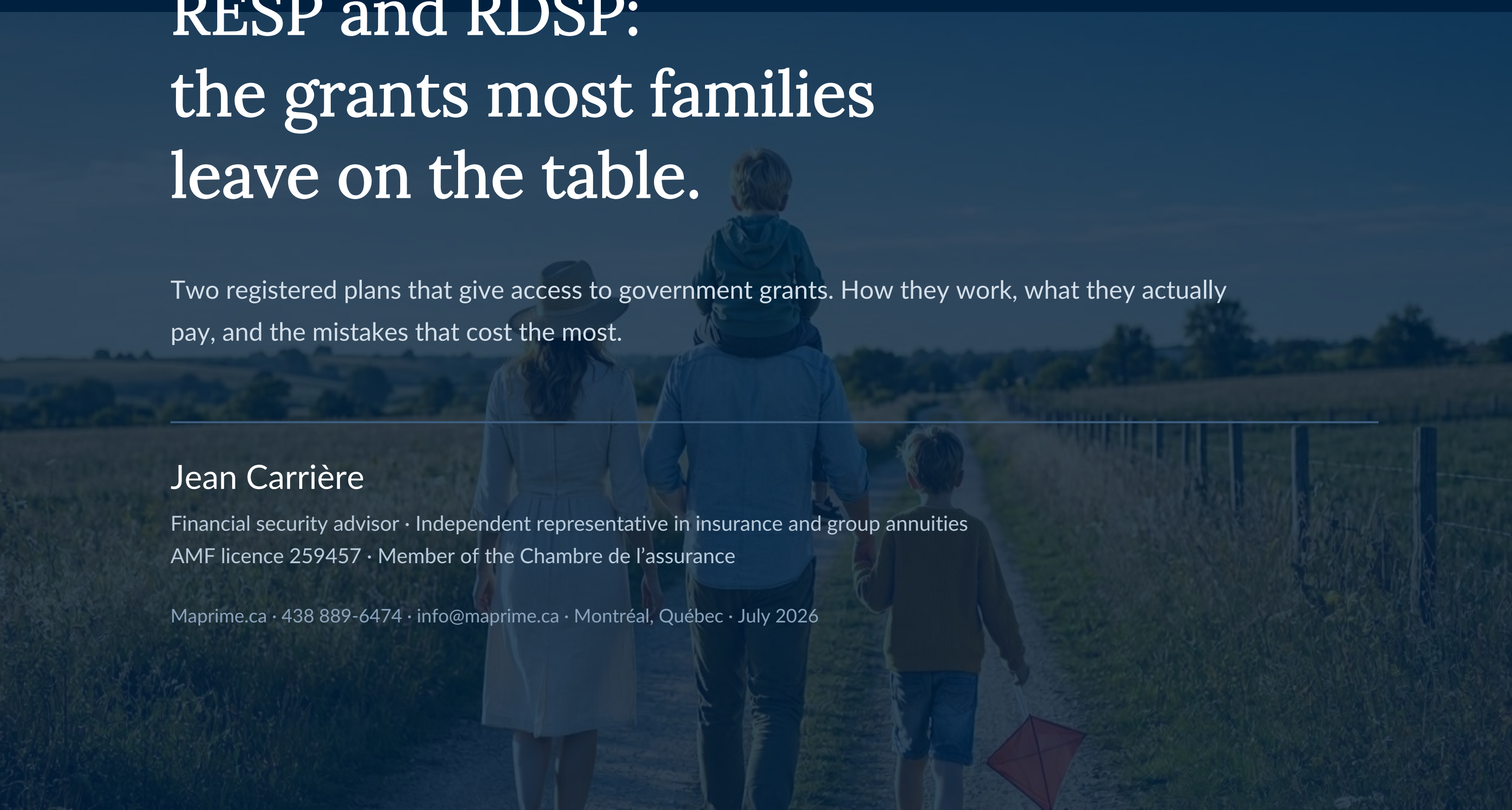
MONTRÉAL · QUÉBEC

RESP AND RDSP GUIDE

RESP and RDSP: the grants most families leave on the table.



Two registered plans that give access to government grants. How they work, what they actually pay, and the mistakes that cost the most.

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IN THIS GUIDE

What this guide covers

Two plans, two logics. The first funds education; the second secures the future of a person with a disability. Both rest on grants — and that is where the essential value lies.

1 — THE STARTING POINT

Why these two plans stand apart

There is a great deal of talk about returns. These two plans begin with something rarer: public money deposited into your account.

The grant is paid on what you contribute — immediately, and independently of any market return.

In an RRSP or a TFSA, everything you get comes from your contributions and from the market. In an RESP and an RDSP, governments add amounts that cost you nothing more. That contribution is calculated as a percentage of what you pay in, and it is immediate — it depends on no market return.

> **30% to 300% :** the order of magnitude of the government contribution on the first tranche contributed — 30% in an RESP in Quebec, up to 300% in an RDSP for a modest-income family. No investment provides this. It is why these two plans deserve to be examined before other savings vehicles when the situation allows — and why leaving them dormant is expensive.

What also makes them complex

The price of that advantage is a body of rules: lifetime ceilings, annual ceilings, carry-forward room, age limits, residence conditions and — for the RDSP — a repayment rule that can wipe out years of grants if a withdrawal is badly timed.

It is precisely because these rules are numerous that many eligible families never open a plan, or open one and stop paying into it. Complexity, here, has a cost measurable in dollars.

On the amounts quoted in this guide. The ceilings and grant rates shown are those in force at the time of writing. They are set by the Government of Canada and by Revenu Québec and may be amended. No decision should rest on a figure read in a document: the amounts applicable to your situation are verified at the time of the analysis.

2 — THE RESP

How the RESP works

A registered account intended for the post-secondary education of a designated beneficiary. Your contributions are not deductible, but everything that accumulates in it grows tax-sheltered.

An RESP is built over fifteen or twenty years. The determining factor is not the return: it is the number of years in which the grant was actually collected.

The basic mechanics

ELEMENT	WHAT YOU NEED TO KNOW
Contributions	Not deductible from income. No annual ceiling, but a lifetime ceiling of $50,000 per beneficiary, from all sources combined.
Growth	Tax-sheltered as long as the money stays in the plan.
Beneficiary	Must have a social insurance number and be a resident of Canada at the time of designation.
Duration	Contributions are allowed until the end of the 31st year following the opening. The plan must be closed by the end of the 35th year.
Subscriber	The person who opens the plan and contributes to it — parent, grandparent, guardian, or anyone. That person keeps control of the contributions.

Three forms of plan

Individual plan — a single beneficiary, who need not be related to the subscriber. It is the only possible choice for a child with no family tie: a godchild, a friend's child. Generally relevant for an only child, or where the subscriber is not a family member.

Family plan — several beneficiaries under one plan. Beneficiaries must be related to the subscriber by blood or adoption: children, grandchildren, brothers and sisters.

> **The real advantage :** if one child does not pursue post-secondary studies, the accumulated income and — subject to conditions — part of the grants may be used for another beneficiary of the same plan. That is flexibility an individual plan does not offer.

Point to consider: each beneficiary keeps their own $50,000 ceiling and their own grant entitlements. A family plan simplifies administration; it does not pool the ceilings. Generally relevant for a family with two or more children.

Group plan — or scholarship plan. Your payments are pooled with those of other subscribers whose children are the same age. Payments are generally fixed and follow a schedule set in advance.

> **Read carefully before signing :** these plans often carry enrolment fees paid at the start of the contract, and strict conditions if payments are interrupted or money is withdrawn early. The prospectus describes precisely what happens if you stop contributing — that is the section to read first, before the projections.

Generally relevant for a subscriber who wants an imposed framework and an automatic payment schedule. Less flexible than the other two forms.

Where the value of the plan is decided

An RESP without grants is simply an ordinary investment account whose contributions you cannot deduct.

Canada Education Savings Grant — CESG

The federal government pays 20% of your contributions, on the first $2,500 paid in each year per beneficiary.

- $500 a year if you contribute $2,500.
- $7,200 lifetime per beneficiary — the ceiling of the basic CESG.

> **The catch-up — the point almost nobody knows :** unused entitlements accumulate. You can catch up only one year of arrears at a time: by contributing $5,000 in a single year you collect $1,000 of CESG instead of $500. No more — a single payment of $50,000 triggers only $500 of grant that year.

Practical consequence: reaching the $7,200 ceiling takes roughly fifteen years of regular contributions. That is why opening early and contributing every year is worth more than one large late payment.

The additional CESG

A top-up added to the basic CESG, on the first $500 contributed each year, according to adjusted net family income:

- 20% more — that is, an additional $100 — for the lowest income band.
- 10% more — that is, an additional $50 — for the middle band.

It is paid automatically if the plan is in good standing: no separate application is needed, but the income thresholds are revised annually.

Canada Learning Bond — CLB

Reserved for children born from 2004 onward whose family falls below an income threshold. The essential point: no contribution is required.

- $500 in the first year of eligibility.
- $100 a year thereafter, until the year of the 15th birthday.
- $2,000 lifetime.

> **The most profitable single step there is :** open an RESP and apply for the CLB, even if you never pay a dollar into it. A significant number of eligible families never claim it, for want of having opened a plan.

Quebec Education Savings Incentive — QESI

A refundable tax credit paid by Revenu Québec directly into the RESP, on top of the federal grants.

- 10% of the year's net contributions, up to $250 a year.
- A top-up based on family income, up to $50 more a year.
- $3,600 lifetime per beneficiary.
- A catch-up of unused entitlements is possible, within the prescribed limits.

> **To verify :** the QESI requires the plan to be administered by a promoter that has signed an agreement with Revenu Québec. Not all promoters have. That is a question to ask before opening the plan, not after.

What it adds up to

GRANT	PER YEAR	LIFETIME
Basic CESG (20% on $2,500)	$500	$7,200
Additional CESG (income-based)	up to $100	included in the $7,200
CLB (no contribution, income-based)	$100 · $500 in year 1	$2,000
QESI (10% + top-up)	up to $300	$3,600

For a family eligible for all of them, the public contribution can approach $12,800 per child — before any investment return. That is the figure to keep in mind when hesitating to open a plan.

Three compartments, three tax treatments

An RESP contains three kinds of money, and they do not come out the same way or with the same tax consequences. Confusing the three is the most frequent error at withdrawal time.

COMPARTMENT	ON THE WAY OUT	TAXATION
Your contributions	Withdrawal of contributions	No tax — it is your money, already taxed.
The grants	Educational assistance payment (EAP)	Taxable in the student's hands.
Accumulated income	Educational assistance payment (EAP)	Taxable in the student's hands.

Why that is advantageous

A full-time student generally has low income and has tuition tax credits available. In many cases the EAP is therefore taxed at a very low rate, or not at all. That is the heart of the RESP's tax advantage: the tax deferral turns into a tax reduction because the income changes hands.

> **Withdrawal strategy matters :** the EAP is capped in the first weeks of study, and the order in which the three compartments are emptied has real consequences. Taking the contributions out first can leave grants stuck in the plan if the student interrupts their studies. This is a decision to plan, not to improvise at the counter.

If the child does not pursue post-secondary studies

This is the question every parent asks, and the answer is more nuanced than it is generally believed to be.

COMPARTMENT	WHAT HAPPENS
Your contributions	You get them back, tax-free.
The grants	They return to the governments. You do not lose them — you simply do not keep them.
Accumulated income	May be paid as an accumulated income payment (AIP): taxable at your marginal rate, plus a 20% penalty. Or transferred to your RRSP — see below.

> **The transfer to an RRSP — the exit few people use :** up to $50,000 of accumulated income may be transferred to your RRSP or your spouse's, with no tax and without the 20% penalty, on three conditions: you have RRSP contribution room available, the plan has existed for at least ten years, and every beneficiary is at least 21 and is not pursuing studies.

In other words: never close an RESP in haste. The difference between an AIP and a transfer to an RRSP runs into thousands of dollars.

The other exits

- Change the beneficiary — often possible, particularly in a family plan, subject to conditions of age and relationship.
- Wait — the plan can stay open until the end of the 35th year. A 19-year-old who does not want to study today may change their mind; vocational and technical training also qualifies.
- Transfer to an RDSP — a rollover of accumulated income from an RESP to an RDSP is possible where the beneficiary is the same and is eligible for an RDSP. An avenue often overlooked when a child has a disability.

How the RDSP works

The most generous plan in the Canadian tax system, and one of the least subscribed. A significant share of eligible people have never opened one.

The RDSP funds long-term autonomy. It replaces no benefit: it is added to them.

Who is eligible

CONDITION	DETAIL
Disability tax credit	The beneficiary must be eligible for it. This is the gateway: without the DTC, no RDSP. Form T2201, signed by a health professional, must be approved by the Canada Revenue Agency.
Age	The plan must be opened before the end of the year of the 59th birthday.
Residence	Resident of Canada at the time of opening and of contributions.
Social insurance number	Required.

The first step, before any saving : get the DTC approved. Many eligible families have never applied, often because they believe the impairment is not "severe enough". The credit also covers impairments of mental functions, speech and hearing, or a need for life-sustaining therapy. Retroactive approval is sometimes possible.

The mechanics

ELEMENT	WHAT YOU NEED TO KNOW
Contributions	Not deductible. No annual ceiling. Lifetime ceiling of $200,000.
Growth	Tax-sheltered within the plan.
Holder	The beneficiary themselves if of age and legally capable. Otherwise a legal representative — parent, tutor, curator.
Who may contribute	Anyone, with the written authorisation of the holder. Grandparents, uncles, friends.
Issuer	The RDSP is a trust between the holder and an authorised issuer — a financial institution whose specimen plan has been approved by the Canada Revenue Agency. The account is opened with that issuer.

> **A point on social assistance benefits :** in Quebec, assets held in an RDSP and amounts withdrawn from it are generally excluded from the calculation of eligibility for last-resort financial assistance programmes. That is what makes an RDSP usable without compromising existing benefits. The precise rules and their exceptions must be verified with the relevant ministry before any planned withdrawal.

Public support of a scale no other plan offers

> **$90,000 :** the total public funds an RDSP can receive over a lifetime — $70,000 of grant and $20,000 of bond. That is what justifies the administrative effort.

Canada Disability Savings Grant — CDSG

A matching grant: the federal government pays a multiple of your contributions. The rate depends on adjusted net family income.

For family income below the threshold:

- 300% on the first $500 contributed → $1,500
- 200% on the next $1,000 → $2,000
- That is $3,500 of grant for $1,500 contributed.

For income above the threshold:

- 100% on the first $1,000 contributed → $1,000

Annual maximum: $3,500. Lifetime maximum: $70,000.

> **Worth remembering :** for a family below the threshold, contributing $1,500 brings in $3,500 — a 233% contribution before any return. It is the best immediate return available to a Canadian saver.

Canada Disability Savings Bond — CDSB

Like the CLB in an RESP: no contribution is required. The amount depends on family income.

- Up to $1,000 a year.
- $20,000 lifetime.

> **The minimum step: open the plan :** even without ever contributing, a person eligible for the CDSB can accumulate $20,000 of public funds. Not opening the plan means giving up that amount.

Carry-forward room — ten years of catch-up

Unused CDSG and CDSB entitlements accumulate over ten years. A family that opens an RDSP late can therefore catch up a decade of grants, within the prescribed annual limits — up to $10,500 of CDSG and $11,000 of CDSB in a single year, depending on the entitlements accumulated.

Grants and bonds are paid until the end of the year of the beneficiary's 49th birthday. After that, nothing.

> **The calendar is decisive :** an RDSP opened at 45 can still capture several years of grant and ten years of carried-forward entitlements. Opened at 50, it captures nothing. Between the two lie tens of thousands of dollars.

The trap the RESP does not have

An RDSP is planned over a decade. Each contribution that triggers a grant starts a ten-year clock.

> **The ten-year repayment rule :** any withdrawal triggers repayment to the government of the grants and bonds received during the previous ten years, at the rate of $3 for every $1 withdrawn, up to the assistance holdback amount.

In concrete terms: withdrawing $10,000 can lead to the repayment of $30,000 of public funds. It is the most costly mistake that can be made with an RDSP, and it is irreversible.

What that implies

An RDSP is not an emergency savings account. The plan must be treated as a long-term commitment: money goes in that will not be touched for a decade. That does not mean waiting. It means planning withdrawals, and not putting into an RDSP money you might need in the meantime.

The two forms of withdrawal

FORM	HOW IT WORKS
Lifetime disability assistance payments (LDAP)	Periodic payments that must begin no later than the end of the year of the 60th birthday. Once begun, they continue at least annually until death. The maximum annual amount is set by a formula prescribed by law.
Disability assistance payments (DAP)	One-off withdrawals, at the holder's request, if the plan allows them. This is where the ten-year rule bites most often.

How withdrawals are taxed

As in an RESP, a withdrawal is broken down. Your contributions come back tax-free. The grants, the bonds and the accumulated income are taxable in the beneficiary's hands. Because the person often has modest income and benefits from the disability tax credit, the effective rate is frequently low.

> **On the death of the beneficiary :** the plan must be closed. Grants and bonds received in the previous ten years are repaid, and the balance is paid to the estate, with the taxable portion included in the final return. A point to build into estate planning, especially where there is a testamentary trust for the benefit of the person.

None of these is theoretical

Not opening an RESP because you cannot contribute $2,500 a year

The reasoning is inverted. The CLB requires no contribution, and both the QESI and the CESG are calculated on what you actually pay in. Contributing $25 a month triggers grants; opening nothing triggers none.

Paying a large sum into an RESP all at once

An inheritance of $50,000 paid in one go reaches the lifetime ceiling but triggers only $500 of CESG — that of the current year. The remaining $6,700 is lost for good. Spreading payments over fifteen years captures the full grant.

Never applying for the disability tax credit

Without the DTC, no RDSP is possible. It is the most frequent blocking point, and it is often a matter of perception: people believe the condition is not "severe enough". The credit covers far more than mobility.

Withdrawing from an RDSP without checking the ten-year clock

Three dollars repaid for every dollar withdrawn. A stop-gap withdrawal can cancel a decade of grants. Always have the holdback amount calculated before requesting the withdrawal.

Closing an RESP as soon as the child says they will not study

The plan can stay open until the 35th year. Vocational and technical training qualifies. And the transfer of up to $50,000 to an RRSP avoids the 20% penalty. Closing too quickly is a final decision taken on incomplete information.

Opening an RESP with a promoter that has no agreement with Revenu Québec

No agreement, no QESI. Up to $3,600 per child that will never be paid. The question arises before opening, not after.

What I can do, and what I cannot

My licences delimit precisely my role on each of these two plans. The distinction is real and you are entitled to know it.

The RESP

I hold the scholarship plan dealer representative certificate with the Autorité des marchés financiers. That discipline authorises me to advise on scholarship plans and to distribute them. In practice: we analyse your situation together, the appropriate form of plan and the contribution schedule that captures the maximum in grants, and I support you through subscription and follow-up.

The RDSP

An RDSP is a trust established between the holder and an authorised issuer — a financial institution whose specimen plan has been approved by the Canada Revenue Agency. The account is opened with that issuer.

My role on the RDSP is one of advice and coordination, not distribution of the account. I can explain the plan, verify eligibility for the disability tax credit, calculate accumulated grant entitlements, establish the contribution and withdrawal strategy, and direct you to an authorised issuer. Opening the plan itself is done with that issuer.

My three disciplines

TITLE	WHAT IT AUTHORISES
Financial security advisor	Life, disability, critical illness, long-term care, supplementary health and travel insurance. Segregated funds, annuities, RRSPs, TFSAs and FHSAs subscribed with an insurer.
Representative in group insurance and group annuities	Group plans for companies: group insurance, group RRSP, VRSP, retirement plans.
Scholarship plan dealer representative	Scholarship plans and RESPs.

> **What I do not hold :** property and casualty insurance — auto, home, business: I refer those requests to Lussier, a firm licensed in those disciplines. And mutual funds: my investment offer runs through segregated funds, which are insurance contracts.

Verify me. The registration of any representative in Quebec, and the disciplines for which they are registered, can be checked free of charge on the register of the Autorité des marchés financiers: lautorite.qc.ca/grand-public/registres — search "Jean Carrière" or certificate 259457.

Scope of this guide. General information only. It is neither personalised tax or financial advice nor a product recommendation. The ceilings, grant rates, income thresholds and rules described are set by the Government of Canada and by Revenu Québec and are amended periodically: they are verified at the time of your analysis and should not be taken as given on reading. The exact terms of a plan appear in the contract and prospectus, which alone govern. A needs analysis is required before any recommendation. Jean Carrière — independent representative, AMF certificate 259457. To discuss it: 438 889-6474 · info@maprime.ca · maprime.ca. July 2026 edition.