

## FREQUENTLY ASKED QUESTIONS

### Registered education savings plan



# Table of contents

Introduction .....	2
Individual and family plans .....	3
Government grants.....	3
Basic and Additional Canada Education Savings Grant (CESG) .....	4
Canada Learning Bond (CLB) .....	6
Alberta Centennial Education Savings (ACES) Grant.....	7
Contributions .....	10
Contribution amounts.....	10
Overcontributions.....	11
Withdrawals.....	11
Eligible institutions and programs .....	15
Transferring in-trust assets to an RESP.....	16
Setting up an AIM Trimark RESP .....	17

# Registered education savings plan

Government grants and tax-deferred growth make registered education savings plans (RESPs) an attractive way to save for the rising cost of a child's post-secondary education. The following questions and answers provide important information about RESPs and government grants, and how they work.

Please note: In this document, "you" and "I" refer to the subscriber who contributes to an RESP on behalf of a beneficiary.

## Introduction

### Q. What is a registered education savings plan?

**A.** A registered education savings plan, or RESP, as it is commonly known, is a tax-deferred education savings vehicle through which the federal government allows a subscriber to save money for a beneficiary's post-secondary education.

### Q. What costs does the RESP cover?

**A.** RESP money can be used to cover the student's tuition, housing, transportation, books, supplies and other incidentals relating to the student's education.

### Q. Is there a limit to the amount that can be contributed?

**A.** Yes. Effective January 1, 2007, the lifetime RESP contribution limit per beneficiary was increased to \$50,000 from \$42,000 and the annual contribution limit of \$4,000 has been eliminated.

### Q. Can a lump sum contribution be made?

**A.** Yes. A lump sum contribution of up to \$50,000 lifetime maximum can be made all at once to an RESP; however, the entire lump sum may not be eligible for government grant. Please note that no future government grants would be available on the lump sum amount contributed.

### Q. What are the relationships within an RESP?

**A.** A *subscriber* is the person who creates the plan and who makes contributions to the plan. This could be anyone. However, if the RESP is a family plan, the beneficiaries must be related by blood or adoption to the subscriber. For this purpose, blood relationships include children, brothers, sisters, grandchildren and great-grandchildren. They do not include the subscriber, the subscriber's spouse or common-law partner, nieces or nephews.

A *beneficiary* is the person who will receive educational assistance payments from the RESP to finance his/her education.

**Q. Can there be more than one RESP per child?**

- A.** Yes. There may be more than one RESP per child, but the total contributed amounts across all plans must not exceed the lifetime contribution limit of \$50,000 per beneficiary. The subscribers are responsible for tracking the total amount contributed to all RESPs on behalf of the beneficiary.

## Individual and family plans

**Q. What is an individual plan and who can be a beneficiary?**

- A.** An individual plan is an RESP set up by a subscriber for one beneficiary. A subscriber may designate anyone as the beneficiary of the plan, including themselves, a spouse or a common-law partner. There is no age restriction on the beneficiary of an individual plan. Please note an individual plan is the only option available where the beneficiary is not related by blood or adoption to the subscriber (for example, nieces and nephews) or when a blood-related beneficiary has reached 21 years of age.

**Q. What is a family plan and who can be a beneficiary?**

- A.** A family plan is an RESP set up by a subscriber for one or more beneficiaries. Each beneficiary must be under 21 years of age at the time of designation and must be related to the subscriber by blood or adoption. Children, grandchildren, brothers and sisters are considered blood relationships, while nieces and nephews are not. Subscribers may not designate themselves or a spouse or a common-law partner as a beneficiary under a family plan. There are further restrictions when applying for certain government grants.

## Government grants

**Q. What government grants are available?**

- A.** The government grants available for RESPs are:
- Basic Canada Education Savings Grant
  - Additional Canada Education Savings Grant
  - Canada Learning Bond
  - Alberta Centennial Education Savings Grant

AIM Trimark is authorized to administer all of these government grants.

**Q. What is Human Resources and Social Development Canada (HRSDC)?**

- A.** HRSDC is the branch of the federal government of Canada that is responsible for monitoring and paying the government grants.

## Basic and Additional Canada Education Savings Grant (CESG)

### Q. What is the Basic Canada Education Savings Grant (CESG)?

**A.** To promote education savings and give a boost to RESPs, the federal government introduced the Basic CESG in 1998. From 1998 to 2006 inclusive, the Basic CESG is equal to 20% of the annual contributions made to a RESP, to a maximum of \$400 per calendar year per beneficiary. Effective January 1, 2007, the Basic CESG has increased to \$500 because the maximum annual RESP contribution that will qualify for the 20% CESG was increased to \$2,500 from \$2,000. In order to be eligible for the Basic CESG, the beneficiary must be a Canadian resident at the time of the contribution and the contributions are made before the calendar year the beneficiary turns 18 years old. In addition, certain conditions must be met for the beneficiary to receive Basic CESG in the calendar year the beneficiary turns 16 and/or 17 years old.

### Q. What is the Additional Canada Education Savings Grant (CESG)?

**A.** Additional CESG is a supplement to the Basic CESG and the additional amount is based on the net family income of the child's primary caregiver. The primary caregiver is the person who receives the Canada Child Tax Benefit for the child. The net family income is reported on the primary caregiver's Canada Child Tax Benefit statement provided by Canada Revenue Agency (CRA) each July. The Additional CESG amount can change over time as the net family income changes.

If the net family income is below \$37,178,\* the Additional CESG will be 20% on the first \$500 contributions made in a calendar year in the RESP.

If the net family income is between \$37,178 and \$74,357,\* the Additional CESG will be 10% on the first \$500 contributions made in a calendar year in the RESP.

\* 2007 income brackets, indexed annually.

### Q. How do you apply for the Basic CESG?

**A.** The beneficiary must meet the following eligibility requirements:

- Beneficiary has a valid Social Insurance Number (SIN)
- Subscriber has established an RESP and named a beneficiary
- Beneficiary is a Canadian resident at the time the contribution is made
- Contribution is made prior to the end of the calendar year in which the child turns 17.  
Special conditions apply for beneficiaries turning 16 or 17 in the calendar year

If the beneficiary meets the above requirements, the subscriber must provide the promoter a duly completed government grant application requesting the grant within three years of the contribution date.

**Q. How do you apply for the Additional CESG?**

**A.** The beneficiary must meet the requirements for the Basic CESG and the following:

- RESP is an individual plan or a family plan in which all beneficiaries are siblings of each other. AIM Trimark requires a declaration from the subscriber indicating all the beneficiaries are siblings of each other
- Contribution was made to the RESP on or after January 1, 2005
- Beneficiary's primary caregiver (usually the mother) has a valid SIN
- Child's primary caregiver is entitled to the Canada Child Tax Benefit (CCTB), commonly known as the baby bonus or family allowance
- Beneficiary is a dependent of a primary caregiver whose net family income is less than \$74,357\* for the 10% Additional CESG
- Beneficiary is a dependent of a primary caregiver whose net family income is less than \$36,378\* for the 20% Additional CESG

If the beneficiary meets the above requirements, the subscriber must provide the promoter a duly completed government grant application requesting the grant within three years of the contribution date. The primary caregiver's SIN and consent must be provided in the government grant application.

\* 2007 income brackets, indexed annually.

**Q. Does Basic CESG room accumulate for every child, even if an RESP does not exist?**

**A.** Yes. Basic CESG room accumulates for each eligible child, while residing in Canada from the year of birth or from 1998 (whichever is later), until the end of the calendar year of his/her 17th birthday, whether or not he/she is a beneficiary of a RESP. This grant room can be carried forward to future years' RESP contributions. However, the maximum CESG annual payout limits still apply and there are special conditions for 16- and 17-year-old beneficiaries.

**Q. Can unused CESG amounts be carried forward?**

**A.** Yes. If from 1998 to 2006 (inclusive) you contributed less than \$2,000 annually to an RESP or less than \$2,500 as of 2007, you may apply for the unclaimed Basic CESG in the following years. From 1998 to 2006, if CESG room was available, the maximum annual contribution of \$4,000 could have attracted up to a maximum total of \$800 CESG. As of January 1, 2007, the maximum annual CESG payment has been increased to \$1,000 where there is unused CESG carryforward room from previous years. The beneficiary must be eligible to receive the CESG for that calendar year in order to be eligible for the carryforward room. The Additional CESG, however, does not carry forward if contributions were not made in a previous eligible year.

The combined lifetime limit for the Basic and Additional CESG remains at \$7,200 for each beneficiary.

**Q. What is the maximum age at which the child may qualify for the CESG?**

**A.** HRSDC will only pay the CESGs for beneficiaries up to the calendar year of his/her 17th birthday. For beneficiaries turning 16 or 17 years old in the calendar year, the CESG will only be paid if:

- 1) There have been contributions for the beneficiary to any RESPs of at least \$100 per year in any four years prior to the calendar year the beneficiary turned 16, or
- 2) There have been contributions for the beneficiary to any RESPs totalling at least \$2,000 prior to the calendar year the beneficiary turned 16, and
- 3) The above minimum contributions have not been redeemed

## **Canada Learning Bond**

**Q. What is the Canada Learning Bond?**

**A.** The Canada Learning Bond (CLB) is a special bond paid to RESPs for children born after 2003 and whose families may not normally be able to save for their children's post-secondary education. RESP contributions are not required to receive the CLB.

- \$500 is paid for the first benefit year of eligibility
- \$100 is paid for any subsequent year of eligibility up to and including the child's 15th year
- The maximum benefit for any one child is \$2,000
- CLB payments do not count as part of the \$7,200 CESG lifetime limit

## **Q. How do you apply for the Canada Learning Bond?**

**A.** The beneficiary must meet the following requirements:

- Child is a Canadian resident born in 2004 or later
- Child has a valid SIN
- Subscriber has established an RESP and named a beneficiary
- RESP is an individual plan or a family plan in which all beneficiaries are siblings of each other. AIM Trimark requires a declaration from the subscriber indicating all the beneficiaries are siblings of each other
- Beneficiary's primary caregiver (usually the mother) has a valid SIN
- Child's primary caregiver receives the National Child Benefit Supplement (NCBS) for at least one month of the benefit year. The NCBS is a supplement to the Canada Child Tax Benefit (CCTB) and amounts paid are indicated on the primary caregiver's CCTB annual statement sent by Canada Revenue Agency every July

If the beneficiary meets the above requirements, the subscriber must provide the promoter a duly completed government application requesting the CLB before the beneficiary's 21st birthday. The government accrues the CLB payments without interest until an application is made. The primary caregiver's SIN and consent must be provided in the government application.

## **Alberta Centennial Education Savings Grant**

### **Q. What is the Alberta Centennial Education Savings Grant?**

**A.** The Alberta Centennial Education Savings (ACES) Grant was introduced by the government of Alberta to encourage families to plan and save for their children's post-secondary education. It is funded by the Alberta government and paid into RESPs and not to the child's parents.

- \$500 is available to children born after December 31, 2004 to Alberta residents
- \$100 is available to children who have turned age 8, 11 and 14 in 2005 or later
- The maximum a beneficiary can receive is \$800
- ACES Grants do not count as part of the \$7,200 CESG lifetime limit

## **Q. How do you apply for the \$500 Alberta Centennial Education Savings Grant?**

**A.** The beneficiary must meet the following requirements:

- Child is born in 2005 or later
- Parent or legal guardian is a resident of Alberta, and ordinarily present in Alberta, at the time of request
- Child has a valid SIN
- Subscriber has established an RESP and named a beneficiary
- RESP is an individual plan or a family plan in which all beneficiaries are siblings of each other. AIM Trimark requires a declaration from the subscriber indicating all the beneficiaries are siblings of each other
- Parent or legal guardian has provided proof of Alberta residence

If the beneficiary meets the above requirements, the subscriber must provide the promoter a duly completed government application requesting the ACES Grant within six years of the child's date of birth. The custodial parent or legal guardian's consent is required.

## **Q. How do you apply for the \$100 Alberta Centennial Education Savings Grant?**

**A.** The beneficiary must meet the following requirements:

- Child has attained age 8, 11 or 14 in 2005 or later
- Parent or legal guardian is a resident of Alberta, and ordinarily present in Alberta, at the time of request
- Child has a valid SIN
- Subscriber has established an RESP and named a beneficiary
- RESP is an individual plan or a family plan in which all beneficiaries are siblings of each other. AIM Trimark requires a declaration from the subscriber indicating all the beneficiaries are siblings of each other
- Parent or legal guardian has provided proof of Alberta residence
- Child is attending school in Alberta or, if outside Alberta, a school satisfactory to the Minister of Advanced Education, Government of Alberta
- \$100 contribution has been made on behalf of the beneficiary within 12 months prior to the ACES Grant application

If the beneficiary meets the above requirements, the subscriber must provide the promoter a duly completed government application requesting the ACES Grant within six years after the child's 8th, 11th and 14th birthday. The custodial parent or legal guardian's consent is required.

**Q. Are the government grants included in the calculation of the \$50,000 lifetime limit to an RESP?**

**A.** No, the lifetime contribution limit of \$50,000 excludes all the government grants as well as the distributions and income earned on the investments in the plan.

**Q. If I hold more than one RESP, which account will receive the government grants?**

**A.** The rules are different for each type of government grant.

*Basic and Additional CESGs*

Where multiple applications for the CESG are made in the same filing period (AIM Trimark files applications in good order with HRSDC on a monthly basis), the CESG is deposited to the RESP which submitted the contribution with the earliest date. If contributions relating to the same beneficiary are made on the same date, HRSDC will automatically split the CESG proportionately. As of December 31, 2004, applications for the CESG must be accepted and paid by HRSDC within three years of the contribution date or the grant will not be paid.

*Canada Learning Bond*

The CLB payment is always made to just one promoter at a time. Once a CLB application has been accepted, all future eligible CLB payments will be directed to the same RESP unless the primary caregiver designates another RESP to receive the CLB. If more than one request is received in a filing period, the CLB will be paid to the oldest request, but the next payment will be directed to the most recent dated request.

A subscriber may request any outstanding CLB for a beneficiary up to the beneficiary's 21st birthday but the beneficiary must be the subscriber if he/she is already 18 years old.

*Alberta Centennial Education Savings Grant*

The current eligible ACES Grant payment is made to the oldest and first-accepted request at HRSDC. Subscribers must apply for any subsequent grants when the beneficiary has reached the appropriate milestone age as future payments are not automatic. The subscriber and custodial parent/legal guardian are required to confirm the beneficiary meets all the eligibility requirements at each milestone age.

## Contributions

### **Q. Who can contribute to an RESP?**

- A.** Anyone can contribute to an individual plan. Only a blood relative may contribute to a family plan. All contributions are considered to have been made by the subscriber.

### **Q. I am living abroad and would like to set up an RESP for my child. Is this permitted?**

- A.** The subscriber need not be a Canadian resident for the RESP to qualify for the government grants, but he/she must provide a valid social insurance number (SIN) when setting up the RESP. The child, however, must be a Canadian resident to be designated as a beneficiary, to have contributions made on his/her behalf and also to receive and use any of the government grants. Please note that not all countries permit their residents (subscribers) to purchase Canadian mutual funds.

### **Q. How long can I contribute to an RESP?**

- A.** Contributions may be made to an RESP up to December 31 of the 21st year following the year of inception, but the total of all contributions for a beneficiary cannot exceed \$50,000, the lifetime limit. Contributions for a beneficiary on a family RESP are only allowed until his/her 21st birthday. All RESPs must be terminated by December 31 of the 25th year following the year of inception.

## Contribution amounts

### **Q. Is there a minimum contribution level?**

- A.** RESP rules do not stipulate a minimum contribution amount. However, to open an AIM Trimark account, an initial contribution of \$500 must be made. The minimum amount for subsequent contributions is \$50.

### **Q. Can I determine how the contributions should be divided among beneficiaries of a family plan?**

- A.** Yes. You should plan and indicate your desired contribution allocation on the RESP application form as long as the total contributions per beneficiary does not exceed any beneficiary's lifetime limit of \$50,000 (please note that the annual contribution limit of \$4,000 no longer applies – see page 2). You may change this at any time by calling your advisor. If no contribution allocation is indicated, AIM Trimark will divide contributions equally between the beneficiaries under 21 years of age.

## Overcontributions

### **Q. What happens if I exceed the maximum contribution amount?**

- A.** You will be subject to a penalty of 1% per month on the overcontributed amount until the overcontribution is withdrawn. If there is more than one RESP for a beneficiary, you must keep track of all contributions made on behalf of the beneficiary. This may involve communicating with other subscribers, as the overcontribution penalty is shared among all subscribers.

### **Q. Are there other consequences to overcontributing?**

- A.** Yes, the overcontribution amounts are not entitled to a CESG. As well, the amount of the overcontribution will be included in the calculation of the \$50,000 lifetime contribution limit, even if it is withdrawn from the plan. If the overcontribution amount exceeds \$4,000 for a calendar year, a CESG repayment will occur.

### **Q. How will I know if there has been an overcontribution to an AIM Trimark RESP?**

- A.** AIM Trimark will only monitor AIM Trimark RESPs for contribution amounts over \$50,000 per beneficiary per account. AIM Trimark's policy is to place the overcontributed amount in an investment account using the same investment instructions and original trade date. A fax will be sent to your advisor within 24 hours informing them of the overcontribution adjustment.

## Withdrawals

### **Q. How does a beneficiary receive payments from the RESP?**

- A.** Payments made to the beneficiary under an RESP are called Educational Assistance Payments (EAPs). EAPs consist of government grants and income earned on both contributions and government grants. The subscriber determines when and how much of the EAP should be paid out of the plan. To qualify for EAPs, the beneficiary must be enrolled at the time the EAP is processed, in a qualifying educational program or have attained the age of 16 and enrolled in a specified educational program\* at a post-secondary educational institution.

A qualifying educational program is defined as a post-secondary level program of not less than three consecutive weeks and that requires each student taking the program to spend not less than 10 hours per week on courses or work in the program.

A specified educational program is defined as a post-secondary level program of not less than three consecutive weeks duration that requires each student taking the program to spend not less than 12 hours per month on courses in the program.

A post-secondary educational institution is defined as either:

- 1) A designated educational institution in Canada
- 2) An educational institution in Canada that is certified by the Minister of Human Resources and Social Development
- 3) An educational institution outside Canada that is a university, college or other educational institution that provides courses at a post-secondary level at which the beneficiary is enrolled in a course of not less than 13 consecutive weeks

In order for AIM Trimark to process EAPs, proof of enrolment from the beneficiary's school is required. The following information must be indicated on the proof of enrolment:

- Current date
- Beneficiary's name
- Name of institution and address
- Name of program
- Full-time or part-time (if part-time, the number of hours per week are required)
- Length of program (in years)
- Current year enrolled (1st, 2nd, 3rd ..)
- Current semester start and end dates

The post-secondary institution will normally provide this information on a standard "proof of enrolment" form on its letterhead.

\* This new regulation must be included in the terms and conditions of the beneficiary's RESP in order to request an EAP under this condition.

**Q. Can I withdraw any amount for a beneficiary EAP?**

**A.** CRA defines an EAP as funds to further the beneficiary's education. The amount of EAP (grant and growth/income portion) requested must be for the beneficiary's current (not past) education expenses and is also subject to the following limits:

If the beneficiary is enrolled in a qualifying educational program:

- In the first 13 consecutive weeks of enrolment the EAP limit is the total of education expenses, up to a maximum of \$5,000, whichever is less
- After the first 13 consecutive weeks of enrolment the EAP limit is the total of education expenses. If the beneficiary is not enrolled in a qualifying educational program for 13 consecutive weeks during a 12-month period, the \$5,000 maximum limit applies again

If the beneficiary is enrolled in specified educational program:

- In each 13-consecutive-week period, the EAP limit is the total of education expenses, up to a maximum of \$2,500, whichever is less

The \$5,000 and \$2,500 limits may be increased in certain cases. The beneficiary must provide reasons for the increase in writing to the promoter, who will forward the request to HRSDC. The subscriber may contact the promoter for further information.

**Q. May I, as a subscriber, withdraw money from an RESP?**

**A.** Yes, there are two types of subscriber withdrawals:

*Refund of Contributions*

The original RESP contributions belong to you and you may withdraw them at any time without income tax implications. Any CESGs contained in the plan may be affected as follows:

If a beneficiary does qualify for an EAP at the time of the withdrawal, it is not necessary to repay any CESG. Proof of enrolment for the beneficiary is required at the time of the request.

If a beneficiary does not qualify for an EAP at the time of the withdrawal (e.g., a beneficiary has not yet started an eligible post-secondary program), the CESG is repaid. The repayment is based on the amount withdrawn and the account balance of CESG.

Also, future CESG eligibility for the beneficiaries of the account may be affected.

Note: Contributions that received a CESG are considered to be withdrawn first, before contributions that did not receive a CESG

### *Accumulated Income Payments*

You may withdraw the income that has accumulated in an RESP plan in the form of an Accumulated Income Payment (AIP), if you are a Canadian resident and one of the following conditions is met:

- 1) The plan has been in existence for 10 years and all the beneficiaries, past and present, are over 21 years of age and not eligible for an EAP
- 2) All beneficiaries, past and present, are deceased
- 3) The payment is made in the 25th year following the year of the plan inception date

AIPs are taxable in the hands of the subscriber at his/her marginal rate plus a penalty tax of 20%. The penalty tax can be avoided provided the subscriber has RRSP contribution room. A lifetime maximum of \$50,000 can be transferred to the RRSP.

### **Q. May I withdraw money from one RESP account and use it to contribute to an account that is eligible for Basic and Additional CESG?**

- A.** No. The government wants to encourage the contributions of new money into education savings plans, not the recycling of existing savings.

If more than \$200 of contributions prior to 1998 is withdrawn from an existing RESP, all the beneficiaries of the plan will not be eligible for Basic CESG for the remaining year, and for the following two years. In addition, Basic CESG carryforward room does not accumulate for those two calendar years.

If any contributions that received a CESG are withdrawn after March 22, 2004, the beneficiaries will not be eligible to receive the Additional CESG for the remainder of the year and the two subsequent calendar years.

### **Q. How is the money taxed?**

- A.** Income accumulates in the plan tax-free. The government grants and the accumulated earnings on both the contributions and government grants, when paid out as educational assistance payments (EAPs) for the beneficiary, are taxed in the hands of the beneficiary. The return of contributions to the subscriber is not taxable because contributions to an RESP are made with after-tax money. Income paid to the subscriber is only allowed under certain conditions. These accumulated income payments (AIPs) are taxable in the hands of the subscriber at his/her marginal rate plus a penalty tax of 20%. The penalty tax can be avoided provided the subscriber has RRSP contribution room. There is a lifetime maximum of \$50,000 for AIPs transferred to an RRSP.

## Eligible institutions and programs

### Q. What type of school may my child attend using RESP money?

**A.** The school and program must meet certain requirements. The program must meet one of the following conditions:

A qualifying educational program is defined as a post-secondary level program at a post-secondary institution of not less than three consecutive weeks and that requires each student taking the program not spend less than 10 hours per week on courses or work in the program.

OR

A specified educational program is defined as post-secondary level program at a post-secondary institution of not less than three consecutive weeks and that requires each student taking the program to spend not less than 12 hours per month on courses in the program.

A post-secondary educational institution is defined as either:

- 1) A designated educational institution in Canada (e.g., university, community colleges & CÉGEPs)
- 2) An educational institution in Canada that is certified by the Minister of Human Resources and Social Development
- 3) An educational institution outside Canada that is a university, college or other educational institution that provides courses at a post-secondary level at which the beneficiary is enrolled in a course of not less than 13 consecutive weeks

### Q. What happens if the beneficiary or beneficiaries do not pursue a post-secondary education?

**A.** The following are the options:

#### *Replace a beneficiary:*

Under the individual plan, the new beneficiary can be anyone, even you. However, if the replacement beneficiary is not under 21 and a sibling of the former beneficiary, all the government grants must be repaid and all the contributions are deemed to be made for the new beneficiary on the original dates. This may cause an overcontribution for the new beneficiary. The CLB can only be used by the beneficiary who received it, so a CLB repayment is processed with any beneficiary replacement.

#### *Add a beneficiary:*

Under the family plan, any new beneficiary must be under 21 when designated to the plan and related to the subscriber by blood or adoption. If the plan received the Basic CESG only, it may be shared by all beneficiaries to his/her lifetime maximum of \$7,200. Any unused excess CESG is repaid to the government.

If the family plan received any Additional CESG, CLB and/or ACES Grant, the new beneficiary must be a sibling of all the existing beneficiaries. The CLB can only be used by the beneficiary who received it and is repaid before the account is terminated.

If a beneficiary who is not a sibling (e.g., cousin) is added to the family plan that received any Additional CESG, CLB and/or ACES Grant, then ALL the government grants are repaid at that time.

#### *Withdraw contributions (Refund of contributions)*

You may redeem your contributions from the plan tax-free, paying back any CESGs. The CLB and ACES Grant may remain in the account in case a beneficiary does become eligible in the near future. Enough funds must remain in the account to cover any balance remaining for the CLB and ACES Grant. Repayment of the CLB and ACES Grant is made if the account is terminated.

#### *Withdraw growth (Accumulated Income Payment)*

You are eligible for an AIP if you are a Canadian resident and one of the following three conditions is met:

- 1) The plan has been in existence for 10 years and all the beneficiaries, past and present, are over 21 years of age and not eligible for an EAP
- 2) All beneficiaries, past and present, are deceased
- 3) The payment is made in the 25th year following the year of the plan inception date

AIPs are taxable in the hands of the subscriber at his/her marginal rate plus a penalty tax of 20%. The penalty tax can be avoided provided the subscriber has RRSP contribution room. There is a lifetime maximum of \$50,000 per subscriber for AIPs transferred to an RRSP.

Any remaining government grants in the RESP are repaid first when an AIP is requested.

#### *Withdraw growth (Payment to a Designated Educational Institution)*

Alternatively, you may choose to give the accumulated investment income to a Canadian educational institution of your choice, although you will not receive a donation receipt but you will also not receive an income tax slip. For non-Canadian residents, this is the only option for accumulated investment income when an RESP is terminated.

Any remaining government grants in the RESP are repaid first when a payment to a Designated Educational Institution is requested.

## **Transferring in-trust assets to an RESP**

### **Q. Can in-trust assets be transferred to an RESP?**

- A.** It is possible to transfer in-trust assets to an RESP, but there could be potential tax and legal implications. You are strongly advised to speak to a tax and/or legal advisor regarding such transfers.

## Setting up an AIM Trimark RESP

### Q. How do I set up an AIM Trimark RESP?

- A. You must determine if you require an individual (one beneficiary or a non-related beneficiary) or family plan (one or more related beneficiaries) and duly complete the corresponding AIM Trimark RESP application.

### Q. Does the beneficiary require a social insurance number (SIN)?

- A. As per the Income Tax Act, AIM Trimark requires that the SIN is provided for all subscribers and beneficiaries at the time the plan is opened in order to register the plan with the Canada Revenue Agency.

### Q. How do I apply for a SIN?

- A. Most municipalities have a HRSDC office (look in the blue pages of your telephone directory for the nearest location) where you can pick up a SIN application form. You can also download the form from HRSDC's website at [www.hrsdc.gc.ca](http://www.hrsdc.gc.ca) under FORMS. You will need to provide an original birth certificate (or notarized copy) for each beneficiary. You do not need to mail in these documents if you present them at a HRSDC office. There is no fee for the initial SIN card.

### Q. Who makes the application for the government grants?

- A. AIM Trimark, as administrator of the plan, will apply for the government grants on behalf of the subscriber upon receipt of the duly completed prescribed government grant application.

### Q. Is the government grant added directly to the RESP account?

- A. Yes. The government grant is sent directly to AIM Trimark and additional units of the fund(s) are purchased on behalf of the subscriber.

### Q. Can I contribute to an RESP via pre-authorized chequing (PAC)?

- A. Yes. The minimum monthly amount is \$50, although AIM Trimark will also set up less-frequent PACs for a larger amount. It is also recommended the subscriber choose a PAC amount that can be evenly divided between the beneficiaries.

### Q. What fees are associated with setting up an AIM Trimark RESP?

- A. There are no fees other than those normally charged by your advisor.

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For more information about this topic, contact your advisor, call us  
at **1.800.874.6275** or visit our website at **www.aimtrimark.com**.

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The *Income Tax Act*, the *Canada Education Savings Act*, the *Canada Education Savings Regulations*, the *Alberta Centennial Education Savings Plan Act* and the *Alberta Centennial Education Savings Plan Regulation* take precedence over information contained in this article in event of discrepancies.

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Knowing Pays:



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