

GROUP REGISTERED EDUCATION SAVINGS PLANS (GROUP RESPS)

EDUCATIONAL MATERIALS



THE BASICS OF GROUP RESPS

WHAT IS A GROUP RESP?

A group RESP is an investment product that can help people save for a child's post-secondary (university or college) education. You promise to buy "units" from the provider. You may pay the full price of the units up front, or commit to make regular payments toward the price of these units. What you pay to purchase the units represents your contributions. Your contributions are combined with government grants when possible. If you remain in the plan and follow the plan requirements until the child attends post-secondary school, the child will receive payments known as Educational Assistance Payments (EAPs), which are made up of the earnings on your contributions and the government grants, to assist with the costs of school.

- A group RESP combines your contributions with money contributed by other people for their children. This is called "pooling." The amount of money each child gets for their post-secondary education depends on how much money is in the group account, how many children are going to post-secondary school that year, and how many units you purchased. It may also depend on the type of post-secondary program your child enrolls in.
 - The amount of money your child will receive will depend on how much "attrition" there is from your pool. If you withdraw early from the plan, if your plan is cancelled, or if your child does not attend post-secondary school, the money earned on your contributions is redistributed to those who remain in the plan until their children attend post-secondary school.
- A group RESP is for people who are fairly certain that the child will attend post-secondary school *and* who can make regular payments for many years. For people who may not be able to make regular payments or whose children may not attend post-secondary school, there are other types of RESPs which may be more suitable. Or it may be that an RESP is not right for you at all at this time. RESPs are not the only way to pay for post-secondary education. Students have access to government loans, and may have access to funding from their post-secondary institution.
- Not all group RESPs are the same. You should research different plans and providers and be sure you understand all of the rules before signing any contract. You also should research non-group options (Individual and Family RESPs). These options are offered by group plan providers as well as by other financial institutions, such as banks and credit unions.
- The Government of Canada registers all RESPs and RESP providers. The Government also provides grants that get paid into RESPs. But there is no guarantee that you will not lose money through a particular RESP. You could lose your contributions, the government grants, and the earnings on your contributions and the grants.
- While group RESPs are held by non-profit foundations, the plans are sold by sales representatives that work for companies known as "scholarship plan dealers." Like other types of salespeople, group RESP sales representatives are paid commission for each unit they sell.

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- You always have 60 days to withdraw from a group RESP and receive back all of your money (except for optional insurance premiums you have paid).

How much will it cost me?

- You will be expected to make payments based on the payment schedule you choose. There are various payment options such as lump sum payments, yearly payments, or monthly payments. The amount of the payments will depend on how many units you purchase when you enroll in the plan, the specific plan provider, and the age of your child. The more units you purchase, the more you will be paying.
- An important fee to be aware of is the **sales charge**. Here is an example of how the sales charge usually works:
 - You purchase one unit in the group RESP. The sales charge for this unit is \$200.00. Until half (\$100.00) of that \$200.00 is paid off, all of your contributions will go toward this and will **not** be invested. Once you have paid off half of the sales charge, the balance of the sales charge will be paid by taking half of each of your ongoing contributions. This will continue until the sales charge is fully paid off. Depending on your payment schedule, this could mean that 60% of your payments will go toward fees and **only 40% is invested into your plan** for approximately three years. You can find information on this fee in the Plan Summary and Prospectus of each group plan.
- There are other fees associated with a group RESP. Make sure you discuss all fees with your plan provider or review the list of fees in the disclosure documents when purchasing a plan.
- If you withdraw from the plan after 60 days, or your plan is cancelled, you will lose all of the contributions paid toward the sales charge, the earnings on your contributions and government grants. Some government grants cannot be re-earned if you start a new RESP.

How much money will I make?

- There is **no guarantee** that you will make money through investing in a group RESP. In fact, there is always the risk that you will lose some, or all, of the money that you have invested. There are many risks associated with investing in group RESPs. Some risks are similar to the risks of any investment, such as the risk that the value of the investment will fall over time. Some risks are specific to investing in a group RESP. If you or the child do not meet the terms of the contract you have signed, the child may not receive money toward post-secondary school.

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Where can I get more information?

- When you sign up for a group RESP, you should receive a document called a [Plan Summary](#) and a [Prospectus](#). **It is important that you take your time and review these documents.** The Plan Summary is only four pages long, must be written in plain language and contains important information. Plan providers must provide these documents to you within 48 hours from when you purchase the plan. **They also must provide them on request.** These documents are also available online on the plan providers' websites.
- You can also conduct a [National Registration Search](#) through the website of the Canadian Securities Administrators to confirm that the sales representative is registered in your province and learn whether they have been disciplined by a provincial securities commission. It is recommended that an investor conduct a registration search before deciding to deal with a particular person or company.

ALREADY ENROLLED IN A PLAN?

WHAT YOU NEED TO KNOW ABOUT YOUR GROUP RESP

Keep your address up to date

It is likely that your plan provider will communicate with you by mail about important deadlines or other issues. You should make sure that your provider always has your current home or mailing address on file.

What happens if I miss a contribution? Can I make changes to my plan?

- If you miss a contribution you **may** end up in default. This means that you will get a letter from the plan provider stating that you must make up the contribution plus interest and any other fees associated with the missed contribution. This can become very expensive. If you do not make the required payments set out in the letter, your plan may be cancelled and your contribution will be returned to you less any fees, including the **sales charge**. You will not receive any earnings from your contributions or any government grants. Some of these government grants cannot be re-earned if you start a new RESP in the future. Contact your plan provider immediately to set up an arrangement if you miss a contribution.
- If you are unable to continue making contributions, there are options. To access any of these options, you must contact your plan provider as soon as possible. **There are often fees associated with making changes to your plan.**
 1. Change your contribution schedule – You may be able to reduce the amount of units in your plan. This will reduce the amount of money that the child will receive in the end. You can also change how often you make contributions. Be sure to ask about any fees before making changes to your plan.
 2. Transfer to a different type of plan at the plan provider – You can transfer to a different plan that may better meet your needs. Talk to your plan provider about this option. Be sure to ask about any fees before making changes to your plan. As the child approaches 18, there may be a deadline to transfer to a different type of plan. You should check the Prospectus or call your provider.
 3. Transfer to another RESP provider – You can transfer to another RESP provider. Be sure to ask about any fees before making changes to your plan. If you do this, you will lose the earnings on your contributions and the fees you have paid. As the child approaches 18, there may be a deadline to transfer to a different type of plan. You should check the Prospectus or call your provider.

ALREADY ENROLLED IN A PLAN?

- If you want to make changes, contact your plan provider immediately. If something is not working for you or you have questions or concerns, do not hesitate to contact them. You can make changes to your contribution schedule or number of units at any time. There will often be fees for any changes.

How do I get out of a group RESP?

- **You have the option to get out of the plan without penalty in the first 60 days.** You will be refunded your entire contribution and any sales charges or other fees, except for premiums paid on optional insurance.
- If you withdraw from your plan after 60 days, you will get your contributions back less any fees that have already been paid. It is likely that the amount you get after withdrawing from the plan will be significantly less than what you have put in. You also lose the earnings on your contributions, and government grants. Some of these grants cannot be re-earned if you open a new RESP.

How do I access the money once the child is ready to attend post-secondary school?

- The year the child turns 18 is usually considered the “maturity year” of the plan. You will likely receive a letter from the plan provider indicating your options at this time. You will also report to the plan provider whether the child will be attending post-secondary school. If you do not receive a letter, contact your plan provider before the child turns 18. If you receive a letter, take note of any deadlines for accessing Educational Assistance Payments.
- If the child begins post-secondary school, they may start receiving Educational Assistance Payments. You will not get all of the money at once but it will be given out on a schedule according to how many years of post-secondary school the child is attending. The longer the post-secondary program is, the more the child will receive in Educational Assistance Payments. A four-year program will result in the maximum amount of payments. Under the terms of most plans, the child does not receive Educational Assistance Payments until their second year of post-secondary education. In the first year, the plan will return your contributions. You can opt to have these paid to the child.
- **Each year, usually by November 1, you or the child must contact your plan provider and inform them if the child is attending post-secondary school.** You must fill out the appropriate forms. If the plan provider does not hear from you or the child, they may assume that the child has dropped out of school and the child may not receive the Educational Assistance Payments.

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What happens if the child does not attend post-secondary school?

- If the child does not attend post-secondary school, you may change the beneficiary (i.e. the person to be receiving the payments) to another child or family member who will be attending post-secondary school. Be sure to ask about any fees before making changes to your plan. Also, there may be deadlines for changing the beneficiary. For example, you likely need to do this before the plan maturity date.
- You also may be able to postpone the maturity date if you think that the beneficiary may attend post-secondary education later. There is a deadline to do this. There also is a time limit on how long you can delay maturity.
- You may be able to transfer your contributions and money earned on your contributions into an RRSP, if you have RRSP room. There may be a deadline to exercise this option.
- You may be able to have payments made to you. There may be a deadline to exercise this option. You will have to pay tax on the earnings paid to you.

What can I do if I have concerns about my plan?

- If you have a concern about your group plan, you can complain to your plan provider. The provider must make a decision in response to your complaint. If you haven't heard back from your plan provider with a decision about your complaint within 90 days, or you are not satisfied with their decision, you can bring your complaint to the Ombudsman for Banking Services and Investments (www.obsi.ca or 1 (888) 451-4519). This service is free for you. The Ombudsman will make a recommendation as to how the plan provider should resolve your complaint. This recommendation can involve a payment of money to you. The Ombudsman's recommendation is not binding on the group plan, but it's rare for a company to refuse to compensate an investor when recommended by the Ombudsman. If you are bringing your complaint to the Ombudsman because you are unhappy with the decision by the group plan provider, you must contact the Ombudsman within 180 days of the group plan telling you their decision.

ALREADY ENROLLED IN A PLAN?

FIGURING OUT YOUR OPTIONS

If you are already a subscriber to an RESP held by a group plan provider, the following steps can help you to better understand your plan and figure out the options available to you.

1) Identify your plan and RESP provider

- You can get information about your plan from the contract you signed when enrolling in the plan, from the statements that you are entitled to receive from the provider each year, or by calling your provider.
- If you do not know who your RESP provider is, you can directly contact Employment and Social Development Canada (ESDC) at 1-888-276-3624 to get a statement of all RESPs opened for your child.

2) Identify the terms of your plan

- The terms of your plan are explained in the Prospectus. In addition, you can find key information in the Plan Summary. These documents are available online on your plan provider's website.
- You can find information about the contributions you have made, the fees you have paid, and the government grants that have been paid into your plan in your Annual Statement.
- Questions to consider:
 - How often do you contribute to the plan?
 - How much do you contribute each time?
 - How much have you contributed to date?
 - How much do you pay in fees?
 - How much have you paid in fees to date?
 - Are you paying for any additional services (for example: insurance) from the provider?
 - Are you getting all of the government grants that you are entitled to?
 - What happens if you can't make your contributions?
 - What happens if your child does not attend post-secondary school?
 - How many years of post-secondary education does your child need to attend to get the maximum amount of EAPs?

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- How long can the plan stay open?
- Is the sales charge refund a discretionary or a non-discretionary payment?
- Are the earnings from attrition (also called a "bonus", an "enhancement", or a "top-up" in the prospectuses) discretionary or non-discretionary payments?

3) Identify your options and the cost of these options

- The terms of your plan may allow you to
 - change your contribution schedule;
 - transfer to a different type of plan at the group plan provider; or,
 - transfer your RESP to another provider.
- Each of these options may have fees associated with them.
- If you choose any of these options it may affect the amount of money you and your beneficiary will receive from the plan.
- Questions to consider:
 - How long have you been contributing to the plan?
 - How long will it be until your plan matures?
 - How many units have you already purchased through your contributions?
 - What are the projected earnings on your contributions?
 - Can you keep the plan open without making further contributions?
 - Can you change the plan maturity date?
 - Can you change the beneficiary?
 - How much would it cost to transfer to a different type of plan at the group plan provider?
 - How much would it cost to transfer to a different RESP provider?
 - Can you transfer your accumulated government grants to the new RESP?
 - How much you will get back from the plan after you pay any fees or penalties?
 - How much will you forfeit in sales charges, other fees, and investment earnings?

AUTHORS & ACKNOWLEDGEMENTS

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