

Secure your grandchildren's post-secondary education needs



Saving for a child's post-secondary education is an important investment in his or her future, particularly with the rising costs of tuition and related expenses. Studies suggest that in 15 years the average 4-year program, including tuition, accommodations, transportation and student fees could be \$117,000.*

Manulife has a strategy to help you save even more for your children or grandchildren's post-secondary education. The approach is simple: invest a lump sum amount in a Tax-Free Savings Account (TFSA) or non-registered contract, and transfer \$2,500 per beneficiary to a Registered Education Savings Plan (RESP) each year. This is an effective way to accelerate savings because the entire amount is invested longer than with annual RESP contributions alone, and you benefit from compounding growth.

TO SEE THIS STRATEGY IN ACTION, LET'S LOOK AT A CASE STUDY

Kathleen and Richard want to help fund their granddaughter, Ella's, post-secondary education. Ella was born in January 2013, and they hope she will attend college or university when she reaches age 18. With the help of their advisor, they are evaluating two options.

*O'Hara, Claire. Investment Executive, July 11, 2012. Grappling with the growing cost of education.

The first option is to simply begin investing \$2,500 each year in an RESP. This will ensure the plan qualifies for the maximum Basic Canada Education Savings Grant (CESG) of \$500 per year.

The second option is to invest \$30,000 they have available now, depositing \$2,500 into an RESP and the balance into their TFSAs (\$27,500 or \$13,750 per grandparent). At the beginning of each subsequent year, they could then transfer \$2,500 from the TFSAs

to the RESP in order to qualify for the maximum annual CESG. Kathleen and Richard are considering using the \$30,000 for other purposes, but may fund the education savings plan up-front if there are benefits to doing so. Their advisor has recommended against depositing the \$30,000 directly into an RESP since they will only qualify for the CESG in the first year, and RESPs have less flexibility than TFSAs.

To see which option works best for them, let's compare the accumulated values after 18 years.

	Option 1: Invest \$2,500 in RESP each year (\$)	Option 2: Invest \$30,000 now; transfer \$2,500 from TFSA to RESP each year (\$)						
Total investment	36,000 ¹	30,000 (6,000 less than Option 1)						
Total CESG received	7,200 ²	7,200 ²						
		<table border="1"> <tr> <td>RESP</td> <td>+</td> <td>TFSA</td> </tr> <tr> <td>76,498.73³</td> <td></td> <td>8,449.64³</td> </tr> </table>	RESP	+	TFSA	76,498.73 ³		8,449.64 ³
RESP	+	TFSA						
76,498.73 ³		8,449.64 ³						
Accumulated value after 18 years	76,498.73 ³	= 84,948.37 (8,449.64 more than Option 1)						

For illustration purposes only. ¹\$2,500 deposited per year for 14 years; \$1,000 in 15th year; assumption that RESP contributions continue only until the CESG grant has been maximized at \$7,200, which occurs in year 15. RESP contributions occur at the beginning of the year. ²20% of annual contributions. ³Assumes a 5% annual compound growth rate. Note: Kathleen and Richard do not qualify for any additional government incentives and grants.

Compound growth in the TFSA in Option 2 is a strategy that will help accelerate Kathleen and Richard's pool of education savings. They decide to proceed with option 2 since it results in a higher total accumulated value with a lower overall investment (\$30,000 vs. \$36,000). The TFSA balance of \$8,449.64 could also be used to supplement the RESP savings or used for other purposes. While the assets are held in the TFSAs, any growth is also non-taxable.

Manulife Investments Segregated Funds or Manulife Mutual Funds are an ideal choice to help you put this strategy into practice.

TIP An alternative to depositing a lump sum amount into a TFSA or non-registered contract is to contribute to an RESP through annual payments from a Manulife Annuity.

TO FIND OUT MORE, PLEASE SPEAK TO YOUR ADVISOR OR VISIT MANULIFEINVESTMENTS.CA



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