Product summary

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Plan purpose

› To accumulate savings for a post-secondary education

Plan type

› Individual

How the plan works

› The Diploma Registered Education Savings Plan (Diploma RESP) is based on the subscriber's commitment to make monthly PAC contributions until December 31 of the year in which the designated beneficiary reaches 17 years of age.

› The subscriber designates a beneficiary to use the investment income, Canada Education Savings Grants (CESGs) and education bonus generated by the plan.

› The income grows in a tax shelter as long as it is not withdrawn from the plan.

› The subscriber can make contributions to the plan for a period of 31 years after it is established and the plan can remain in force for 35 years.

› The beneficiary must have a Social Insurance Number and be a Canadian resident to be eligible for the plan.

Beneficiary

› Anyone age 14 or under at the time the plan is established

Contributions

› In mandatory periodic payments ($25 min. per contract)

› In lump-sum contributions ($100 min.)

› Cumulative limit of $50,000 per beneficiary

› Grace period for late PAC contributions:

Age of plan	Accepted Grace Period
47 months and less	3 months
48 months and more	6 months

› If PAC payments are still due at the end of the grace period, surrender fees will apply.

› Either part of or all surrender fees charged may be refunded into the plan if the subscriber catches up on PAC payments after the specified grace period.

Education Bonus

› The education bonus is equal to up to 15% of the total PAC contributions made and varies according to the beneficiary's age upon issue. It also takes into account lump-sum deposits paid to the plan according to the beneficiary's age when each deposit is made.

› The bonus is paid into the plan at the end of the PAC contribution commitment.

› The bonus is considered to be investment income and forms part of the Educational Assistance Payments (EAPs).

› If no EAP is paid to the beneficiary on the plan maturity date, the education bonus is returned to the Company.

Canada Education Savings Grant (CESG)

- The CESG corresponds to 20% of the first $2,500 in annual contributions made per beneficiary, up to a maximum of $500 per year or $1,000 per year if unused CESG rights are used. For low income families, grants can be as much as 40% of the first $500 in contributions.
- The cumulative lifetime limit per beneficiary is $7,200.
- The beneficiary may also be eligible for a Canada Learning Bond ($2,000 over 15 years).
- The beneficiary must be age 17 or under to be eligible (certain conditions apply to beneficiaries age 16 and 17).
- The plan sponsor, i.e., the Company, applies to the government for the CESG and invests it in the plan.

Quebec Education Savings Incentive (QESI)

- The QESI is equal to 10% of the first $2,500 of annual contributions made, up to $250 per year or $500 when there are unused QESI rights. Depending on family income, the QESI can reach up to 20% of the first $500 of contributions.
- The maximum per beneficiary is $3,600.

Alberta Centennial Education Savings Plan (ACES)

- When the conditions are respected, the Alberta government offers residents of this province an initial grant of $500 and three subsequent grants of $100 (at age 8, age 11 and age 14).

Investment

- The allocation of assets contained in the Diploma RESP relies on a combination of the Diploma Elementary Fund and the Diploma Secondary Fund. The allocation between these two funds is established according to the beneficiary's age.

	0 - 12 years	Annual rebalancing from age 13 to 17 17 years
Equities	60%	15%
Bonds	40%	50%
Money market	0%	35%

- The Diploma RESP includes a guarantee at maturity or at death.

Taxation

- The accumulated income, CESGs and education bonus are not taxable until they are allocated to the beneficiary.
- Contributions are not tax deductible and may be withdrawn tax-free.

Educational Assistance Payments (EAPs)

- EAPs are payments to the beneficiary that are composed of investment income, CESGs and the education bonus.
- A maximum of $5,000 in EAPs can be made during the first 13 weeks.
- If the designated beneficiary does not pursue a post-secondary education, another beneficiary may be designated or the accumulated investment income may be transferred to the RRSP of the subscriber or the subscriber's spouse, up to a maximum of $50,000 and under certain conditions.

RESP Loan

- The RESP Loan is recommended to maximize the CESG, especially when a child is older and on the verge of pursuing high school studies (age 12 and over).
- Reimbursable at any time and due and payable at the end of the contract.
- Minimum loan of $500 per request and a maximum of $5,000 per beneficiary per year.
- The maximum loan corresponds to 100% of the RESP contribution amount. The initial loan ratio is limited to 50% (loan/total value of contributions including the loan) and 75% thereafter. This means that the loan balance can increase to up to 75% of the total value of contributions before a reimbursement is required by the Company.

For more information on the Diploma RESP, consult the electronic version of the Diploma Marketing Guide on the extranet, in the Financial Advisor Library or in Interface Suite.

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