# How advisors are getting clients back on track for RESPs before year-end

Deanne Gage | Special to The Globe and Mail | Published December 17, 2021


More grandparents are setting up an RESP on behalf of their grandchildren or are helping actively to contribute financially to education savings.

Many advisors encourage parents who are behind on contributions for their children's registered education savings plan (RESP) to play catch up before the Dec. 31 deadline to qualify for free government grant money.

The average RESP contribution last year was $1,635 per beneficiary, according to the federal government's Canada Education Savings Program: 2020 Annual Statistical Review. This amount falls a bit short of receiving the maximum amount for the government grant.

The Canada Education Savings Grant (CESG) matches 20 per cent of RESP contributions each year up to $500, making $2,500 the ideal annual amount to contribute, says Jennifer Walker, partner and certified financial planner with Carruthers Financial and Associates at Investia Financial Services Inc. in Aurora, Ont.

But parents can contribute a maximum of $5,000 a year and would receive $1,000 in CESG if the RESP has carry-forward contribution room. An RESP beneficiary can receive a lifetime amount of $7,200 in CESG.

Mrs. Walker hasn't noticed a significant decrease in RESP contributions from her clients. If anything, the pandemic heightened many clients' desire to save more.

"The cost of education is going up considerably and clients are worrying constantly about whether their kids will be able to get through school and not end up with a huge debt," she says. "This has been an important conversation starter for us before and throughout the pandemic."

One strategy for keeping contributions on track is adding RESP contributions to a client's monthly budget. Most of Mrs. Walker's clients actually prefer to set up monthly pre-authorized deposits.

"It's easier, for some, to find the money small bits at a time each month," she says. "It's also better to contribute year-round to dollar cost average and have more time in the market."

However, a monthly plan will not be feasible for others such as self-employed individuals whose incomes have more ebb and flow. Those clients may opt to contribute a lump sum once a year, Mrs. Walker says.

She sends out regular reminders to those clients to make sure they don't miss the opportunity to get the CESG for the year.

Other parents may have other financial priorities and setbacks and believe they have lots of time to catch up on education savings. But Mrs. Walker says that the years can go by quickly.

"If you wait too long to start, then the years aren't there to catch up on the CESG," she says.

For example, this year is the last chance for parents to contribute and still be eligible for some CESG top-ups if they have never contributed to an RESP and their child turned 15.

In this situation, the parent would need to contribute a minimum of $2,000 for the 15-year-old's RESP by Dec. 31. They would have just two more years to contribute after this year until the child is 17. But contributing any funds toward education savings is better than nothing, Mrs. Walker says.

## Grandparents step in to help

Sometimes, other family members will assist with education savings.

David Christianson, senior vice-president and portfolio manager of Christianson Wealth Advisors at National Bank Financial Wealth Management in Winnipeg, has "a mature client base" and says more grandparents are setting up an RESP on behalf of their grandchildren or are helping actively to contribute financially to education savings.

"I recently received a text from a client saying, 'I have a new grandson, I'm thinking of an RESP, what do you think?'" he says. "We talked over the pros and cons and, in her situation, it was a good idea."

Mr. Christianson adds that many grandparents are aware of the parents' vast array of expenses – from mortgages, child care, and car payments – and want to lessen the financial burden.

Now, when he hears about new grandchildren, he brings up the RESP with them within the child's first year.

Scott Plaskett, chief executive officer and managing partner at Ironshield Financial Planning Inc. in Toronto, says sometimes parents bring up the fact that grandparents want to help contribute to RESPs during client reviews.

"We'll generally take the grandparents' contributions and just direct them into the plan that's overseen by the parents," he says.

Mrs. Walker has also seen other family members – such as aunts or uncles – set up accounts for their relatives.

She advises the family members to inform the parents as they may already have accounts set up.

"While you can have more than one RESP, you can only receive the grant money for one account," she says "So, it needs to be a family conversation to make sure that everyone is aware of who is contributing and where the accounts are held."