

There are three ways to contribute to the DIPLOMA RESP: monthly PAC deposits, additional deposits and RESP transfers from another institution. The contribution period corresponds to a calendar year, i.e. from January 1 to December 31.

4.2.1. MONTHLY PAC DEPOSITS (MANDATORY)

The subscriber must make monthly contributions through pre-authorized cheques (PAC) until December 31 of the year in which the designated beneficiary at issue reaches 17 years of age.

The minimum PAC payment is \$25 per month. Also, it is possible to increase the PAC amount once the contract has been created. The subscriber may continue to make contributions after December 31 of the year in which the beneficiary reaches 17 years of age (i.e. after the PAC deposit commitment) until December 31 of the 31st year of the plan's creation, as stipulated by current RESP rules.

4.2.1.1. GRACE PERIOD FOR LATE PAC CONTRIBUTIONS

There is a grace period for late PAC contributions. The grace period depends on how long the RESP has existed:

Age of Plan	Accepted Grace Period
47 months and less	3 months
48 months and more	6 months

If, at the end of the grace period, PAC payments are still due, surrender charges will be applied (see section 9).

When the subscriber makes up the late PAC payments after the applicable grace period, the Company returns to the plan up to 100% of the surrender charges deducted.

The percentage of reimbursed surrender charges is established as follows:

Percentage of surrender charges returned to the RESP	Time taken after the end of the grace period to make up for late premiums
100%	Less than 6 months
75%	Between 6 and 12 months (incl.)
50%	Between 12 and 18 months (incl.)
25%	Between 18 and 24 months (incl.)
0%	Over 24 months

4.2.2. LUMP-SUM DEPOSITS

In addition to the monthly PAC deposits, the DIPLOMA RESP allows the subscriber to make lump-sum deposits (minimum \$100) at any time, subject to the maximums stipulated in the RESP rules.

The subscriber can make lump-sum deposits to:

- Make up for late PAC contributions if applicable, as long as the additional deposit is done after the late PAC;
- Take advantage of past unused grants (since 1998) – the Company automatically submits the CESG request retroactively, for past years;
- Accumulate more in the RESP (even though amounts exceeding \$2,000 are not necessarily eligible for the CESG).

4.2.3. RESP TRANSFER COMING FROM ANOTHER INSTITUTION

It is possible to transfer RESP funds from another institution to the DIPLOMA RESP. The beneficiary of the other RESP (transferring) must be the same as the beneficiary of the DIPLOMA RESP and the other plan must have never made any accumulated income payments (AIP) to the subscriber.

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

The RESP amounts transferred from another institution are not considered new contributions and, consequently, are not eligible for the CESG.

It is possible to make partial or total transfers from another RESP. 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 DIPLOMA RESP, the DIPLOMA RESP is presumed to have been established on the same date as the other RESP. No amounts may be transferred to the DIPLOMA RESP from the transferring plan after the 31st anniversary following the year of the creation of the transferring plan.

4.3. WHAT ARE THE 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 limit is respected.

The penalty taxes payable by each subscriber must be paid to 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 ($\$34,000 \div \$56,000$) 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: $\$3,643 \times 1\% \times 5$ months		\$182,15
For December ($\$3,643 - \500) : $\$3,143 \times 1\%$	+	\$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.

4.4. CAN THE SUBSCRIBER WITHDRAW CONTRIBUTIONS?

The subscriber can withdraw part or all of the contributions made to an RESP, while the contract is in effect or upon expiry of the plan, without any tax consequences. Also, the subscriber's contributions are not protected against potential creditors.

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

The amounts withdrawn can not be contributed again. They remain as part of the calculation for the total contribution limit (example here after).

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.

If the contributions that were entitled to a Grant 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 Grant must be repaid to the government, whichever is less. Thereafter, the subscriber may reopen an RESP plan with a new subscription period.

4.5. WITHDRAWALS WITH RESPECT TO THE CESG

Proof of the beneficiary's enrolment must be included **for each semester** during which a request for payment is sent to the promoter, otherwise the part of CESG associated to the withdrawal shall be reimbursed.

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. This measure prevents a subscriber from recycling previous contributions that were not entitled to the Grant, into new contributions that would then qualify for the Grant. According to the law, contributions must be withdrawn in the following order:

1. Subsidized contributions;
2. Non-subsidized contributions in 1998 or later;
3. Non-subsidized contributions before 1998.

If the subscriber withdraws amounts contributed before 1998 (amounts that were not entitled to receive the grant), the beneficiary of the RESP:

- Cannot receive a grant for the rest of the year in which the withdrawal is made as well as for the next two years;
- Cannot accumulate new CESG contribution rights for the next two years.

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.

5. LOANS ON RESP CONTRACTS

5.1. TARGET CLIENTELE AND ADVANTAGES

The RESP contract loan concept 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 contract 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%

5.2. 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 advance: \$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. The application of this measure has a significant impact on the 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 35th 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.

6. GRANT PROGRAMS

6.1 CANADA EDUCATION SAVINGS GRANT (CESG)

Since January 1998, the federal government has had a Canada Education Savings Grant (CESG) in place for contributions made to an RESP. This Grant is very lucrative as it significantly increases the savings for a child's post-secondary education.

6.1.1 HOW DOES THE CESG WORK?

- 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
2008	Below \$37,885	Additional 20 % on the first \$500 of contribution	\$100
	Between \$37,885\$ - \$75,769	Additional 10 % on the first \$500 of contribution	\$50
2009	Below \$38,832	Additional 20 % on the first \$500 of contribution	\$100
	Between \$38,832 - \$77,664	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%.
- 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.

6.1.2 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 were made to an RESP for the beneficiary before the end of the calendar year in which he/she reaches age 15 and were not withdrawn, or;
 - Four **annual** contributions of at least \$100 were made for the beneficiary to an RESP during **any** four years, consecutive or not, prior to the end of the calendar year in which he or she reaches age 15 and were not withdrawn.

6.1.3 CARRY OVER OF THE CESG RIGHTS

Only the \$500 basic CESG rights (\$400 prior to 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 in 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	<u>(\$400)</u>
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.

6.2 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

6.3 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
2008	Less than \$37,885	10% of the first \$500 net contributions	\$50
	Between \$37,885 - \$75,769	5% of the first \$500 net contributions	\$25
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

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.

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

$$(\$250 \times A) - B$$

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	\$150	\$25	\$175
		\$2,500	\$250	\$25	\$275
		\$7,000	\$500	\$25	\$525

Balance of rights accumulated for the year 2011: $(\$250 \times A) - B$
 $(\$250 \times 5 \text{ years}) - \$0 = \mathbf{\$1,250}$

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:

$$(\$250 \times 6 \text{ years}) - \$500 = \$1,000$$

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.**

6.4 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 after December 31, 2004;
- 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 of the child's school attendance
- 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

7. EDUCATION BONUS

A guaranteed education bonus will be paid to the DIPLOMA plan by the Company at the end of the commitment period, **only if all PAC contributions have been made**. The commitment ends on December 31 of the year in which the designated beneficiary at issue reaches age 17.

The bonus is paid in the form of additional investment units. It is considered to be investment income and part of the EAPs. It is not considered to be a contribution for CESG purposes and it is not included in the calculation of the guaranteed minimum value—GMV (see section 8.2).

The bonus corresponds to a percentage of the total PAC contributions paid and varies according to the beneficiary's age when the DIPLOMA RESP is issued. It takes into account lump-sum deposits paid into the plan according to the beneficiary's age when each one is made. Furthermore, if PAC increases are made after the plan is issued, the bonus calculation takes into account the beneficiary's age at the time of the increase. Examples will be given to you in the following section. Lump-sum deposits are those made since the plan was issued regardless of their source, either by the subscriber or under the RESP loan, and include transfers from other financial institutions.

PAC: Beneficiary's age when the plan is issued and when a PAC increase is made. Lump-sum deposit: Beneficiary's age when the deposit is made.	Education bonus as a % of total PAC contributions and as a % of the lump-sum deposits made according to each year of deposit.
0-4 years	15.0%
5 years	13.5%
6 years	12.0%
7 years	10.5%
8 years	9.0%
9 years	7.5%
10 years	6.0%
11 years	4.5%
12 years	3.0%
13 years	1.5%
14 years	1.0%
15 or more years	0.0%

If the CESG must be returned to the federal government because, for example, the beneficiary does not pursue post-secondary studies or on the plan maturity date, no EAPs have been paid to the beneficiary, then the education bonus is returned to the Company. The education bonus cannot be part of any accumulated income payments (AIP) that may be remitted to the plan subscriber.

Even though the client stopped making PAC payments before December 31 of the beneficiary's 17th birthday, because the \$50,000 contribution limit was reached, the education bonus will still be paid on December 31 of the 17th birthday. No surrender charges will apply when the PAC is stopped in such a situation.

The effective date of the plan for calculating the bonus corresponds to the date the contract is opened, i.e., the date the documents are received at Head Office, regardless of the date of the first PAC.

7.1. CALCULATION OF THE EDUCATION BONUS IN THE EVENT OF A REDUCTION IN THE PAC AMOUNT

If the amount of monthly PAC premiums is decreased after enrolment in the DIPLOMA RESP and before the maturity date of the deposits, the education bonus is calculated on this new reduced PAC amount as if it had been paid since enrolment in the plan. Surrender charges also apply on the amount equal to the PAC reduction. See to section 9.

For example: A subscriber subscribes to a family RESP and pays \$100 per month for a 0-5 year period. Once the child reaches age 5, the subscriber can no longer make the same payment and reduces the PAC amount to \$50 per month. The education bonus paid at the end of the commitment will be calculated on the total PAC contributions made as if the new PAC (\$50) had been paid monthly since issue.

$$(\$50 \times 12 \text{ months} \times 18 \text{ years}) \times 13,5 \% = \$1,458$$

7.2. CALCULATION OF THE EDUCATION BONUS IN THE EVENT OF AN INCREASE IN THE PAC AMOUNT

If the amount of monthly PAC premiums is increased after enrolment in the DIPLOMA RESP and before the maturity date of the deposits, the education bonus is calculated taking into account both PAC amounts as follows:

- A** the first bonus will be calculated according to the percentage established at the beneficiary's age on enrolment, and
- B** the second bonus will be calculated according to the percentage established and beneficiary's age reached when the PAC increased.

Example:

Karina was born on April 12, 1997. In 2000, her father purchased a Diploma RESP for her. Following is a summary of operations in the RESP:

	<u>Operation</u>	<u>Karina's age</u>
January 4, 2000	Opening of RESP	2 years
March 8, 2005	Lump-sum deposit	7 years
August 10, 2008	Increase in PAC	11 years
November 15, 2010	Lump-sum deposit	13 years
December 31, 2014	End of commitment	17 years

Period	Operations	No months	Amount	Reference age	Bonus in %	Bonus in \$
Jan. 2000 to Dec. 2014	PAC commitment	180	\$100	2 years	15.0%	\$2,700
Aug. 2008 to Dec.2014	PAC increase	76	\$50	11 years	4.5%	\$171
March 2005	Lump-sum deposit	N/A	\$1,000	7 years	10.5%	\$105
November 2010	Lump-sum deposit	N/A	\$2,000	13 years	1.5%	\$30
Total bonus						\$3, 006

8. INVESTMENT VEHICLE

8.1. DIPLOMA INVESTMENT FUND

Only one investment vehicle is available in the DIPLOMA RESP. It is a diversified investment whose assets are partially invested in the Primary Diploma Fund and the Secondary Diploma Fund, depending on the beneficiary's age. This investment is exclusive to the DIPLOMA RESP. The investor profile is not required because there is only one investment vehicle available.

All amounts paid into the DIPLOMA RESP, i.e., PAC contributions + the CESG + the education bonus + additional deposits + transfers from another RESP, are made in the DIPLOMA fund.

Below is the allocation between the 2 funds that varies according to the beneficiary's age, as well as the composition of the DIPLOMA Primary and Secondary funds:

Age	0 to 12	13	14	15	16	17
Primary Diploma	100%	80%	60%	40%	20%	0%
Secondary Diploma	0%	20%	40%	60%	80%	100%

	Primary Diploma	Secondary Diploma	Underlying Investment
Money market	-	35%	Money Market Fund
Fixed-income securities	40%	50%	Bonds Fund
Canadian index investments	30%	7,5%	S&P TSX 60
U.S. index investments	20%	5%	S&P 500
International index investments	10%	2,5%	MSCI EAFE
Total	100%	100%	

8.2. GUARANTEE APPLICABLE TO THE DIPLOMA INVESTMENT FUND

The DIPLOMA investment fund includes a guarantee at maturity or at death. The terms of this guarantee are as follows:

Maturity date of the guarantee

- The maturity date of the guarantee must be specified in the DIPLOMA investment application and must be at least ten (10) years from the date the first units were purchased. The maturity date cannot exceed the expiry date of the RESP (i.e. maximum 35 years after the establishment date of the RESP);
- The subscriber can modify the maturity date of the guarantee and set it for a date that is at least ten (10) years from the date the modification is made without exceeding the maturity date of the DIPLOMA RESP;
- On the maturity date of the guarantee, a new maturity date of the guarantee will be automatically set at the contract termination date.

Guaranteed minimum value (GMV)

The guaranteed minimum value is a value equal to 100% (75% if the annuitant (the subscriber) is 70 years of age or older) of the premiums (including transfers from an RESP and CESGs) used to purchase the initial fund units and subsequently varying as follows:

1. it increases in the following proportion when any fund units are purchased*: 100% (75% if the annuitant is 70 years of age or older) of the purchase amount if the purchase took place at least ten years before the maturity date of the guarantee and if there was no increase under paragraph 3 below; 75% of the purchase amount in all other cases;
* Fund units acquired by granting the education bonus are excluded from the Guaranteed Minimum Value (GMV).
2. it is adjusted in proportion to the decrease in the total value when any fund units are surrendered;
3. 10 years before the maturity date of the guarantee, the guaranteed minimum value is compared to the total value of the contract. If the total value of the contract is higher, the guaranteed minimum value is increased to 100% of the total value of the unit funds credited to the contract if the annuitant is under 72 years of age; if the annuitant is 72 years of age or older, it is increased to 75% of the total value of the unit funds credited to the contract;
4. on the maturity date of the guarantee, if this date is postponed to the contract maturity date, the guaranteed minimum value and the total value are compared. If the contract maturity date is at least 10 years from the maturity date of the guarantee and if the total value is higher, the guaranteed minimum value is increased to 100% of the total value of the investment fund units credited to the contract if the annuitant is less than 72 years old; if the annuitant is 72 years of age or older, it is increased to 75% of the total value of the investment fund units credited to the contract;
5. it becomes nil when the contract is terminated or cancelled.

Application of the guarantee

Additional units are credited to the contract if the guaranteed minimum value (GMV) exceeds the market value of the accumulated funds. The application of the guarantee is carried out on each of the following dates:

- On the maturity date of the guarantee;
- On the maturity of the RESP;
- On the death of the annuitant (subscriber) before the contract expires.

9. SURRENDER CHARGES

9.1. MANDATORY MONTHLY PAC DEPOSITS

Surrender charges will apply in the following situations:

- late monthly PAC contributions after the grace period;
- withdrawal of PAC contributions;

- transfer of PAC contributions from the DIPLOMA RESP to another RESP;
- reducing PAC contribution amounts.

In the event of the subscriber's death, the contract is maintained in force and the PAC payments must continue. Surrender fees will apply if the PAC commitment is not respected. The Contribution in the event of the insured's death, offered as an additional benefit, could turn out to be very useful to protect against this contingency.

In the event of the beneficiary's death, the contract terminates and no surrender fees apply.

The surrender charge deducted in the plan is established as follows:

50% X PAC amount* X number of PACs paid (up to a maximum of 18)
--

*Withdrawal, transfer or reduction

The charge is levelled beginning with the 18th PAC deposit, until the subscriber's commitment period expires. No surrender charges apply after the PAC contribution period has expired.

Example of PAC contributions withdrawal:

Monthly contribution = \$25

Number of PAC payments made upon surrender	Surrender charges deducted
6 months	\$75 (50% x \$25 x 6)
12 months	\$150 (50% x \$25 x 12)
18 months	\$225 (50% x \$25 x 18)
24 months	\$225 (50% x \$25 x 18)
36 months	\$225 (50% x \$25 x 18)

9.2. ADDITIONAL DEPOSITS AND CESG

Surrender charges do not apply when additional deposits and CES grant amounts are withdrawn from the plan.

10. ADDITIONAL BENEFITS

The following additional benefits are offered to the subscriber:

- Contribution in the event of the insured's death (CIDE)
- Contribution in the event of the insured's disability (CID)

The CIDE benefit is mandatory in order to subscribe to the CID benefit. The insured contribution amount must correspond to the amount of the monthly PAC deposit. A complete description of these benefits is found in appendix "A".

11. EDUCATIONAL ASSISTANCE PAYMENTS (EAP)

11.1. WHAT IS AN EDUCATIONAL ASSISTANCE PAYMENT?

An educational assistance payment (EAP) means any payment to a beneficiary of the RESP to help pay the cost of post-secondary studies including tuition, lodging, school supplies, transportation, food, etc.

For a beneficiary to be eligible to receive the EAP (made up of the investment income, the education bonus and the CESG), he/she must be enrolled 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;
- Be registered part-time (minimum of 12 hours of classes per month) in a qualifying educational program.

11.2. WHAT ARE THE TERMS OF PAYMENT?

- Proof of the beneficiary's enrolment must be included **for each semester** during which a request for payment is sent to the promoter, otherwise the part of CESG associated to the withdrawal shall be reimbursed;
- The subscriber may decide to include all or a part of his/her invested capital with the EAP paid to the beneficiary;
- 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 full-time student and \$2,500 per thirteen (13) weeks semester for 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, according to the subscriber's instructions received;

The beneficiary can receive EAPs for up to six 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.

The EAP becomes taxable income and the beneficiary must include this income on his/her tax return for the year in which the income was received (with the exception of the portion of the invested capital, if any, which is not taxable).

12. INSTITUTION AND QUALIFYING EDUCATIONAL PROGRAMS

12.1. WHAT ARE THE REGISTERED POST-SECONDARY EDUCATIONAL 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.

12.2. WHAT IS A QUALIFYING EDUCATIONAL PROGRAM?

A qualifying educational program meets the following criteria:

- An educational program that lasts for a minimum of 3 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.
-

12.3. WHAT OPTIONS ARE AVAILABLE WHEN THE BENEFICIARY DOES NOT PURSUE POST-SECONDARY STUDIES?

The subscriber may choose from among various options to recover the accumulated investment income generated by the RESP when a beneficiary decides not to pursue a post-secondary education. Following are four options available to the subscriber:

12.3.1. 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 3.3. for more details regarding the use of contributions and past Grants.

12.3.2. 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 accumulated investment income if the following three conditions¹ 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.

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.

If these three conditions cannot be met prior to the maturity date of the RESP, the accumulated income will be given to a recognized educational institution of the subscriber's 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. 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 - 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.
- The plan terminates in the month of March following the AIP year.

12.3.3. TRANSFER THE ACCUMULATED INCOME INTO AN RRSP

In order to eliminate or ease the tax impact of receiving 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 11.3.2., and must be aged 69 or less, in order to transfer the accumulated income to his/her RRSP or to a spousal RRSP.

When the transfer takes place, the plan is terminated. The subscriber recovers his/her capital and the CESG is returned to the federal government. The maximum amount of the accumulated

income that is available for transfer 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.

12.3.4. DONATE THE ACCUMULATED INCOME

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

13. ADMINISTRATION FEES

A complete description of the administration fees deducted is given in appendix "B".

APPENDIX A - DESCRIPTION OF THE CID/CIDE 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 jointly. 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 insureds 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 age 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 this coverage is cancelled;
 - on the cancellation date of the education savings plan;
 - on 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 age 18 and 55.
- **Premium payment period:** Premiums are payable until the contract anniversary before 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;
 - on the death of the insured.

Total disability definition

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.

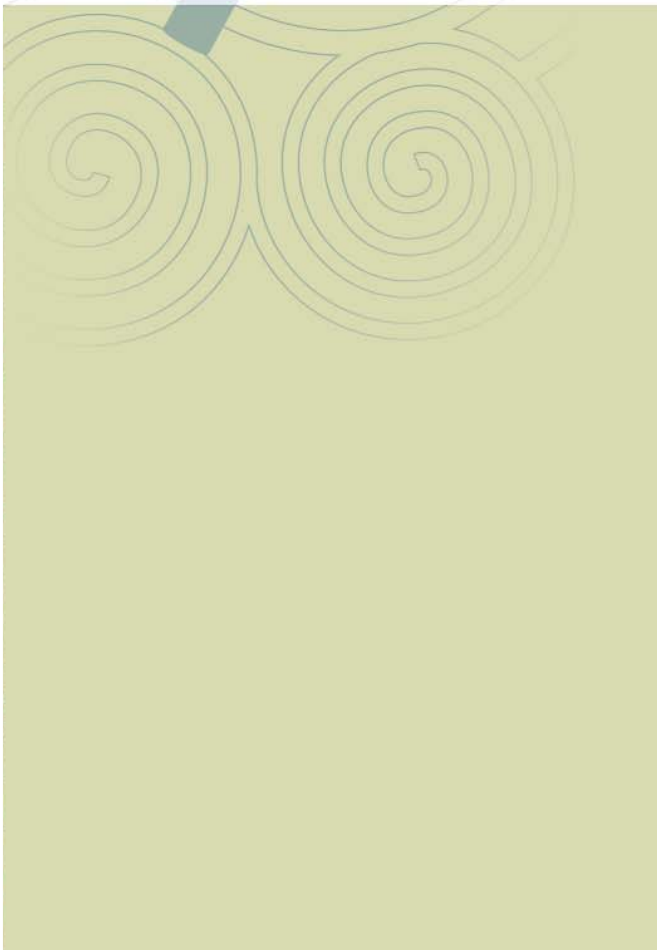
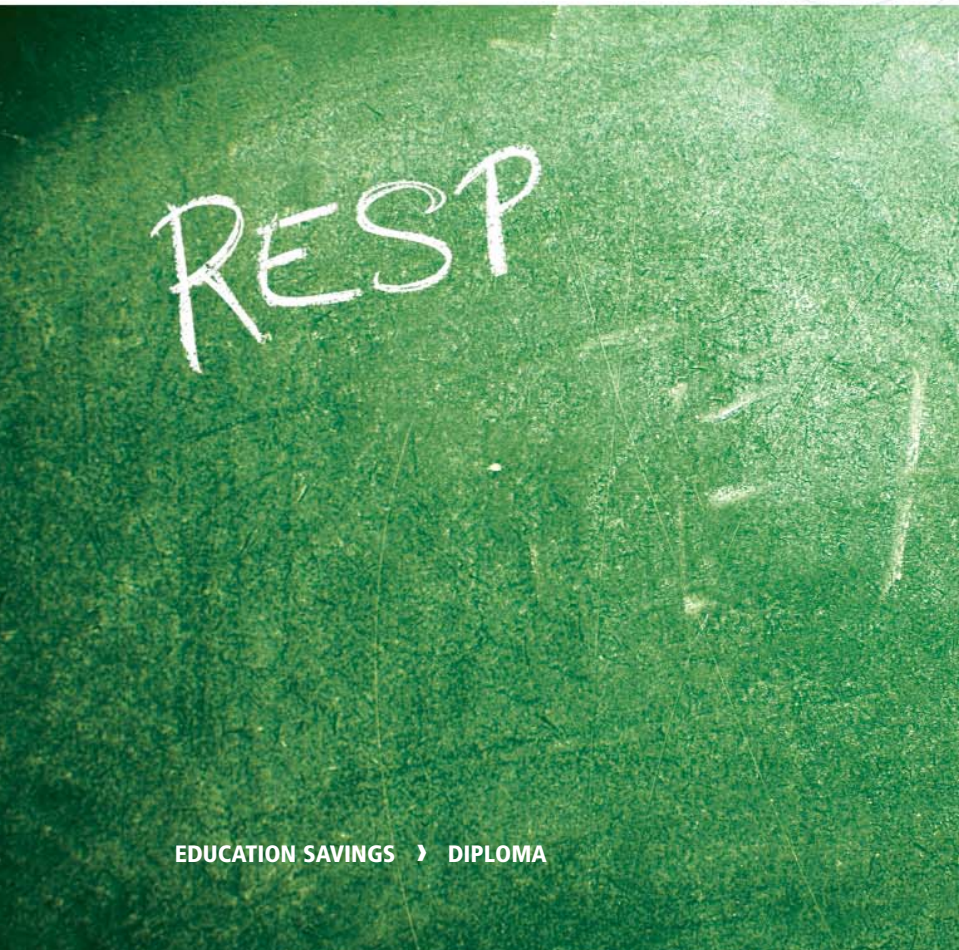
C) Rate schedule for CIDE / CID benefits

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

APPENDIX B - ADMINISTRATION FEES

▪ Request for duplicate policy or contract history	\$35
▪ External transfer	\$35
▪ Cancellation of the RESP loan contract in the first 60 days	\$35
▪ RESP loan modification following a divorce or separation	\$35
▪ Non sufficient funds cheque (NSF)	\$15
▪ Request for duplicate statement	\$10
▪ Subsequent RESP loan increase and lump-sum repayment	no charge



EDUCATION SAVINGS › DIPLOMA