How to choose between

individual, family and group RESPs

There are three types of Registered Education Savings Plans (RESPs): Individual RESPs, family RESPs, and group RESPs. The type of RESP that is best for you will depend on how many children or beneficiaries you want to save for, how old they are, and the benefits and drawbacks of each type.

Individual RESPs

Padro is looking to open an RESP for his 11-year-old nephew. Since he is only saving for one beneficiary and he is not the child's sibling, parent, or grandparent, he chooses to open an individual RESP.

Individual RESPs are used to save for the education of one beneficiary. The beneficiary does not have to be related to the subscriber, so it is suitable to use if you are saving for a child that you are not related to. You can even contribute to an individual RESP for yourself.

Benefits of individual RESPs

- Anyone can open an individual RESP and anyone can contribute to it.
- You do not need to be related to the beneficiary (does not have to be your sibling, child, or grandchild).
- You can name the beneficiary or change the beneficiary on the RESP at any age.
- You can contribute to the plan no matter the beneficiary's age.
- You can combine individual plans into a family plan at any time.

Drawbacks of individual RESPs

- You will need to open multiple individual plans if you are saving for more than one beneficiary.
- There may be more time, paperwork, and fees to open multiple individual plans.

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Family RESPs

Beth is mother to two young children ages two and four. Since the two children are siblings and she is the parent of both children, she can open a family RESP.

Family RESPs are used to save for the education of one or more beneficiaries, but each beneficiary must be related (as a sibling, child, or grandchild) to the subscriber. Family plans are ideal if you are saving for two or more children.

Benefits of family RESPs

- It is less work to add a new child to an existing family plan than to create a new individual plan.
- You may save fees with a family RESP over a group of individual RESPs.
- You can move money more easily between different children in a family RESP than between separate individual RESPs.
- One child can use more of the money in the RESP than another. This is helpful if the education costs end up being different for each child.
- The government grants and bonds in the RESP can be shared among all the children in the plan so that you can use the money more flexibly.

Drawbacks of family plans

- All beneficiaries must be related to the person opening the plan (as a sibling, child, or grandchild).
- All beneficiaries must be under age 21 when named to the plan
- You can only make contributions up to when a beneficiary turns 31 or 31 years after the plan was opened (whichever comes first).

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Group RESPs

Lin and Kat are expecting their first child next month. They have been receiving different brochures asking them to consider opening a scholarship plan or education plan for their child. They discovered that these are advertisements from companies that specialize in selling group RESPs. After doing some research, they also found out that while these companies can help them invest their money and manage their account, group RESPs have many restrictions and charge much higher fees than individual and family plans.

Group RESPs are also called pooled plans or scholarship plan RESPs and are sold by specialized companies. Group RESPs are essentially individual plans that are grouped by the company based on the year each child is born. Each family who opens a group RESP signs a contract with the company to contribute to their plan by buying "units" on a fixed schedule. When the plan matures, your child will share in the earnings of other investors with children the same age.

Risks of Group RESPs

- Contracts are usually difficult to read and understand.
- Group plans tend to have less flexibility and more restrictions than other plans.
- You cannot control how much you invest and when.
- You may have to pay penalties and interest fees if you are not able to make the regular payments.
- Your earnings may be affected if your child does not begin postsecondary studies at the same time as the rest of the group.
- If you drop out of the plan before it matures, you forfeit all of your earnings to the group and may end up losing money because of sales charges.

Individual plan	Family plan	Group plan
• Available at financial institutions (e.g. banks) • One beneficiary per plan • Beneficiary does not need to be related to the subscriber • Beneficiary can be any age when named to the RESP • Contributions can be made no matter the age of the beneficiary	• Available at financial institutions (e.g. banks) • One or more beneficiaries per plan • Each beneficiary must be related (as a sibling, child or grandchild) to the subscriber • Beneficiary must be under age 21 when named to the RESP • Contributions can be made until the beneficiaries turn 31 • CESG can be used by any beneficiary to a max of $7200 per beneficiary • Earnings on A-CESG and the CLB can be used by any beneficiaries who are siblings	• Only available at scholarship plan dealers • Group of individual plans where beneficiaries are all born in the same year • All subscribers' contributions are pooled and invested together • Contributions are made as regular payments for a fixed amount over a period of time • Fees and interest may apply if you do not make the payments • All the rules and restrictions of individual plans also apply to group plans • Each group plan is different and has its own rules – read the plan rules carefully