

MAKING RESP WITHDRAWALS

High school graduation day has come and gone, and your son or daughter is taking the next step in their educational pursuits by starting college or university. Fortunately, you've planned for this day by helping to build your loved one's education fund in a Registered Education Savings Plan (RESP). When you're ready to begin making withdrawals from your RESP, it's important that you meet the payment conditions of the plan.

Withdrawal requirements

To complete a withdrawal for educational purposes, the plan beneficiary must be either a full-time or part-time student enrolled in either a Canadian or foreign post-secondary institution. This includes students enrolled in distance education courses, such as correspondence courses.

Qualifying post-secondary programs include academic programs and occupational skills programs at educational institutions certified by the Employment and Social Development Canada (ESDC).

Full-time program eligibility requirements:

- The student is enrolled in a qualified educational program
- The program must last at least three consecutive weeks to qualify for the initial \$8,000 Educational Assistance Payment (EAP)
- Beneficiary may withdraw up to \$8,000, for the first 13 consecutive weeks of full-time studies. After the 13-week wait period, EAPs withdraws up to the Annual EAP threshold limit ([RESP Bulletin No.1R3](#)) may be made. Amounts requested above the Annual EAP Threshold limit may require receipts and approval.
- The course requires a minimum of 10 hours of instruction or work in the program each week (excluding study time)
- Instruction or work includes lectures, practical training, and laboratory work

Part-time program eligibility requirements:

- The student is enrolled in a specified educational program
- The course must last three consecutive weeks to qualify for the initial \$4,000 EAP
- Students will be required to spend at least 12 hours a month on courses, in a course lasting at least three consecutive weeks
- Attained the age of 16 years

The following are the Canada Revenue Agency's (CRA) categories of qualifying post-secondary educational institutions:

- Canadian universities, colleges and other educational institutions designated under the Canada Student Loans Act, Canada Student Financial Assistance Act and Québec Act respecting financial assistance for education expenses
- Canadian educational institutions certified by ESDC as offering non-university credit courses that develop or improve skills in an occupation
- Universities, colleges or other educational institutions outside Canada that provide courses at a post-secondary level at which the RESP beneficiary is enrolled in a course that lasts at least 13 consecutive weeks
- Beneficiaries who are studying at a College or other educational institution outside of Canada must be enrolled in a course of not less than 13 consecutive weeks
- Beneficiaries who are studying at a qualifying University outside of Canada on a full-time basis must be enrolled in a course of not less than 3 consecutive weeks

There are three types of RESP payments: Educational Assistance Payments (EAPs), Refund of Contributions (ROCs), which can be either post-secondary educational or non-educational capital withdrawals, and Accumulated Income Payments (AIPs).

Types of RESP income

When making a withdrawal from an RESP, the total equity of the plan is divided into three categories:

- **Capital:** The total amount of all contributions made to the plan since its inception. Capital, when withdrawn, is neither taxable to the subscriber nor to the beneficiary, for all types of withdrawals. However, this may require a repayment of any federal or provincial grants received.
- **Government grants:** Government grants received by the RESP are tracked separately between Canada Education Savings Grants (CESG), Canada Learning Bonds (CLB) and, if applicable, provincial grants. Government grants must be withdrawn directly to the beneficiary or may be otherwise refunded to the appropriate government authority. This is considered taxable income to the beneficiary for the year in which it is withdrawn as an EAP.
- **Accumulated earnings (growth):** After accounting for government grants and capital, any remaining amount in an RESP is considered accumulated earnings. Accumulated earnings are taxable to the beneficiary for the year in which it is withdrawn as an EAP.

Educational Assistance Payment (EAP)

What is an EAP?

An EAP is a payment of funds from the RESP to finance the cost of the beneficiary's post-secondary education. The EAP is comprised of the RESP's accumulated earnings and government grants such as the Canada Education Savings Grant (CESG) and any applicable provincial grants. To qualify for an EAP, the beneficiary must be **enrolled** in a **qualifying educational program at a post-secondary educational institution lasting at least three consecutive weeks**.

Is there a limit on EAPs?

For RESPs opened after 1998, the maximum withdrawal of EAPs that can be made by one RESP promoter for a student as soon as he/she qualifies to receive them is \$8,000. After the student has completed the 13 consecutive weeks, there is no limit on the amount of EAPs that can be paid if the student continues to qualify to receive them.

EAPs must be for the purpose of furthering the post-secondary education of the student. If there is a 12-month period in which the student is not enrolled in a qualifying educational program for 13 consecutive weeks, the \$8,000 maximum applies again. If the beneficiary requires more than this amount, the client may make a written request to the ESDC, providing proof of the additional costs to the beneficiary. Part-time students will be allowed to access up to \$4,000 of earnings and grants for each 13-week semester of study. Students will be required to spend at least 12 hours a month on courses, in a course lasting at least three consecutive weeks.

If the beneficiary is part of a family plan, the maximum amount of CESG that can be included in an EAP withdrawn is \$7,200 per beneficiary. The \$7,200 maximum also applies to students who are beneficiaries of multiple plans: the aggregated CESG portion in all EAP withdrawals in multiple RESP accounts must not be more than \$7,200; any amounts taken above the \$7,200 maximum must be repaid to the ESDC.

How is an EAP withdrawal made?

EAP withdrawals are composed of government grants and accumulated earnings categories only. After you determine the total amount of the EAP that you wish to withdraw, a prescribed formula, established and regulated by the ESDC, is used to determine the grant and accumulated earnings portions that make up the EAP.

Proof of enrolment in a qualifying post-secondary program and a completed RESP withdrawal form provided by the RESP promoter are required before an EAP can be made. Proof of enrolment usually consists of one of the following: a Proof of Enrolment letter, a Proof of Enrolment form, or a tuition invoice from the Office of the Registrar. The proof of enrolment must accompany a completed RESP withdrawal form, authorized by the RESP subscriber/beneficiary, as necessary.

The RESP promoter issues a T4A to the beneficiary for the total amount of grant and accumulated earnings withdrawn within any given year.

What authorization is required for an EAP?

The subscriber's authorization is required for all payment types. If the plan has joint subscribers, either subscriber can authorize the payment (i.e., only one signature is required).

An EAP may be paid to the RESP beneficiary or directly to the subscriber. If the EAP is to be paid to the subscriber, the beneficiary must sign the RESP Withdrawal Form to ensure the subscriber and beneficiary acknowledge and understand the tax implications of an EAP. If the beneficiary is under the age of majority, his/her legal guardian or representative must also sign the authorization section.

Can a non-resident complete an EAP redemption?

A non-resident beneficiary can complete an EAP redemption; however, it is important to note the differing rules for grant and accumulated earnings.

- **Accumulated earnings:** Provided the beneficiary is enrolled in a qualifying post-secondary program, earnings may be included in an EAP withdrawal.
- **CESG:** A beneficiary must be classified by CRA as a Canadian resident to receive any CESG amounts.
- **Provincial grants:** Please refer to the supplementary special reports for the applicable province.

How are payments from the plan made?

There are a variety of payment methods available. A cheque may be mailed to the beneficiary's mailing address, to the address listed on the account, or directly to the educational institution address that is provided on the RESP withdrawal form. If the cheque is mailed directly to the educational institution, you must ensure that the student ID number is provided in the proof of enrolment.

Refund of Contributions (ROC)

An ROC is the return of all, or part of, the original contributions made to the plan. Although an ROC is not subject to tax, a refund of "assisted" contributions will trigger a repayment of any federal and provincial grants received, if none of the plan's beneficiaries are eligible to receive an EAP. Assisted contributions are those that attracted federal or provincial grants when the contributions were made. Assisted contributions are considered withdrawn first before unassisted contributions. You may choose to direct an ROC to yourself, or to a beneficiary, for any use and it is not restricted to educational purposes.

In the case of ROCs and AIPs, you may withdraw the funds in cash or in kind.

Accumulated Income Payments (AIP)

What is an AIP?

An AIP is a payment of accumulated earnings in the RESP to a subscriber or upon death of the subscriber to their estate. Generally, AIPs are used when none of the beneficiaries of an RESP is or will be pursuing post-secondary education.

What conditions must be met to make an AIP withdrawal?

Both of the following conditions must be met:

- The recipient is a resident of Canada
- The payment is made to, or on behalf of, a subscriber of the RESP and not jointly to, or on behalf of, more than one subscriber

In addition to the above conditions, one or more of the following conditions must be met:

- The payment is made after the ninth year following the year the plan was opened and all living current and former beneficiaries of the RESP have reached 21 years of age and are not currently eligible for EAPs
- The payment is made in the 35th year following the year the plan was opened
- Each individual who was a beneficiary has died

In the case of ROCs and AIPs, you may withdraw the funds in cash or in kind.

Is there tax on AIPs?

Yes; these payments are subject to two different taxes, the subscriber's regular income tax and an additional 20 percent tax.¹ There may be tax-free rollover options available to the subscriber. The subscriber may roll up to \$50,000 of AIPs to his/her own Registered Retirement Savings Plan (RRSP) or a spousal RRSP, to the extent RRSP contribution room is available. A subscriber is eligible to rollover investment income, earned in 2013 or later years, from the RESP to a Registered Disability Savings Plan (RDSP) for the beneficiaries, up to the RDSP lifetime contribution limit, provided the beneficiary meets the required conditions. The additional 20 percent tax does not apply in the event of a rollover to either a RRSP, spousal RRSP or RDSP.

RESP to RDSP rollover

This measure is intended to provide greater flexibility for parents who save in RESPs for children with disabilities by allowing investment income earned in an RESP to be transferred on a tax-free basis to an RESP beneficiary's RDSP if certain conditions are met. In addition to the above AIP conditions, all of the following conditions must be met in order to be eligible for the tax-free rollover to an RDSP:

- The beneficiary must be the same on both the RESP and the RDSP
- The beneficiary must have a severe disability which would prevent them from pursuing post-secondary education
- The RESP must have been opened for at least 10 years
- The total RESP investment income that is rolled over to the RDSP cannot exceed the \$200,000 lifetime RDSP contribution limit

The accumulated income payment rollover over to an RDSP will not be subject to regular income tax or the additional 20% tax. The RESP promoter must send the document to the RDSP issuer and keep a copy of it on file. This will satisfy the RESP promoter's requirement to file the election with the Canada Revenue Agency (CRA).

Further, any federal or provincial grants received in the RESP must be repaid to the applicable government. After an AIP or a rollover has been completed, the plan must be completely collapsed by the last day of February of the following year. If the plan must be collapsed while residual income remains in the plan, and the plan does not qualify for an AIP, then the remaining income is donated to a designated educational institution chosen by the subscriber(s).

Educational Assistance Payment (EAP) action plan checklist

The following checklist will help you plan your EAP withdrawal. Ensure you allow adequate time for processing your request.

Student conditions to qualify for EAP

- Full-time enrolment in a qualifying educational program **OR**
- The student must be at least 16 years of age and enrolled part-time in a specified educational program
- Attending a post-secondary educational institution

Forms required to make an EAP withdrawal

- Proof of enrolment in a qualifying educational program:
 - Proof of Enrolment Letter **OR**
 - Proof of Enrolment Form **OR**
 - Invoice from the Office of the Registrar
- Completed RESP withdrawal form from RESP promoter, authorized by the RESP subscriber/beneficiary, as required

EAP withdrawal limits (RESPs opened after 1998)

- \$8,000 maximum as soon as student qualifies
- No limit once student enrolled for 13 consecutive weeks and continues to qualify, but funds must be used to assist the student to further his/her post-secondary education
- If there is a 12 month period where the student is not enrolled for 13 consecutive weeks, the \$8,000 maximum will apply
- \$4,000 maximum for part-time students for each 13-week semester
- CESG portion in all EAP withdrawals must be equal to or less than \$7,200²

Common EAP payment options³

A cheque may be mailed to one of the following:

- Beneficiary's mailing address
- Address listed on the RESP
- Educational institution's address as indicated on the RESP withdrawal form

Required authorization for an EAP

- All payments require subscriber's authorization (when there are joint subscribers, only one signature is required)
- An EAP paid directly to the subscriber requires authorization from the beneficiary or the beneficiary's legal guardian or representative, if the beneficiary is under the age of majority

We're here to help

For more information on RESPs, please contact your CIBC Private Wealth Advisor.

¹ 12% for residents of Québec.

² Other applicable provincial grants may also have limits.

³ Additional options may be available through your financial institution.

This document is published by CIBC with information that is believed to be accurate at the time of publishing. CIBC and its subsidiaries and affiliates are not liable for any errors or omissions. This document is intended to provide general information and should not be construed as specific legal, lending, or tax advice. Individual circumstances and current events are critical to sound planning; anyone wishing to act on the information in this document should consult with their financial, tax and legal advisors.

CIBC Private Wealth consists of services provided by CIBC and certain of its subsidiaries: CIBC Private Banking; CIBC Private Investment Counsel, a division of CIBC Asset Management Inc. ("CAM"); CIBC Trust Corporation; and CIBC Wood Gundy, a division of CIBC World Markets Inc. ("WMI"). CIBC Private Banking provides solutions from CIBC Investor Services Inc. ("ISI"), CAM and credit products.

CIBC Private Wealth services are available to qualified individuals. The CIBC logo and "CIBC Private Wealth" are trademarks of CIBC, used under license.

The CIBC logo and "CIBC Private Wealth" are trademarks of CIBC, used under license.