



**ADVANTAGE**  
FINANCIAL SERVICES

**PORTFOLIO STRATEGIES**

**c o r p o r a t i o n**

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### Random Thoughts

A budget tells us what we can't afford, but it doesn't keep us from buying it.

**William Feather**

Most of the important things in the world have been accomplished by people who have kept on trying when there seemed to be no hope at all.

**Dale Carnegie**

An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.

**Laurence J. Peter**



### Did you know...

-111,111,111 x 111,111,111 = 12,345,678,987,654,321

-apples are more effective at waking you up in the morning than coffee

-before 1850 golf balls were made of leather and were stuffed with feathers

-excessive use of credit is cited as a major cause of non-business bankruptcy, second only to unemployment.

## RESP Accounts Make Good Cents

With the kids are heading back to school, it's a great time to talk about Registered Education Savings Plans (RESPs). As the old saying goes: "The best time to plant an oak tree was 20 years ago. The second best time is today." That logic also applies to RESPs.

This special savings account registered with the Government of Canada, can help you save for your child's education after high school. You will not be taxed on the interest, and your child can usually withdraw the money virtually tax-free as student income is typically very low. Here are some great reasons to open an RESP if you haven't already – or to contribute if you do have an RESP.

**1. Simple to open:** If you haven't opened an RESP, the first thing to do is make sure your kids have Social Insurance Numbers (an RESP cannot be opened without it). Getting a SIN card is straightforward and free. You can [download an application form](#) or call 1-800-O-CANADA. An aunt, uncle, or grandparent can open an RESP on a child's behalf. They can also contribute to a plan you already have set up. Remember though, there are contribution limits for each child, so make sure to maintain communication.

### 2. Matching contributions:

**A.** Children are eligible for the CESG (Canadian Education Savings Grant) up until the end of the year in which they turn 17. The government will match 20% of whatever you contribute up to \$500 a year (lifetime grant maximum is \$7,200). In other words, if you invest \$1,000, the CESG provides an additional \$200. As well, depending on your family income, you could be eligible for as much as 40% in CESG payments. The government doesn't give you much for free, so when money is offered for your child's post secondary education, why not take it? Even if you don't have an RESP yet, your child accumulates CESG room from birth. **B.** As well, the Government of Alberta will deposit \$500 into a RESP for every child born to (or adopted by) Alberta residents in 2005 and after. Additional grants of \$100 are available to eligible children attending school in Alberta who have turned 8, 11 or 14 in 2005 or later. A deposit into the child's RESP of at least \$100 during the previous year, is required to receive each of

these \$100 payments. This could be an additional \$300 for your child's RESP. To receive these grants, an application must be submitted within 6 years of birth or within 6 years of the child turning 8, 11 or 14 in 2005 or later.

**3. Tax-free compounding:** All interest payments, dividends and capital gains earned inside an RESP account are not taxable. This means you get to keep all of the money earned, increasing the amount of money available for your child's education. If you start the RESP account when your child is young, there will be many years for that investment to grow tax-free.

**4. Dedicated savings account:** It is a good idea to have a separate savings account for a major financial goal like post-secondary education. If this money were mixed in with other types of savings, it would be easier to spend it on items other than education. With a fully funded RESP, parents should not have to use a large amount of their budget to pay for their child to attend college or university.

**5. Investment selection:** While there are many investment choices for an RESP, I suggest using a customized portfolio. When your children are young, you can be more aggressive and then become more conservative as the time grows closer to the funds being used.

**7. Your initial contribution is safe:** If your child decides not to go to college or university, you can either transfer the money to their brother or sister's RESP, your RRSP or withdraw all of your original contributions. If you withdraw your contributions however, you may need to repay any CESG amounts, or pay tax on any money that your investment earned

According to statistics Canada, it is estimated that by 2019, the total cost of a four-year university education will be \$74,000 and a three-year college education will total \$45,000. Now that's motivation enough to start saving with an RESP.

Please call our office if you have any questions or would like to set up or add to your RESP.

### Keeping you informed:

#### Living Below Your Means Is Like Saving for Retirement Twice

<http://www.getrichslowly.org/blog/2011/03/23/living-below-your-means-is-like-saving-for-retirement-twice/>

#### More about RESPs

<http://www.canlearn.ca/eng/saving/resp/index.shtml>

#### Warren Buffett's winning ways, 50 years on

[http://www.marketwatch.com/story/warren-buffetts-winning-ways-50-years-on-2012-07-27?mod=wsj\\_share\\_tweet](http://www.marketwatch.com/story/warren-buffetts-winning-ways-50-years-on-2012-07-27?mod=wsj_share_tweet)