Investing in **knowledge**

The best time to start saving for a child's post-secondary education is now.

And the best way is with a Registered Education Savings Plan.

BMO Mutual Funds

“An investment in knowledge pays the best interest.”

– Benjamin Franklin

With tuition costs rising every year, many parents are concerned about how they’re going to pay for their children’s post-secondary education. The best place to start is by considering a Registered Education Savings Plan (RESP).

RESPs allow parents or other individuals (subscribers) to contribute a certain amount of money into an RESP on behalf of a child (beneficiary), and the benefits are unparalleled.

The simple arithmetic behind RESPs

Understanding the benefits of RESPs is as easy as one, two, three

You can start an RESP for a child almost as soon as they're born. The only caveat is that the child needs to be a resident of Canada and have a social insurance number. You can continue to contribute until the beneficiary turns 31 years of age (Canada Education Savings Grant-eligible contributions must be made before the beneficiary turns 17).

1 Tax-deferred growth

Any gains achieved within the RESP will not be taxed until your money is removed from the RESP in the form of educational assistance payments (EAPs). And when removed, EAP withdrawals are taxed in the hands of the beneficiary who will likely be subject to a lower tax rate.

2 Canada Education Savings Grant

The Government of Canada contributes a certain amount of money into the RESP on behalf of the child in the form of a Canada Education Savings Grant (CESG). The amount contributed by the government is up to 20% for the first $2,500 contributed by the subscriber per beneficiary per year, with a maximum of $500 per year and a lifetime maximum of $7,200.

3 Additional grants

If you are a resident of Quebec or British Columbia, or if you are a lower income family, you may qualify for additional grants from the federal or provincial government.

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Visit our online Education Savings Calculator to find out how much you need to put away each month to save for your child's education.

educationsavings.financialoutlook.bmo.com

The anatomy of RESPs

There are two types of RESPs available: Individual Plans and Family Plans

With RESPs, there is no annual maximum contribution, although there is a $50,000 lifetime maximum amount of allowable contributions. You are also allowed to carry over some unused CESG-eligible contribution room, so you can catch up if you want to (although there are some restrictions on how much can be caught up in a single year).

Individual plan

Contributions can be **made for 31 years** after the plan is established.

The beneficiary may be anyone — even the subscriber. The beneficiary **does not have to be related to the subscriber** in any way.

There are **no age restrictions**. Contributions can be made regardless of the age of the beneficiary.

Contributions are **CESG-eligible up to December 31st** of the year in which the beneficiary turns 17.

A subscriber (or joint subscriber) may **only name one person** as beneficiary.

One child

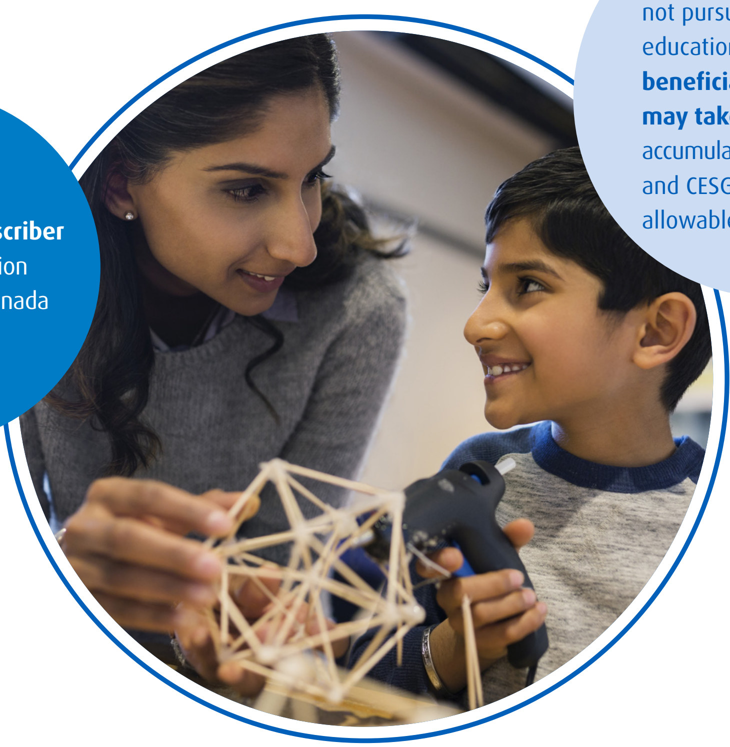
Individual (or Specified) plans are designed for one person only, making them more suitable for one-child families. And, if you are setting up an RESP for someone who is not related to you, this is the only plan option available.

“Education is the most powerful weapon which you can use to change the world.”

– Nelson Mandela

Over the past few years, the number and types of educational institutions that the proceeds of RESP savings could go towards has increased dramatically to include almost any type of post-secondary education the child may choose.

Family plan



Each child **must be related to the subscriber** — by blood or adoption as defined by the Canada Revenue Agency.

Contributions may be made for beneficiaries who are **under age 31**.

If any of the children do not pursue post-secondary education, **any other beneficiaries** within the plan **may take advantage** of the accumulated savings, earnings and CESG (up to maximum allowable limits).

Contributions are **CESG-eligible up to December 31st** of the year in which the beneficiary turns 17.

A subscriber (or joint subscriber) may **name one or more children** as beneficiaries.

Multiple children

Family plans are attractive if you have more than one child whom you’d like to have as beneficiaries because the funds held within the RESP can be used by one child if the other(s) decide not to attend a post-secondary institution. You can add or remove beneficiaries from family plans at any time.

The geography of RESPs

From Canada-wide to province-by-province, there are even more financial benefits to regularly investing in an RESP. In addition to CESG, you may be eligible to receive more money depending on where you live and your family's income situation.

The BC Training & Education Savings Grant

The BC Training & Education Savings Grant (BCTESG) provides a $1,200 one-time grant to children born on or after January 1, 2006. This amount is paid into an RESP upon application between the child's 6th and 9th birthday. At the time of the application, the beneficiary must be a resident of BC.

The Canada Learning Bond

The Canada Learning Bond (CLB) was introduced in 2005 to benefit low-income families. For qualifying families, the CLB grants $500 for the first eligible year and $100 for every additional eligible year until the child turns 15 years of age.

Total incentives can provide up to $2,000 in an RESP for each eligible beneficiary.

Québec Education Savings Incentive

The Québec Education Savings Incentive (QESI) was created by Revenue Québec to encourage families to save for their children's post-secondary education.

Basic QESI equals 10% of net annual RESP contributions up to an annual maximum of $250 per child:

- Increased QESI of up to $50 per year for low-income families added to basic amount above.
- Unused QESI room can be carried forward.
- $3,600 lifetime QESI limit per child.
- Eligible for children whose parent or guardian is a resident of Québec on December 31st of the taxation year.

It's never too early — or too late — to start saving for your child's education.

The science of BMO Target Education Portfolios

BMO Target Education Portfolios have been designed to simplify your decision when it comes to investment solutions for your child's RESP.

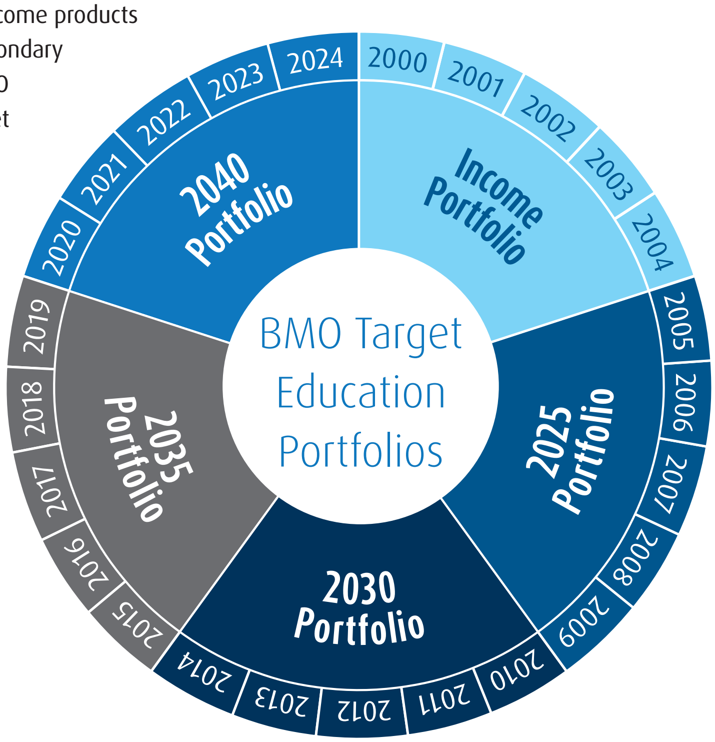
BMO Target Education Portfolios offer:

- The **growth potential** of a diversified portfolio of BMO funds and exchange-traded funds.
- A **range of options** so you can choose the portfolio that suits your child's investment time horizon.
- Built-in **risk management** — the portfolio becomes increasingly conservative as your child approaches the date in which he or she will need to fund their education.

We make it simple!

Your child's BMO Target Education Portfolio will increasingly invest in income products as he or she approaches the year in which they will start their post-secondary education. In that year, your child's assets will be switched into the BMO Target Education Income Portfolio to reduce the impact of equity market swings further as he or she begins to draw down their money.

! Your child's year of birth — the outside circle to the right — will show you the right BMO Target Education Portfolio!



"Education's purpose is to replace an empty mind with an open one."

– Malcolm Forbes

What does this all mean?

It means you can start saving today towards your child's future with tax-deferred growth and free money from the government. It's win-win!

For more information on RESPs or BMO Target Education Portfolios, please contact your BMO investment professional* or call the BMO Investment Centre.

Talk with us
1-800-665-7700

Learn more
bmo.com/resp

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*Investment professional refers to Financial Services Managers, Financial Planners, Investment and Retirement Planning and Investment Specialists that are representatives of BMO Investments Inc.