IT'S TIME TO CONSIDER SAVING FOR YOUR CHILD'S EDUCATION

By Ivana Karac

Remember a couple of months ago, as you sent your kids off to the first day of elementary school, did you wonder, "Where did the time go?" Or, perhaps, you noticed that the malls were crowded with back- to-school shoppers (and now the impending holiday rush!) and you've come to realize you will be doing the same next year as your child begins their educational journey. Time flies, and the time to send them off to university will sneak up on you before you know it. Are you ready for the hefty price tag attached?

Fortunately, there are many options available to assist you in planning for this inevitable large outlay.

Among your options are Registered Education Savings Plans, or RESPs. They've been around for many years. You may have heard the term, but you may be unfamiliar with how they work.

You can register for an RESP with your financial institution, and the application is fairly simple. In terms of your contributions, it is very flexible: you have the ability to contribute as much as you want to your RESP and are not obligated to contribute each month or year.

Contributions can be set to be withdrawn from your bank account periodically, such as contributing the Canada Child Benefit, if you receive this benefit. Or, you can contribute amounts in lump sums, such as after receiving birthday money or a settlement from your parents' estate.

One of the benefits of using this savings vehicle is that the federal government matches a percentage of your contribution, up to certain annual limits. The funds can be invested to earn income that is not taxable to you; it is instead taxable to your child when the child begins drawing on these funds. Since your child will likely be in a low tax bracket at that time, there will be little or no tax associated with the withdrawal.

It is best to contribute to an RESP earlier on in the child's life, because of its ability to earn income "tax free" and grow the available amount more quickly. Because the contribution into an RESP is not a tax deduction for you, the "principal" portion of the amount withdrawn by your child, while attending post-secondary education, is also not taxable.

Other considerations include lifetime contribution limits for beneficiaries, and questions such as, "What happens to the funds if the child does not attend a post-secondary institution?" These can be somewhat mitigated by creating family plans.

To discuss your RESP and other options available, you can contact Ivana Karac at 519-746-7220 or Ivana.Karac@flkcpa.com.

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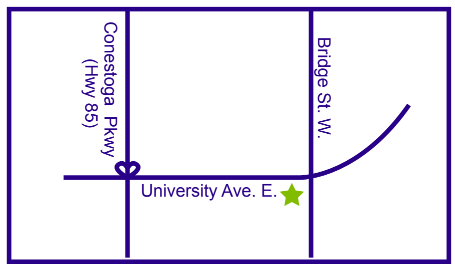

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