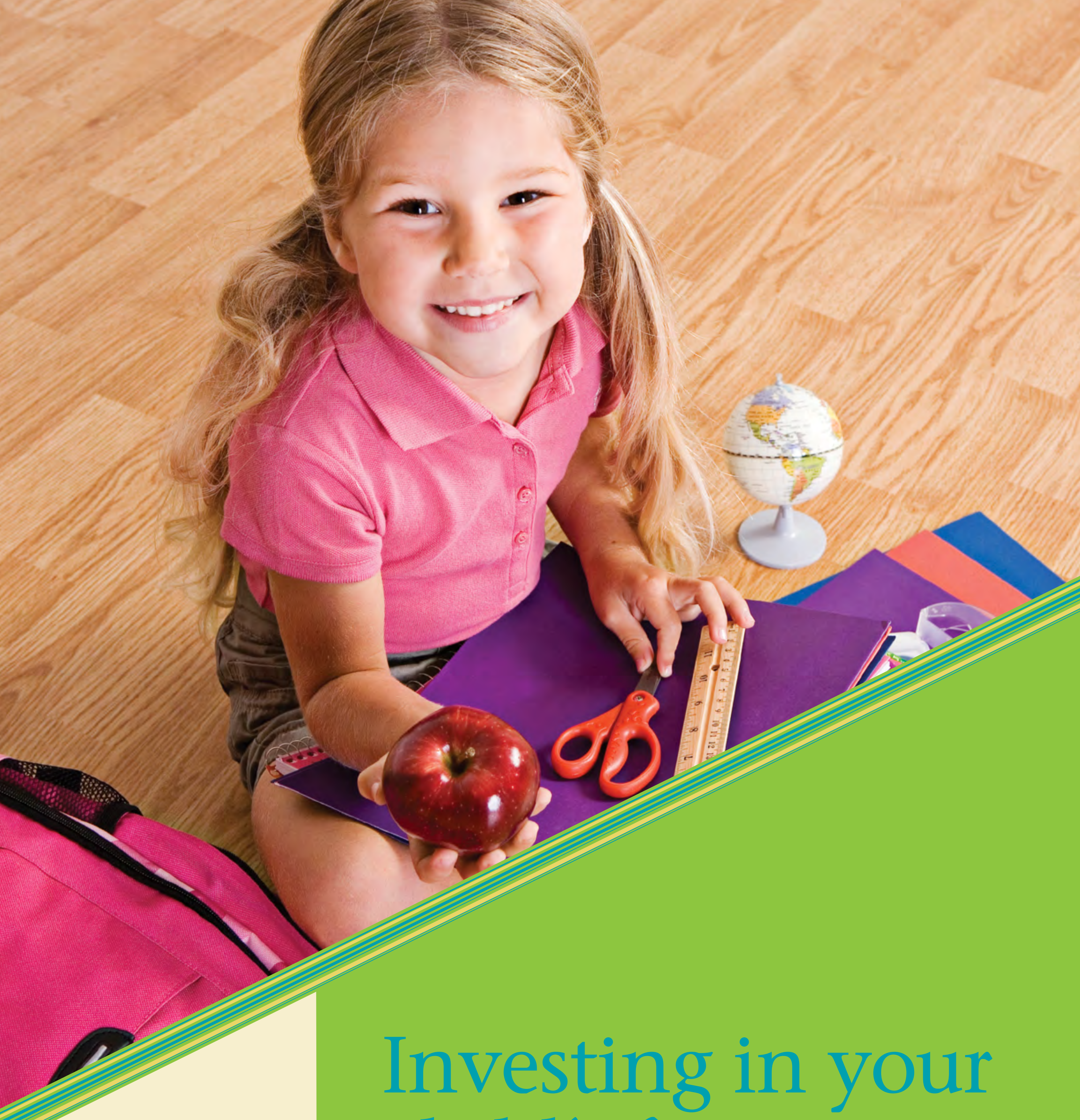
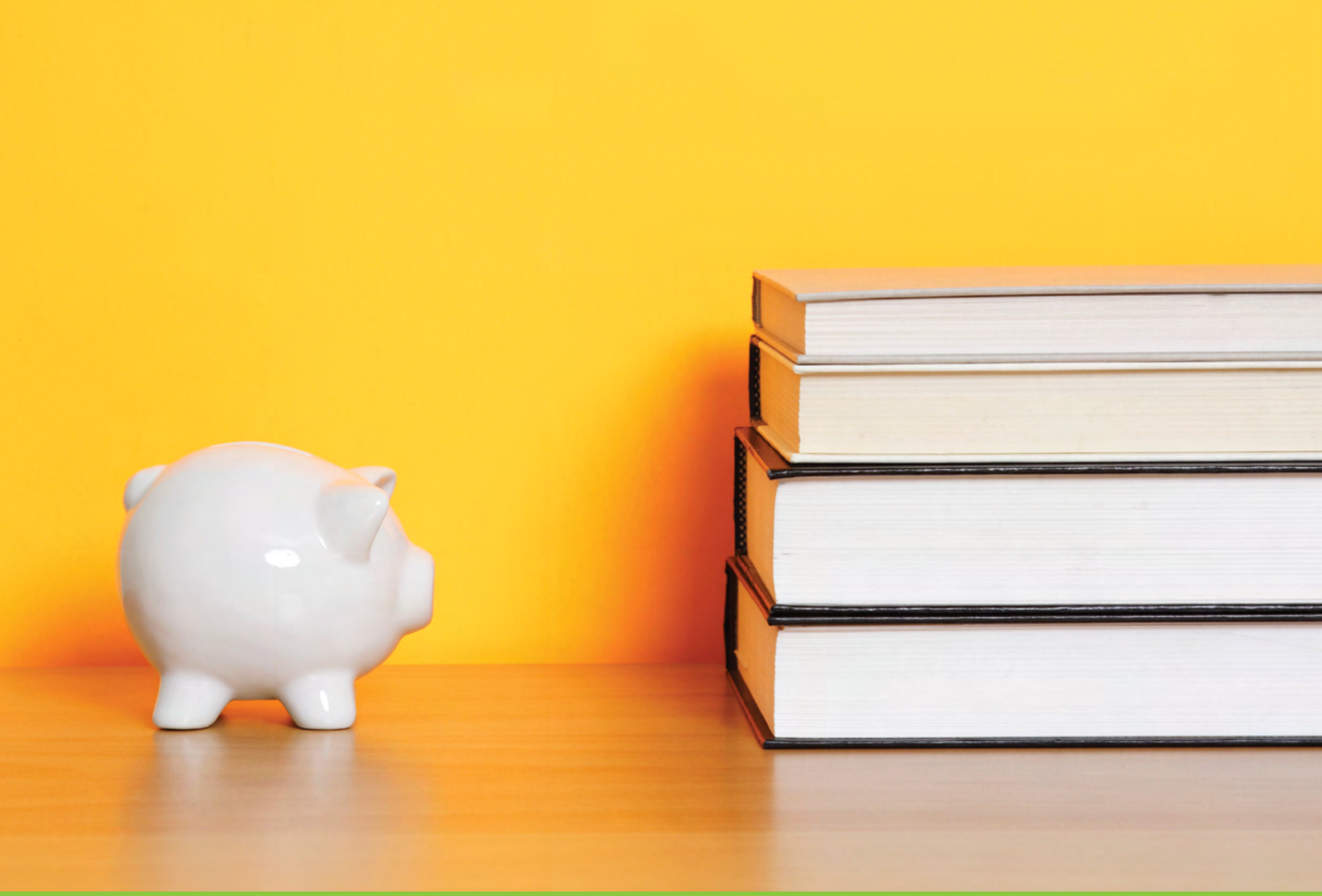


Investing in your child's future

The basics of RESPs

THE MANITOBA
SECURITIES
COMMISSION

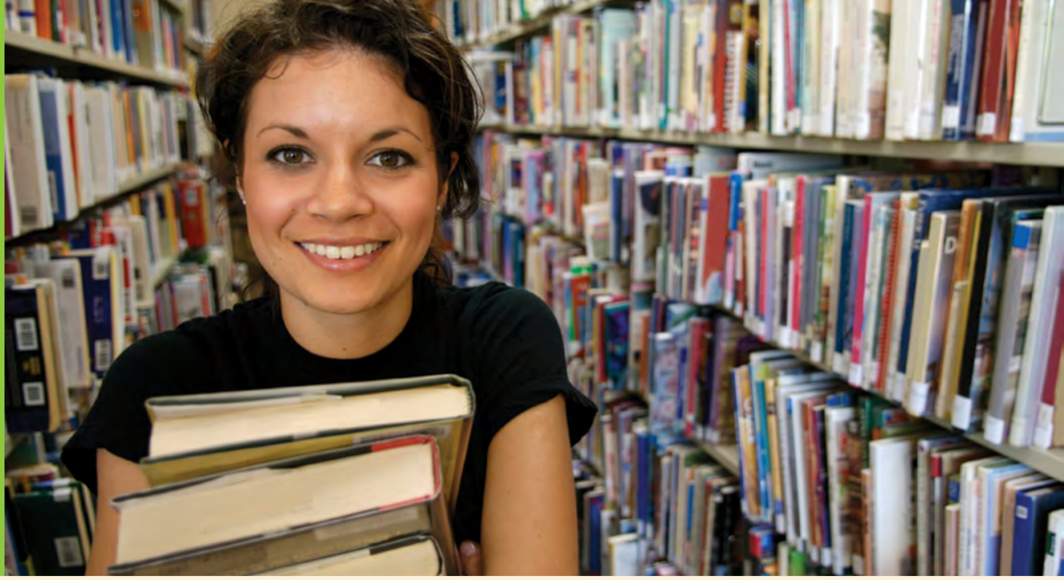


Answering your questions

A good education is a goal most parents have for their children. However, the rising cost of tuition (and related post-secondary education costs) is making it difficult for families to save enough to afford post-secondary education.

Registered Education Savings Plans (RESPs) can be an effective way to save for your child's education. In addition to the interest earned on your investment, RESPs offer tax benefits and allow you to take advantage of grants from the federal government. Combined, these benefits can help you set reachable savings goals, and make your child's post-secondary education financially feasible.

The Manitoba Securities Commission has put this guide together on the basics of RESPs. For more information on RESPs or securities please visit **mbsecurities.ca** or call **(204) 945.2548.**



What is an RESP?

An RESP is a special account that will help you save for post-secondary education. The savings will grow tax free until the beneficiary named in the RESP enrols in education after high school.

Simply put, an RESP works like this…

1. Open an RESP account with a registered RESP provider (remember to check with The Manitoba Securities Commission to ensure your provider is registered).
2. Set up a payment plan that will work for your financial situation.
3. Make your contributions.
4. Earn interest on the contributions you make.
5. Receive additional CESG contributions (these can be deposited directly into the account).
6. If eligible, receive Canada Learning Bond.
7. When it is time to begin post-secondary education you withdraw from the RESP account and pay a minimum amount of tax.

What can I expect to save?

Every RESP is different, and the amount that you save will vary depending on a number of factors including household income, investment period, contribution total and your rate of return.

Let's say…

Your family's combined income	Between $42,707 and $85,414 a year
Your rate of return	4%
Your investment period	18 years
Your personal contribution	$2,500 a year
Your total personal contributions	$45,000
Total CESG contribution	$7,200
Interest earned—on personal and CESG contributions	$25,663
Your Total Education Savings	**$77,863**

These numbers are an estimate only.

Assumptions:

- *Contribution is made at the beginning of a year.*
- *Grants are received in the following year.*
- *Additional CESG is based on family net income.*
- *In 2012, if family net income is between $42,707 and $85,414, then additional CESG is 10% of first $500 contributed.*
- *The additional CESG is part of the lifetime grant maximum of $7,200.*

Who can open an RESP?

You can open an RESP for a child, yourself or another adult. This person is called your "beneficiary." You should start thinking about opening an RESP as soon as your child is born. Making contributions from an early age will increase both the interest you earn and the CESG contributions you receive. You can open an RESP through banks, credit unions, mutual fund companies, investment dealers and scholarship plan dealers. You'll need a social insurance number (SIN) for yourself and each beneficiary to open a plan.

How do I make contributions?

The way you contribute to your RESP account will vary depending on your specific plan. It is important to set up your personal contributions so that they are feasible and fit with your financial situation. Here are some important points to consider before deciding how to make your contributions.

Contributions
Contribution frequency: monthly, quarterly or annually
Years to contribute: 31 years
RESP account expiration: 35 years
Lifetime contribution limit: $50,000
RESP contributions are not tax deductible

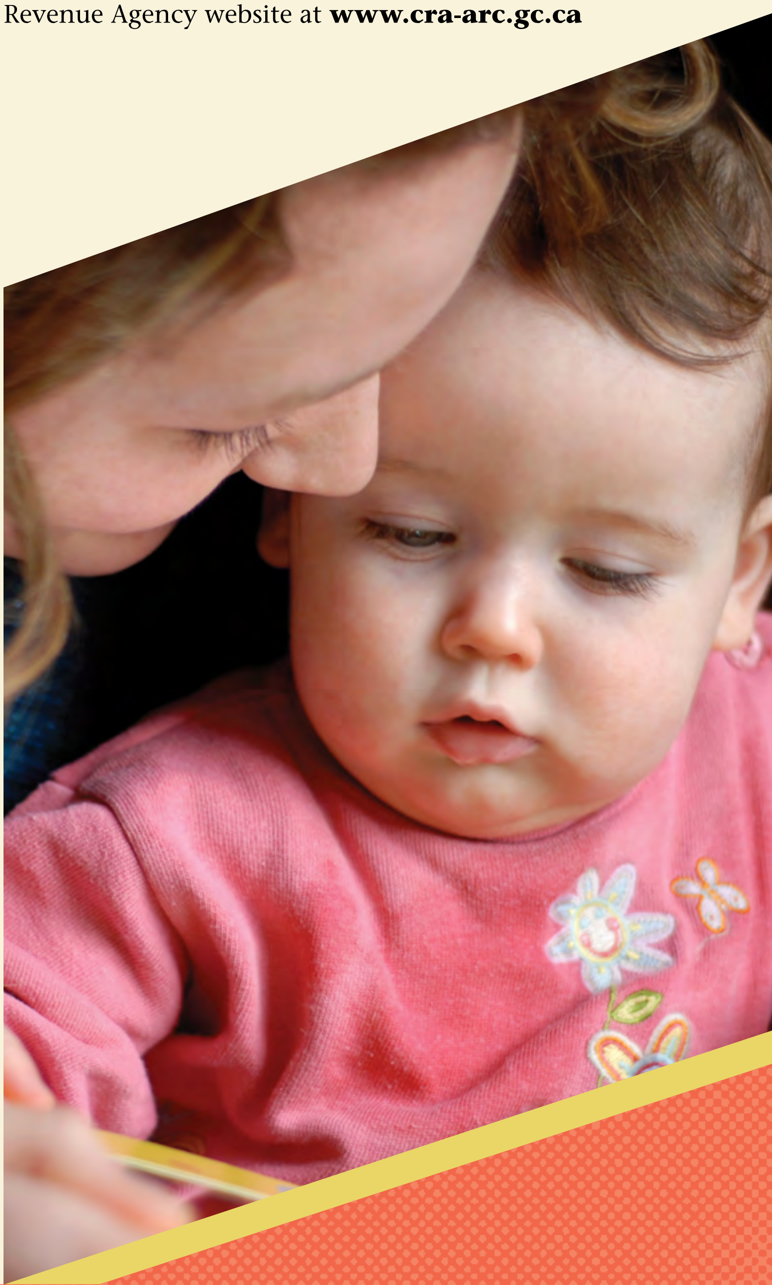
How do I receive payments?

Once your beneficiary is enrolled in a qualifying educational program, they can start receiving payments from the plan. These payments, excluding the original contribution portion, are taxable in the student's hands. Since most students have little or no other income, they will likely pay little or no tax.

What if my beneficiary does not attend post-secondary school?

You have a few options. Your plan may allow you to choose another beneficiary. In some cases, you can transfer the earnings into your RRSP. Or, you may be able to withdraw the earnings in cash, but you'll have to pay tax on them. You have to return any grants to the government, unless you have a family RESP.

For more information about the tax consequences of RESPs, visit the Canada Revenue Agency website at **www.cra-arc.gc.ca**



What types of RESPs are available?

There are three basic types of RESPs available to you: individual plans, family plans and group plans. It is important to speak with your financial adviser to ensure you are selecting the plan that will help you reach your education savings goal.

Individual Plans

Anyone can open an individual RESP and anyone can contribute to it. This includes parents, grandparents, aunts, uncles and friends. You can even contribute to an individual plan for yourself.

Family Plans

A family RESP can have one or more beneficiaries, but each beneficiary must be related to the contributor by blood or adoption. The beneficiaries must be under 21 when they're named. Contributions can only be made until a beneficiary turns 31.

Group Plans

A group RESP pools the contributions of many investors. Contributions are made according to a schedule and are used to buy plan units. The date the plan matures is set at the time of enrolment and is based on the child's birth date. When the plan matures, the beneficiary usually shares in the pooled earnings of investors with children the same age. If your child does not begin post-secondary studies at the same time as the rest of the group, the earnings you receive from the plan may be affected. If you drop out of the plan before it matures, you forfeit all of your earnings to the group.

How can federal programs help me save?

The federal government will make contributions to a child's RESP under the following programs:

The Canada Education Savings Grant (CESG)

The CESG will top up your annual contribution by 20%, up to a maximum of $500 each year for each beneficiary. The lifetime limit for the grant is generally $7,200. Additional CESG grants may be available, depending on your income.

The Canada Learning Bond (CLB)

The CLB provides an additional grant of up to $2,000 per child to help families with a modest income. Children must be born after December 31, 2003 to qualify for this.

Adults are not eligible for these grants. For more information about federal education savings grants, visit **www.canlearn.ca**

What RESP should I choose?

The RESP you choose will depend on how many beneficiaries you have, how old they are, what you want to invest in, advantages/disadvantages of the investment, your risk tolerance, administration fees and possible penalties.

Use the table included in this brochure to better understand what RESP programs are available to you. The table will also provide you with information on RESP providers and help you choose the most suitable RESP for you or your family.

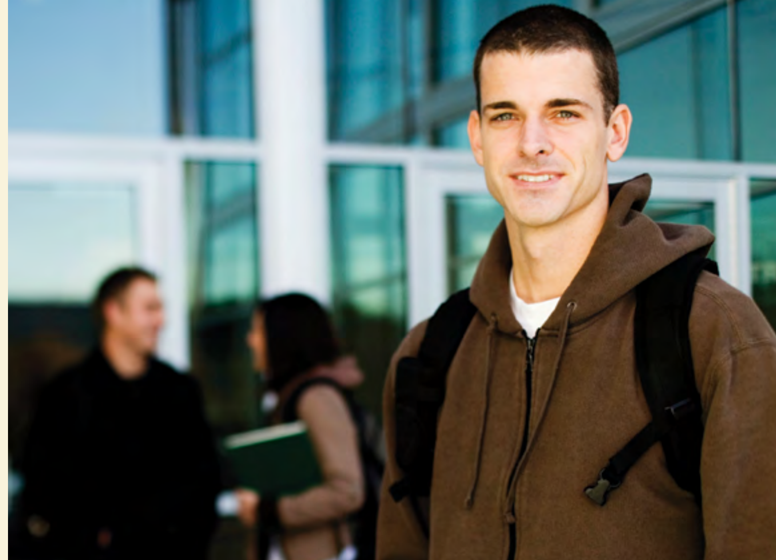
What questions should I be asking?

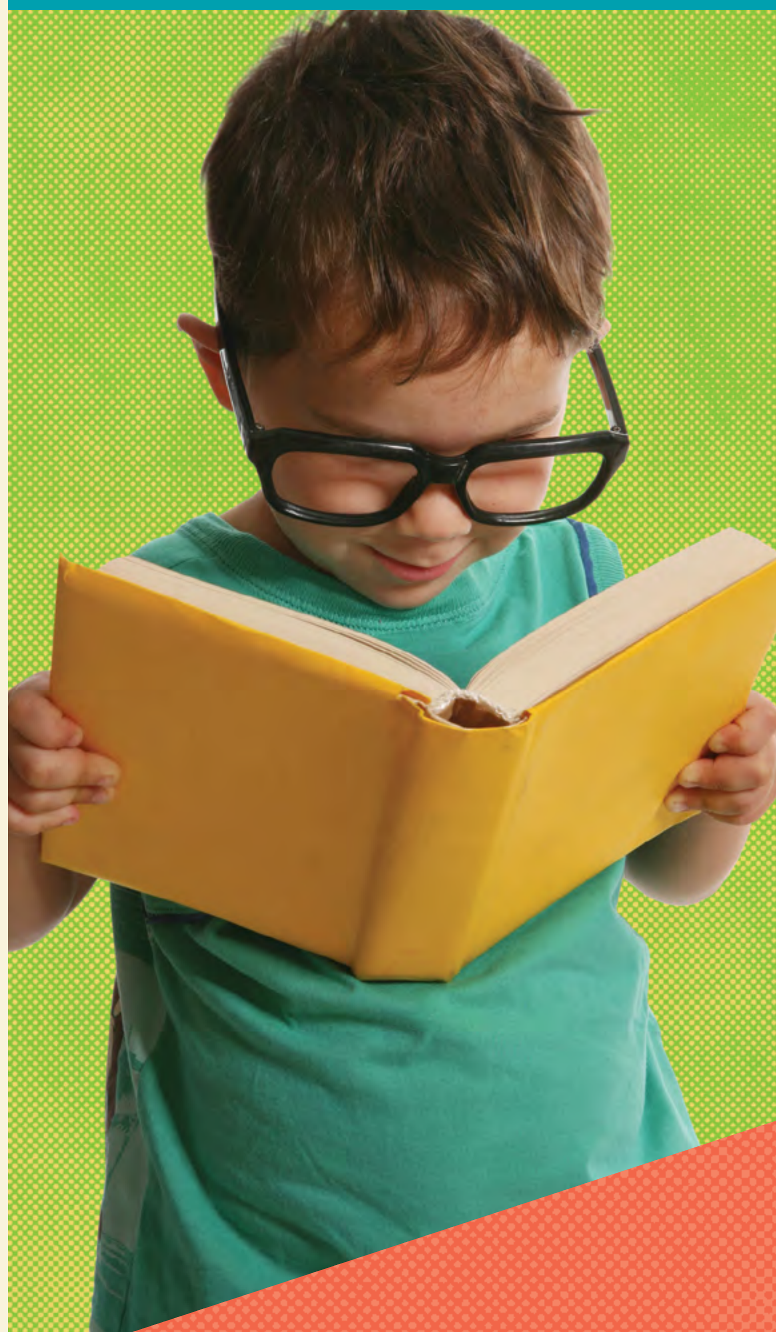
Ask:

- What fees are you expected to pay? When do you have to pay them?
- What kinds of post-secondary programs qualify?
- When and how will payments be made from the plan?
- What happens if your beneficiary does not go on to post-secondary education? Can you transfer your RESP to another plan or to other beneficiaries?
- What happens if you want to cancel your plan? How easy is it to get your money out? Will you forfeit your earnings?

Make sure you:

- Read all the documents you are given about the plan. If you don't understand the plan or the investment, don't invest.
- Get it in writing. Never make an investment based on verbal representation.
- Take your time and do your research. Don't give in to sales pressure.
- Check the registration and qualifications of your investment representative.





	RESP PROVIDERS			
	BANKS AND CREDIT UNIONS	MUTUAL FUND COMPANIES	INVESTMENT DEALERS	SCHOLARSHIP PLAN DEALERS
	(INDIVIDUAL AND FAMILY PLANS)			(INDIVIDUAL, FAMILY AND GROUP PLANS)
INVESTMENT OPTIONS	• Savings accounts • GICs • Mutual funds • Bonds	• Mutual funds	• T-bills • Bonds • Mutual funds • Stocks • GICs	In general, a plan must invest in fixed income securities, such as T-bills, GICs and bonds.
RISK AND RETURN	GIC products are low risk and have fixed returns. Mutual funds and stocks may offer potentially greater returns, but they are riskier than GICs because you can lose some or all of your investment if the value falls.			Investment options have lower risk and tend to have fixed returns.
INVESTMENT DECISIONS	You or your adviser chooses an appropriate mix of investments.			All of the investment decisions are made for you.
CONTRIBUTIONS	You decide when and how much to contribute, up to the lifetime limit.			If you have an individual or family plan, you decide when and how much to contribute, up to the lifetime limit. If you have a group plan, you will have to make contributions according to a set schedule, which you determine when you open the plan. Your contributions are pooled with those of other investors. If you miss a contribution to a group plan, your account may go into default and your plan may be terminated. If you are allowed to stay in the plan, you may have to pay extra fees and interest on the missed payment. The interest owing can grow over time to an amount that is difficult to repay.
COSTS	The fees depend on the investments you choose. They may include: • **sales charges** if you buy mutual funds • **management fees**, which could include trustee fees and administrative fees if you buy mutual funds. These fees reduce your investment returns. • **commissions** if you buy or sell stocks or bonds There are generally no fees to buy GICs, Canada Savings Bonds and other deposit products.			You can expect to pay: • **enrolment fees** • **administration fees** • **investment management fees** • **depository fees** • **trustee fees** Most fees are deducted from your early contributions, which decreases the earning power of your investment.

	RESP PROVIDERS			
	BANKS AND CREDIT UNIONS	MUTUAL FUND COMPANIES	INVESTMENT DEALERS	SCHOLARSHIP PLAN DEALERS
	(INDIVIDUAL AND FAMILY PLANS)			(INDIVIDUAL, FAMILY AND GROUP PLANS)
WITHDRAWALS (in the event the beneficiary chooses not to pursue post-secondary studies)	You can withdraw your contributions at any time without paying any tax. However, you may have to return any grants on those contributions to the federal government. You can withdraw the earnings if you meet certain conditions. If you take the money out in cash, you'll have to pay tax. In some cases, you can reduce or eliminate the tax by transferring the earnings to your RRSP.			These plans may have more restrictions than other types of plans on how much and how often you can make withdrawals. Make sure you check the prospectus before you invest.
CANCELLING THE PLAN	You receive your contributions back, less any fees. You can transfer the earnings to your RRSP if you have contribution room, or you can withdraw the earnings in cash, but you'll have to pay tax. You have to return any grants to the government, unless you have a family RESP.			These plans are sold by prospectus, a legal document that describes how the plan works. You have 60 days to review the prospectus. If you change your mind, you can cancel your purchase during this time at no cost to you. If you cancel the plan after 60 days, you receive your contributions back, less the fees. Since substantial fees are paid up front, the amount of money you get back is always less than what you put in. If you have an individual or family plan, you can transfer the earnings to your RRSP if you have contribution room, or you can withdraw the earnings, but you'll have to pay tax. If you have a group plan, check your agreement with the scholarship trust company. You may have to forfeit the earnings if you cancel the plan or your child does not go on to post-secondary education. There are many circumstances that may result in your child not beginning post-secondary studies at the same time as the rest of the group. Find out how this affects your plan. There may be other conditions imposed by the dealer, so it is very important to read and understand the plan's prospectus before you invest. You have to return any grants to the government, unless you have a family RESP.

The Manitoba Securities Commission

The Manitoba Securities Commission is an independent agency of the Government of Manitoba that protects investors and promotes fair and efficient investment business practices throughout the province.

Anyone selling securities or offering investment advice in Manitoba must be registered with The Manitoba Securities Commission, unless they are exempt from this requirement. Before investing in any security it is important to check whether the investment provider is registered. The Manitoba Securities Commission does not insure or guarantee RESP investments and is not responsible for the RESP program content in this brochure. The RESP program is a Federal Government program and for current and accurate RESP information log on to the Federal Government website **canada.ca** and go to Canada Education Savings Program.

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