The Di Rocco Keenan Wealth Advisory Group

It's almost back to school time! Are you prepared? Take the Registered Education Savings Plan (RESP) Quiz!

1. Are you able to make catch up RESP contributions?

Answer: Yes! If you have missed a contribution, you are able to make an additional annual maximum contribution of $2,500 to receive your eligible grant. There are special circumstances if the beneficiary is ages 16 or 17 in that calendar year. Best to check in with us first before making catch up contributions.

2. How much total government grant can you receive?

Answer: Each eligible beneficiary can receive a lifetime maximum of $7,200 in matching grant up to age 17. There is a lifetime maximum contribution limit of $50,000 in a RESP plan, per child.

3. How much can I withdraw when my child enters a post secondary program?

Answer: This is where it gets tricky. It depends and varies for each family. There are rules and guidelines for EAP (education assistance payment) withdrawals based on full-time/part-time student status and year of enrollment. EAP is comprised of the grant and income (aka growth) portions of the RESP and is taxable income to the child. What high income parent doesn't love transferring tax to their low tax-bracket child?! The calculation of grant and income is based on a government calculator and fluctuates depending on the market value of the plan.

4. Are all withdrawals taxable for the child?

Answer: No, not all withdrawals are taxable. A portion of the RESP is made up of your original contributions (capital), which you've already paid tax on. There is no limit or tax on capital withdrawals.

5. How long do I have to use my RESP?

Answer: You have 35 years from when the account was opened to use up and close the RESP. If there are grant funds still remaining, they will need to be paid back to the government. For any income that remains in the plan, the subscriber may have a few options on how to utilize these funds. They can be transferred into an RRSP, if they have RRSP room available, or withdrawn which could be subject to a penalty and taxes.

Didn't score 5 out of 5? Not to worry, that's why we are here. There are special considerations and additional information related to all these RESP questions above. You can score 100% by just giving us a call to walk through your specific RESP questions.

Lianne and Jamie

AUGUST 2024

We Appreciate Your Opinion!

As our valued client, your experience is extremely important to us. A reminder that **beginning August 26, and running until September 15,** you may receive a survey invitation from BMO Private Wealth asking for your feedback about your experience with **The Di Rocco Keenan Wealth Advisory Group**, and how we are delivering on our commitment to you and the stewardship of your wealth. **Please note this survey does not reflect your experience with your BMO personal banking and lending.**

The survey should not take more than a few minutes of your time. Receiving feedback from clients is invaluable and assists in providing the highest quality service and learning more about your continued and evolving needs.

To ensure you remain protected online, before completing the survey please confirm that the **sender of the email invitation is BMO Client Experience**, and the email address in your invitation appears as BMO.Experience@bmo.com.

For those who choose to participate, we'd like to thank you in advance for taking the time to complete the survey!

INDUSTRY TRENDS

Update on Bare Trust Reporting

The bare trust reporting saga continues! There is updated legislation that is still in draft-mode, currently in a consultation period with the public until mid-September. It's proposed that bare trusts will not have to file any income tax returns until the 2025 tax year.
It is likely there won't be filing requirements again for this year, although that is subject to change.

Essentially, if the trustee and beneficiary are related individuals and the only assets are less than $250,000, there is proposed to be no filing requirements. There are also some other permitted exceptions relating to principal residences in certain circumstances. As the situation unfolds, we will continue to provide updates.

BMO Private Wealth

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