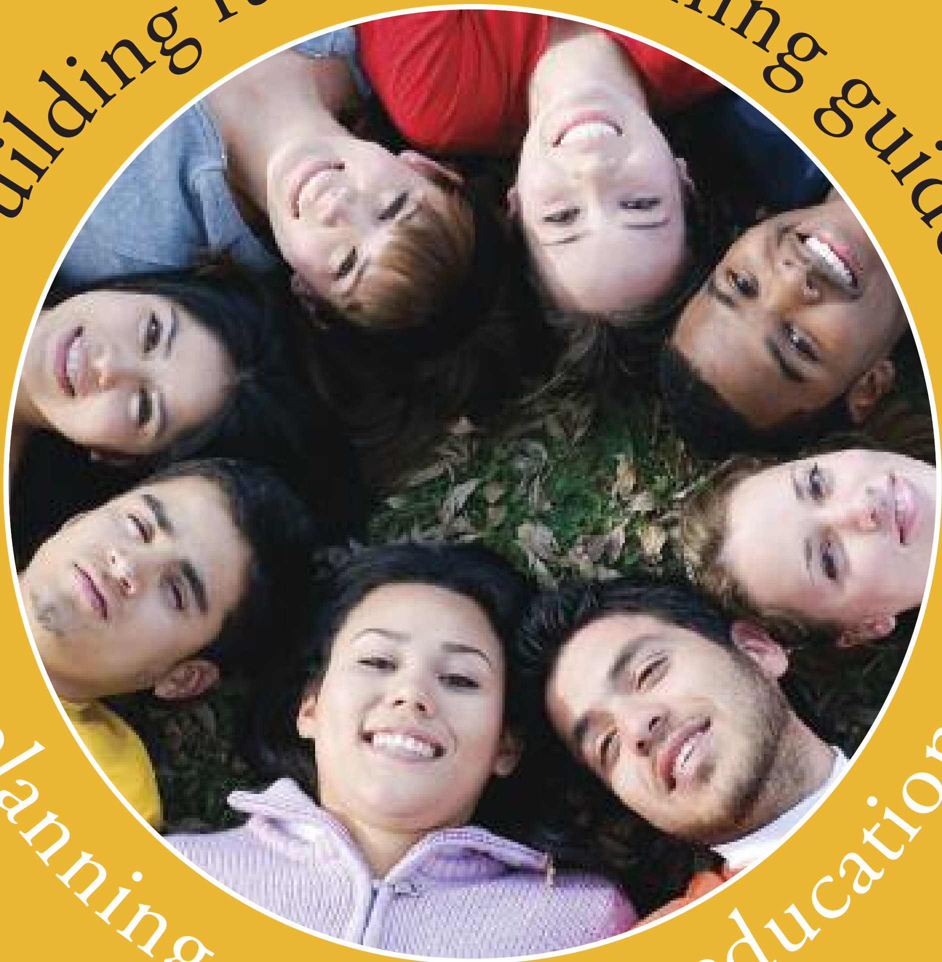
building futures planning guide



planning your child's education

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Funding to develop The Building Futures Network has been provided by The Government of Canada through the Canada Education Savings Program.

about this guide

A few key points that you should know before reading and working with this Guide:

- The Canadian Foundation for Economic Education (CFEE) is a federally chartered, non-profit, non-partisan charitable organization. We produced this Guide with funding from the Government of Canada through the Canada Education Savings Program. The opinions and interpretations in this publication are those of the author and do not necessarily reflect those of the Government of Canada.
- Our goal is to help you to save for your child's future post-secondary education and training. It is *not* our goal to make any money from this publication. We give it away free of charge.
- The Guide will not try to sell you anything or suggest any company or their products to you.
- We do encourage you to get started saving now for your child's post-secondary education – if you have not done so already.

  Why? Because starting early is one of the most important things you can do when saving. Even small steps today can make it much easier to pay for your child's education later.

- We do encourage you to open a Registered Education Savings Plan (RESP) if it is right for you. An RESP is a special plan that helps you save for a child's studies after high school. Over the years, you put money into the plan and invest it so it will grow.

  Why? Because when you open an RESP, you can get money from the government to help you save for your child's post-secondary education. Your savings can also grow tax free in an RESP until the funds are withdrawn. The Guide includes information to help you decide if an RESP is a good choice for you.

Many Canadians would like to save for their child's future but are confused about what to do. They may feel they aren't able to save enough. Or they may not trust the people and organizations that offer information about money matters. A common fear is that those offering help are mostly interested in selling products and making money and may not put the best interests of investors first.

We hope this Planning Guide will help you feel more confident about your choices and your ability to save for your child's future. We have provided many examples to illustrate the points we are trying to make.

The Guide is available in two versions: in print or on-line. If you can use the on-line version – which is available at www.buildingfuturesnetwork.com – you will find many useful links and calculators to help you with your planning – and with the math.

four steps to planning your education savings

This Planning Guide will take you through four steps to help you plan for your education savings:

Step 1: Estimate the costs

What is your child's apprenticeship, college, or university program likely to cost? This includes both school costs and living costs.

Step 2: Identify sources of money to help cover the costs

There are several ways you or your child may be able to get help paying for education. This includes scholarships, awards, and student loans. Also, you may qualify for money from the government if you open a Registered Education Savings Plan (RESP).

Step 3: Set your total savings goal

How much will you have to save each week, month, or year to reach your savings goal?

Step 4: Develop your plan

The most important thing is to have a plan and to get started. Saving even a small amount over many years can make it much easier to pay for your child's future education or training.

Ready to get started? Read on.

Save a little, save a lot: The story of the Merciers

The Merciers want to save money to help their eight-year-old daughter, Camille, pay for her future education. They are not sure how much they should try to save each month. The answer depends on two things:

- how much they think Camille's education will cost
- what other sources of money they may be able to count on.

To get started, they want to know how much they could save over the next 10 years. Here's how the numbers would work out if their savings grow 6% each year:

If they save:	$50 a month	$100 a month	$200 a month
They will have:	$8,124	$16,247	$32,495

Plus, if they save their money in a Registered Education Savings Plan (RESP), they can get grant money from the government. That will make their savings grow even faster.

For instance, saving just $50 dollars a month – less than $2 a day – can add up to $10,000 over 10 years if you include the government's incentives. That's $4,000 more than you would save on your own.

Note: These numbers are for illustration only.

step 1: estimate the costs

There are lots of costs to consider when planning for your child's post-secondary education and training. These include:

- ○ Fees to apply
- ○ Tuition
- ○ Textbooks
- ○ Supplies
- ○ Transportation
- ○ Other fees for college or university, such as campus sports
- ○ Living costs – if your child lives away from home

How can you estimate these costs? We suggest one of these two ways:

1. Use the chart on the next page to get a general estimate. It provides general estimates that apply to many schools and programs.
2. Work out your own estimate. This way you can get numbers for your child's specific situation.

METHOD #1: USING THE CHART

Use the chart below to get a basic estimate of post-secondary education costs. Note that yearly costs will rise over time. So, the more years until your child will attend post-secondary education or training, the more their program will cost.

TABLE 1: Student lives at home

Years until child attends college/ university	Estimated Cost of schooling
2	$19,000
4	$21,000
6	$23,100
8	$25,400
10	$28,000
12	$30,900
14	$34,100
16	$37,600
18	$41,400

TABLE 2: Student lives away from home

Years until child attends college/ university	Estimated Cost of schooling
2	$47,600
4	$52,500
6	$57,800
8	$63,700
10	$70,300
12	$77,500
14	$85,300
16	$94,100
18	$103,800

Source: TD Bank Financial Group

An example from the chart

This chart assumes:

- four years of post-secondary education
- living costs of $4,000 a year for a student living at home, and $10,000 a year for a student living away from home (to cover room and board)
- an average between university and college students' spending for tuition, fees, and other costs such as books, supplies, and computers (from Statistics Canada, 2003)
- a 5% increase each year in education costs (which takes into account inflation).

Let's say your child is 10 years away from college, university, or apprenticeship and plans to live at home. Four years of schooling will cost about $28,000 – or an average of $7,000 a year. If your child is likely to live away from home, and is 10 years away from going to college or university, then the cost estimate is $70,300 – or an average of about $17,600 a year.

METHOD #2: CALCULATING YOUR OWN COST ESTIMATE

You may think that your child's education costs will be nothing like the "average costs" you see in the chart. If so, you may want to come up with your own cost estimate. There are two main costs to consider:

- Tuition
- Other costs.

Tuition

Tuition fees vary from school to school and program to program. They also vary across the country. Also, if your child is young, you may not have any idea what program he or she will take after high school. If you don't know an exact number, use the average tuition of a college or university program in Canada today.

If you are able to use the on-line version of this Guide, you will be able to link to the Investor Education Fund's web site where you can use its education savings calculator to find out the average tuition today for a college or university program in each province and territory. If you are not on-line, you can use the average costs shown below, which are produced by Statistics Canada and the Ontario Ministry of Training, Colleges and Universities.

Average tuition fees for one year of college or university in Canada for 2013/2014:

College program:	$2,280
University program:	$5,772

What about costs in the future? Unfortunately costs do go up over time.

This Guide is about planning for the future, and today's costs don't always help you much if they are going to change over the years. If you are able to go on-line, the education savings calculator on the Investor Education Fund's site will help you to do the math.

If you are not able to go on-line, you can assume today's tuition fees will go up a certain amount each year. Let's assume they go up 5% a year. What would your child's tuition be in 10, 15, and 20 years?

Estimated costs:	Today	10 years	15 years	20 years
College program:	$2,280	$3,713	$ 4,739	$ 6,049
University program:	$5,772	$9,401	$11,999	$15,314

Estimations from HRSDC, StatsCan, and TD Economics, based on 2009 information, put the estimated cost of an undergraduate degree in 18 years at $137,013.

What about the costs of apprenticeship and skilled trades training?

This area of education and training is likely to change a great deal over the next 10 years. Canada is facing some significant skilled labour shortages. So we will likely see more efforts to get young people into the skilled trades, with many new training programs. This is something to keep your eye on.

If your child does enter some kind of apprenticeship program, they will spend part of their time in class and part of their time in on-the-job training. Students may have to pay for the class time and also pay for tools and equipment. Today, the costs of each in-school session can range from $200 to $800. You may wish to look into one or more apprenticeship training programs to see the estimated costs.

Other costs

Whether your child lives at home or goes away for school, there are other costs for post-secondary education. These include food, clothing, entertainment, and so on. You will need to build these costs into your plan. Here are some of the most common ones.

TIP: If your child lives at home, they will have lower living costs. But if you are not sure, you may want to save more so they will have the choice. It depends in part on what you can afford.

Costs to apply:

It costs money to apply to post -secondary institutions. You only pay these fees once, when your child applies. But costs can vary. Check with the Guidance staff at your child's school to find out more.

Example

The cost for a student to apply to three universities (through an application centre) may be about $100. This fee is non-refundable – so you don't get the money back if your child is not accepted or chooses not to go to these schools.

Textbook costs:

These costs vary by program and usually run into the hundreds of dollars. If you know your child is interested in a certain area of study, do some research.

TIP: Your child can save money by buying second-hand books, borrowing from friends or family, or buying on-line.

Like everything else, the cost of textbooks will likely go up over time. For the sake of planning now, assume a textbook cost of $800. You can always adjust your estimate for the future, based on how many years until your child will attend post-secondary education.

Cost of supplies:

The cost of school supplies can really add up. It depends a lot on your child's chosen program of study. Supplies can include such things as paper, pens, calculators, binders, a computer, computer supplies, printer, print cartridges, and cell phone. They can also include specific equipment necessary for a particular course of study – such as laboratory equipment or clothing. It can be hard to estimate these costs. But it's better to budget something for supplies than leave them entirely out of your savings plan.

Transportation costs:

Even if your child lives at home, they will have travel costs getting to and from their university, college, or training program. Transportation costs can, of course, go up if your child lives away from home – assuming that your child will travel sometimes between home and their college or university. Include some money for travel in your savings plan, even if you don't know exactly how much your child will need.

Other fees and costs:

Your child may also have to pay athletic fees, student union fees, health and insurance fees, and so on. These costs vary but can add up to $800 or more per year. Some fees may be optional. But if your child doesn't pay, they may not be able to use some services. Or, your child may lose some benefits, such as insurance.

Living costs:

According to today's estimates, students who live away from home spend, on average, $925 a month to live. This includes everything from rent to food to Internet to toothpaste. Some of these costs will apply even if your child lives at home. It is estimated, though, that living at home will save around $600 to $800 more a month – at today's prices.

Don't forget: prices will likely go up each year. So if your child is years away from finishing high school, budget for higher living costs.

EXERCISE:

Estimate your child's total education costs:

Tuition:	$
Application fee:	$
Textbooks:	$
Supplies:	$
Transportation:	$
Other fees and costs:	$
Living costs:	$
Grand total:	$

Enter this figure on line #1 in your planning worksheet on page 33.

Then pick yourself up off the floor!

If you are like most people, the total figure is likely a bit of a shock. You may wonder how on earth you will ever be able to pay all those costs. Step 2 will help you find some answers.

How much will it cost? The Khans' story

The Khans' 18-year old son, Azam, plans to attend college next year. He will live on campus for the whole three-year diploma course. What will it cost?

Education costs for three years:	$2,280 a year x 3 years = $ 6,840
Living costs:	$8,600 a year x 3 years = $25,800
Other costs (books, student fees, and so on):	$3,000 a year x 3 years = $ 9,000
Total costs for Azam's three-year college diploma:	$41,640

Note: These numbers are estimates only. Your child's costs could be higher or lower.

step 2: identify sources of money to help cover the costs

Education is costly, no question. But now the good news: you may be surprised to learn the different ways of covering your child's post-secondary education costs. Here are six of the most common ones.

1. Your child may be able to work to help pay the bills.

Your son or daughter may be able to work part-time during the school year or full-time over the summer break. As an example, if they make $10 an hour and work 36 hours a week, they could make more than $6,000 over the summer. Even if they use some of their pay for spending money during the summer, they can still contribute to their education costs.

2. Your child could apply for scholarships, student loans, or grants.

You would be surprised at how many scholarships there are. Scholarshipscanada.com lists more than 21,000! And they are not just for students with high marks. Many are for students who work hard to make their school or community a better place to be. Some are for students who are going into a certain type of program and need financial help. Others are for students in certain sports or students who qualify for extra support.

The Canada Student Loans Program offers loans and grants to help students in financial need. They don't have to pay back the grants, but they will have to pay back any loans. The interest rate and pay-back terms on student loans are better than on most other regular loans.

TIP: Student loans are still one of the cheapest ways to borrow money for education. Rather than take out a more costly loan themselves, some parents have their child take out a student loan. Then they help their child pay off some or all of the student loan. Find out more at:
http://www.esdc.gc.ca/eng/jobs/student/loans_grants/index.shtml

3. You could pay some of the costs from your income at the time.

You may have enough income to be able to pay some or all of your child's education bills as they go through school. Or you may take on an extra job to get more money. This chart shows you how far money from your current pay could go:

How much you will pay from your income each month:	How much this adds up to each year:
$50	$600
$100	$1,200
$200	$2,400
$300	$3,600
$400	$4,800
$500	$6,000

4. You could borrow money to pay the bills.

Some parents focus on paying off the mortgage and other debts when their children are young, instead of saving for education. Then, if money is needed for education, they may borrow back some of the money they have put into their home to help pay for post-secondary education. For example, they may take out a new mortgage or use a line of credit. Other sources of borrowing may also be available. Some people borrow money from a family member such as a grandparent, for instance.

5. You may get financial gifts from others.

Some lucky families get money from grandparents or some other source as a gift. These people want to help pay for your child's education. They do not expect you to repay this gift.

6. You can get money from the government.

Bet you enjoy hearing news like that! Well, this opportunity actually exists, and you can take advantage of it.

If you save money in a Registered Education Savings Plan (RESP), you will get added money from the federal government. In a moment, we'll take a closer look at Registered Education Savings Plans (RESPs) and how they can help you get started with your education savings.

Federal Government Programs

There are two main federal government education savings incentives: the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB).

The Canada Education Savings Grant

Depending on your income and how much you save, the Government of Canada will add 20%, 30%, or 40% to your RESP savings. Over the years, you can get as much as $7,200 towards your child's post-secondary education!

And don't forget: that money from the government will earn interest. This means you will have even more savings for your child's education.

How much money can you get from the Canada Education Savings Grant for the dollars you save in an RESP?

It depends on two things:

- how much you save in your child's RESP and
- your family income. Here's what you can get each year:

If your family income[1] is:	And you save:	You will get:
Under $43,561	$1 up to $500	40% added
	$501–$2,500	20% added
		Maximum: $600 each year
Between $43,561 –$87,123	$1 up to $500	30% added
	$501–$2,500	20% added
		Maximum: $550 each year
Over $87,123	$1 up to $2,500	20% added
		Maximum: $500 each year

Example:

Suppose that your family income is under $43,561 and that in one year you save $700 in your child's RESP.

For the first $500, the CESG will give you $200
(40% up to $500 = 40% x 500)

For the next $200, the CESG will give you $40
(20% above $500 = 20% x 200)

The total you get from the CESG: $240

Your total savings then would be your $700 plus the $240 from the CESG = $940

1. Note that the income amounts shown are for 2008. The family net income amounts are updated each year.

Therefore, knowing your income, you can see from the above information how much you will get for every dollar you save in an RESP up to $500. The answer will be 20%, 30%, or 40%.

How much do you want to assume you will receive from the Canada Education Savings Grant?

Answer: $ ____________________

To calculate this amount, first figure out if you will get 20%, 30%, or 40% on the first $500 you save.

Then, estimate how much you think you will try to contribute to your child's RESP each year. If it is $500 or less, multiply the amount by how much grant you will receive.

For example, if you can save $500 and qualify for a grant of 30%, that equals $500 x 30% = $150. Then multiply this by the number of years until your child begins post-secondary education or training. If you assume 12 years, the amount would be $150 x 12 years = $1,800.

If you are likely to contribute more than $500 a year, then you will need to add 20% for the amounts saved over $500.

For example, if you think you can save $800 a year, or an additional $300, that would be $300 x 20% = $60. Your total from the CESG, per year, would be $150 + $60 = $210. Over 12 years, you would receive $210 x 12 = $2,520.

(Note that your income only affects how much you receive on savings *up to* $500. Everyone receives 20% on money saved *over* $500, up to $400 a year on the next $2,000 that you are able to save. If you are able to use the on-line version of this Guide, you will be able to link to the Investor Education Fund's education savings calculator, which will do this calculation for you.)

Remember: The maximum grant that you can receive for each child over the years is $ 7,200.

The Canada Learning Bond

Lower-income families may also get money from the government through the Canada Learning Bond. Your family could qualify if:

- your family receives the National Child Benefit Supplement
- your income is below $43,561
- your child was born after December 31, 2003.

If you do qualify for the Canada Learning Bond, here's what it can pay to assist your child's RESP:

- $25 to help cover the cost of opening the account
- a start-up payment of $500
- $100 a year until your child turns 15 years of age (as long as you continue to receive the National Child Benefit Supplement).

That means the Canada Learning Bond program can provide up to $2,000 for your child's education. So, does your child qualify? If so, multiply $100 times the number of years until your child starts post-secondary education or training (or until your child turns 15) and add the $500 start-up payment.

For example, if you have 12 years, you could receive $100 x 12 = $1,200 + $500 = $1,700.

TIP: If you live in Alberta and your child was born in 2005 or later, you may also get money through the Alberta Centennial Education Savings Plan.

Provincial Government Programs

If you live in Alberta, the government has designed the Alberta Centennial Education Savings (ACES) Plan to help parents save for their children's post-secondary education. The plan will contribute $500 to the RESP of every child born to Alberta residents in 2005 or later. In addition, $100 grants are available to children who turn 8, 11, or 14 on or after January 1, 2005.

To learn more about how to qualify and apply for these grants, call 1-866-515-2237 or visit http://www.advancededucation.gov.ab.ca/aces/. If you live in any other province or in the territories, check with your provincial or territorial government as they may offer additional help with education saving.

Do you qualify for the Alberta Centennial Education Savings Plan?

Answer: YES ☐ NO ☐

If yes, how much will you qualify for?

$500 ________

$100 ________

$200 ________

$300 ________

SUMMARY

So how much do you want to assume you might receive from government grants?

Canada Learning Bond:	$
Canada Education Savings Grant:	$
Alberta Centennial Education Savings Plan:	$
Total government grants:	$

Why does the government offer such help? Well, in the end, we all benefit if our children do well, get a good education, and participate productively in Canada's economy. That is why the government is ready to invest in your child's future.

WHY YOU MAY WANT TO SAVE IN AN RESP

If you believe that your child will likely go on to some form of post-secondary education or training, an RESP account can be a great way to save. Here's why.

What is a Registered Education Savings Plan (RESP)?

- An RESP helps you to save for your child's future education.
- It is available at most financial institutions.
- Anyone can open the plan in the name of your child. You and others can make deposits to your child's RESP.
- Over time, you can put up to a maximum of $50,000 into each child's RESP.

1. You get money from the government to help you save more. All families can get money from the Canada Education Savings Grant program. Lower income families may also qualify for the Canada learning Bond. But you can only get these grants if you open an RESP.

2. There are tax benefits. You don't pay tax on the money you make investing your RESP savings – as long the money stays in the RESP. Be aware though that you don't get a tax deduction for the money you put into an RESP. But even then, your child's income will likely be low when the money is withdrawn. Therefore, it is likely little tax will be paid on money taken out of an RESP when it is needed for post- secondary education.

3. Having an RESP can also help you stick to a savings plan. For example, with many plans you can set it up so you put in a set amount of money automatically each month. So if you have trouble with saving regularly, an RESP plan can help.

Are there any reasons I would NOT want an RESP?

RESPs are for saving money for your child's future education and training. If it ends up that your child does not continue their studies after high school, you will not receive the government grant portion. When you are making any decision about an education savings plan, always be sure to ask if there is any risk that you will not get your savings – or part of your savings – back. If there is, ask for a clear explanation for why that might happen.

What RESP choices do I have?

RESPs come in all shapes and sizes. Some plans let you invest your savings on your own. Others invest your money for you. Some plans are for one child only. Others are for families.

There are two main types of RESPs:

1. RESPs you buy through a financial institution (including a bank, mutual fund company, brokerage firm, or trust company). These RESPs work a lot like any other investment account.
2. Scholarship plan RESPs, which you buy from scholarship trust companies. With these plans, you are part of a larger group of families who are also saving for their children's education.

This Guide will focus on RESPs that you would open at a financial institution. To find out more about scholarship plans, visit the Investor Education Fund web site at http://www.getsmarteraboutmoney.ca and enter "scholarship plans" in the Search box.

What will an RESP cost?

Financial institutions will often help you set up a plan free of charge. You will, however, likely pay other fees later, such as sales fees, investment management fees, and, in some cases, annual account fees. Compare these costs with the benefits you can get from an RESP – including money from government grants – and you'll likely find it is worth it.

Are there risks if I open an RESP?

Whenever you save and invest money, there is some risk. RESP risks vary from plan to plan. The three most common risks are:

1. Investment risk. There is the risk that you may not make as much as you hoped to from the investments in your RESP. For example, you may get poor returns or lose money as a result of bad investment decisions. In most cases, to get a higher return, you have to accept a higher level of risk.

2. Future risk. There is the risk that your life may not work out the way you hoped. Most people invest in their RESPs over many years. Over that time, life can change. Your child's plans may change, or you may have to drop out of or cancel your plan. If that happens, you may lose money through penalties or other fees.

3. Cost risk. There is the risk that your investment costs could reduce your returns more than you expected.

These risks vary from plan to plan. You can reduce the risk by choosing the type of plan that is right for you.

How do I open an RESP?

There are many types of RESPs and many places to open a plan. Take these three steps before you sign up for any plan:

1. Learn as much as you can about RESPs.

Some plans have strict rules about how much you need to save and how you get your money back out. This can be important because you may have your RESP for many years. Life – and your finances – can change a lot over time. So be sure to ask:

1. Are there rules about how much I can or must save each year?
2. When do I contribute?
3. Who will invest my money?
4. How fast will my money grow?
5. How much will this plan cost?
6. What happens if my plans change?
7. What if I need the money that I have deposited into the plan?
8. What happens in terms of taxes when money is taken out of the plan?

2. Compare plans at different companies.

You may want to talk to someone at:

- Your bank or where you invest
- An investment firm
- A financial adviser.

You can also do some research over the Internet. See sources of information on page 35 of this Guide.

3. Fill out all the necessary papers.

Once you choose the plan that's right for you, you will have some forms to fill out. You will also have to apply for your government grants. The sales representative will help you set everything up. Read every paper carefully before you sign, and keep your records in a safe place.

SUMMARY OF MONEY FROM OTHER SOURCES

How much would you like to assume from each of the following possible sources? Enter the amounts here.

Your child's work income:	$
Scholarships, grants, loans:	$
Your income at the time:	$
Loans from other sources:	$
Gifts from other sources:	$
Government grants:	$
Total from other sources:	$

Now enter this figure on line #2 in your planning worksheet.

Continue to Step 3 on page 23, where you will set your savings goal.

step 3: set your savings goals

From Step 1, you have an idea of how much it is going to cost for future education. From Step 2, you have an idea – or at least a hope – of what you will be able to get from a variety of sources to help out with the costs. The next steps, then, are to set your savings goals and create a plan to help you reach that goal.

EXERCISE:

Subtract line #2 from line #1 on your planning worksheet.

Enter this number on line #3. This is your Total Savings Goal.

This number tells you how much money *you* still need to save to pay for your child's post-secondary education. For some people, the amount will be a shock. For others, it may be a relief.

The question is: How are you going to save the amount you will need?

The answer is to put some kind of savings plan in place. Decide how much you need to save each week – or each month, or each year – to reach your savings goal.

Setting Your Weekly, Monthly, or Yearly Savings Goal

To help you plan and set a weekly, monthly, or yearly savings goal, you need to have the answers to the following questions.

1. What is your Total Savings Goal? (calculated above)

   Answer: $ ____________________

2. How much have you saved so far?

   Answer: $ ____________________

3. How many years do you have to save until your child attends post-secondary education or training?

   Answer: ____________________ years

Now what? Well, with this information, you can now calculate your weekly, monthly, or yearly savings goal. There are three ways to do this.

1. Do the math yourself.

    a. Total savings per year: Take your Total Savings Goal and divide it by the number of years until your child will start post-secondary education or training. This will tell you how much you will need to save each year until your child enters post-secondary education or training.

    b. Total savings per month: Take your total savings per year from (a) above and divide by 12. This will tell you how much you will need to try to save, on average, each month.

    c. Total savings per week: Take your total savings per year from (a) above and divide by 52. This will tell you how much you will need to try to save, on average, each week.

    These yearly, monthly, or weekly targets can help you as you try to put your savings plan in place. Note that when you do this rough calculation you cannot include the interest that your savings will earn over the years, and this interest can really make your savings grow. To include it, you will need some help – or a calculator. Therefore, see the next two options.

2. Take the information that you have developed in this Guide to the place where you do your banking. Ask to speak with an adviser who can help with the calculations.

3. Go to The Building Futures Network web site at www.buildingfuturesnetwork.com and click on Planning Guide from the menu bar on the left. Select "Calculate your weekly, monthly, or yearly savings target." This will link you to the Investor Education Fund's excellent on-line calculator, which will walk you through the steps and help you with the math.

    The calculator will suggest what you need to save every year in order to pay for your child's education.

Once you have found out your weekly, monthly, or yearly savings goals,

Enter the amount that you will have to save per year to reach your Total Savings Goal on Line #4 on the planning worksheet.

Take a look.

Are you already on course to saving what you will need?

Have you already opened an RESP for your child to be able to get the Canada Education Savings Grant – and the Canada Learning Bond if you qualify?

If yes, congratulations! You already have a savings plan that works. Just keep going and make it work. And remember to check your numbers every year or so, especially if your life circumstances change.

However, if you would like to put a plan in place, that is what the next section of this Planning Guide can help you to do.

step 4: develop your plan

PART A: WHY YOU NEED TO START TODAY

The sooner you start, the more time you have to save, and the more time your savings have to grow. Not only that: as you make money investing your savings, that extra money can grow too. This is called compounding.

Example:

Let's say you put $5,000 into an RESP when your child is born. Your money grows 3% each year. After 10 years, you would have about $6,700 for your child's education – and that's if you never saved another cent! That's the power of compounding.

Through compounding, you can even double your money over time. How long would that take? You can get a quick answer using the "Rule of 72." You simply divide the number 72 by the rate you expect your savings to grow each year. That's the number of years it will take to double your money.

Tip: The Rule of 72 is not exact. But it works pretty well if your savings grow less than 20% a year.

Example:

Again, let's say you put $5,000 into an RESP when your child is born. Your money grows 3% each year. Using the Rule of 72, you divide 72 by 3 and get 24. That means you could double your money in about 24 years if you let your savings grow through compounding.

Why it is so important to start early: The story of Suzanne, Gary, and Lucia

Suzanne, Gary, and Lucia each want to save money to help pay for their children's education. Each one will begin to save when their child is a different age. Suzanne starts saving when her daughter is 13. That means she only has five years until her daughter turns 18. Gary starts saving when his daughter is 8. So he has 10 years to save. Lucia's son is three when she begins saving. She will be able to save for 15 years.

Suzanne, Gary, and Lucia will each save $100 a month. They will earn 3% on their savings. How much money will each one have by the time the children turn 18?

- After saving for 5 years, Suzanne will have: $6,458
- After saving for 10 years, Gary will have: $13,945
- After saving for 15 years, Lucia will have: $22,628

So even though they each save the same amount of money every month, the length of time they save makes a huge difference. This difference will be even greater if contributions from the Canada Education Savings Grant and Canada Learning Bond are included.

Note: These numbers are for illustration only.

PART B: HOW TO FIND MONEY TO SAVE

For many families, the main reason they don't start saving is simple: it's hard to find the money. Between raising children and paying for a home, a car, and other costs, there just aren't a lot of extra dollars.

But there are some simple ways to save more. For instance, can you cook more meals at home and eat out less? Shop at less expensive stores?

Even if you can't save a lot on your own, you can still take advantage of government grants. For instance, you can get the Canada Learning Bond and the Canada Education Savings Grant. If the money is available to assist you, you might as well use it to help pay for your child's education!

Tip: If you are on-line, try out the "Increase Your Savings" tool on The Building Futures Network web site. It lets you enter changes that you could make in your life – for example, rent one less movie a week or buy two fewer lunches each week. It shows what happens as a result of these changes over the course of a year.

SAVINGS TIP #1: "Trade a coffee or two for an education"

Did you know: if you gave up a $2 coffee a day from the time your child is born, you could save over $20,000 for their post-secondary education or training? That amount includes:

- $200 a year from the Canada Education Savings Grant
- 3% interest on your savings each year.

It does not include money from the Canada Learning Bond or the Alberta Centennial Education Savings Grant. If your child qualifies for these programs, the total would be even higher.

SAVINGS TIP #2: Save first, spend later

It is much easier to save if you put aside a certain amount from your pay into a savings account **before** you have a chance to spend it. It's much harder to find money for savings out of what is left over at the end of the week or month – if, indeed, anything is left over. Saving for education should become part of your monthly budget.

Let's see what would happen if you put aside $30 from your pay every two weeks from the time your child is born. Again, we'll assume:

- You will get a $200 Canada Education Savings Grant each year
- Your savings will grow 3% a year.

You could save **over $21,000** in 17 years. And if your income rose over those years, you may find you could save even more.

SAVINGS TIP #3: Use your tax refund or extra pay to help pay for education

Many Canadians get a tax refund at the end of the year. If you do, consider putting some or all of your refund into an RESP each year.

Suppose you receive a $500 tax refund each year and decide to put it into your child's RESP. And, you get a $150 Canada Education Savings Grant each year. After 17 years, at 3% interest, you would have savings of **over $14,000.**

You could do the same thing with money you get from a bonus at work. Or, if you paid off a loan, you would have some extra money to direct to savings each month.

SAVINGS TIP #4: Work extra to get extra money for education

Some parents take a part-time job to save money for their child's RESP. For instance, let's say you find a part-time job that pays $15 an hour. You work 14 hours a week for just four weeks and earn $840. Let's assume:

- You save $650 after taxes and other costs
- You get a $150 Canada Education Savings Grant
- You make 3% interest on this money.

If you did this for 17 years, you could save **almost $18,000** for your child's education.

SAVINGS TIP #5: A loonie, a toonie, and a better future

Saving the change in your pocket or purse at the end of each day can be an easy way to help pay for your child's education. Coins often don't seem like a lot of money, so most people don't miss them. Just make sure you get some kind of container to put your loose change into – preferably one that makes it hard for you to retrieve the coins once they go into the jar.

Tip: Make sure the money you save really does go to a savings account or RESP. For example, put it in a jar or deposit it into a savings account that you use just for education savings. Otherwise, you may just find that you spend it on something else.

How much could you save this way? Let's assume:

- Every day for 17 years you save one loonie and one toonie for your child's RESP. That's $3 a day, or $1,095 a year
- You get a $250 Canada Education Savings Grant
- Your money grows 3% a year.

The answer: you could save **almost $30,000!**

EXERCISE:

Using the ideas you have just read about – or others of your own – try to think of all the things you could cut back on or do without altogether to reach your savings goal.

Enter the steps you want to take to increase your savings on the planning worksheet.

final word

We hope you have found this Guide useful as you make your education savings plans. Education costs are high, and it is easy to get discouraged about saving enough – especially since most of us have a lot of other bills to pay.

Just remember: when you save money in an RESP, the government helps you save more by providing grant money to help you save for future education. So even a few dollars saved every month can make a big difference. Even if it only helps pay part of your child's education costs, it's still a great start for their future.

If you have questions, suggestions, or need help, please get in touch with us through The Building Futures Network site – or at one of the contact numbers shown below. We wish you and your child much success!

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planning worksheet: planning your education savings

Use this worksheet to record the key points in your education savings plan.

1.	Estimate of Total Cost for post-secondary education	$
2.	Estimate of amount you could get From Other Sources	$
3.	Total amount to save – your Total Savings Goal	$
4.	Amount you will need to save each year to reach this Savings Goal	$
5.	Amount you think you can currently save per year for post-secondary education savings. (Note: If this amount is equal to or greater than the amount on line 4, you are pretty well set and ready to begin your savings plan.)	$
6.	If the amount on line 5 is less than the amount on line 4, you'll need to find some new ways to save. So subtract line 5 from line 4 to find out how much more, if any, you have to find in new savings each year. If you need to find new ways to save, check out the ideas provided in the Guide and then decide how you are going to increase your savings. On the next page, enter the steps or actions you are going to take.	$

IDEAS AND STRATEGIES TO HELP YOU SAVE MORE

Action	Target Savings Per Year
1.	$
2.	$
3.	$
4.	$
5.	$
6.	$
Total New Savings: This figure should be equal to or greater than the figure on line 6 in the planning worksheet if you want to reach your Total Savings Goal.	$

sources of information

Alberta Centennial Education Savings Plan (Alberta Advanced Education and Technology)
Tel.: 1-866-515-2237
Web Site: http://www.advancededucation.gov.ab.ca/aces/

CanLearn
Tel.: 1-888-276-3624
Web Site: http://www.canlearn.ca (search for: Canada Education Savings Grant, Canada Learning Bond, Saving for a Child's Education)

Canada Revenue Agency
Tel.: 1-800-714-7257
Web Site: http://www.cra-arc.gc.ca (search for: Registered Education Savings Plans)

Canadian Foundation for Economic Education
Tel.: 1-888-570-7610
Web Site: http://www.cfee.org (click on The Building Futures Network and Virtual Adviser sites)

Investor Education Fund
Web Site: http://www.getsmarteraboutmoney.ca

Service Canada
Tel.: 1-800-O-Canada (1-800-622-6232)
Web Site: http://www.servicecanada.gc.ca (search for: Registered Education Savings Plan)

Human Resources and Social Development Canada
Tel.: 1-888-276-3624
Web Site: http://www.hrsdc.gc.ca (search for: Education Savings Publications)

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